

A leather workshop scene with various tools and machinery. In the foreground, there's a piece of light-colored leather with perforations, a wooden-handled tool, and a small orange object. In the background, a sewing machine and other leather goods are visible on a workbench.

EST **tandy**[®] 1919
LEATHER

Annual Meeting of Shareholders

June 2, 2020
Management Presentation

Introduction

Tandy Strategy Overview



INTRODUCTION



Today's presentation will include statements, other than historical results, that constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended. These statements reflect our expectations or estimates based on the information we have today but are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from the statements contained in this presentation. You are cautioned not to put undue reliance on these forward-looking statements. The Company assumes no obligation to update or otherwise revise these forward-looking statements, except as required by law.

Long-term strategy to drive sales and earnings growth

Our assessment revealed strengths and opportunities...

...Leading to key actions we need to take to grow

2019: a year of investment – and restatement

We are now also addressing COVID-19

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TANDY STRATEGY



Strengths

- Brand awareness and strong equity
- Our stores are a key competitive advantage
- 100-year old heritage

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TANDY STRATEGY



Opportunities

- Pricing was too high and complicated
- Consumer perception of inconsistent quality targeted at beginners
- Competitors have been winning with high-value consumer segments
- Customers outgrow Tandy
- Talent, process, tools, systems to execute strategic initiatives need rebuilding

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TANDY STRATEGY



TANDY STRATEGY



Strategic Actions

- Improve the brand proposition
- Reverse the decline with business customers
- Build the talent, process, tools, systems
- Position for long-term growth

**Started in 2019, these actions
require multi-year investment**

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Long-term growth

- Online
- International
- Chains and institutions

**We have already made
significant progress in
building our online business**

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2019 Summary

Strategy & Performance



2019 GOALS: FOUNDATION BUILDING



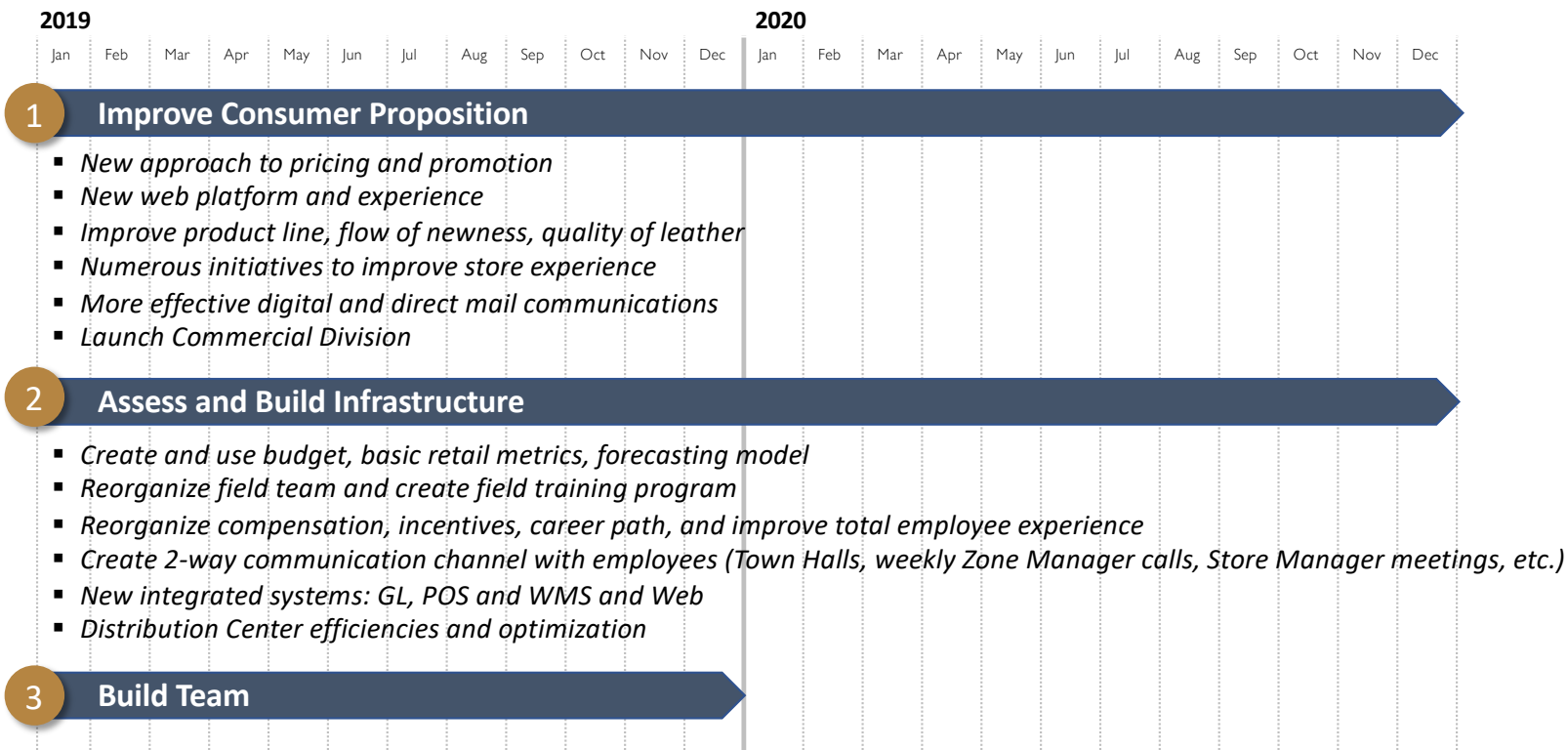
Improve our brand proposition with key consumer segments

Assess and build the infrastructure and operating model

Build the team

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2019 INITIATIVES



2019 SALES



Changes accounting for \$3MM in sales decline

- Closed 5 stores
- Stopped selling on Amazon, Ebay and Walmart.com
- Made Leathercraft Library free
- Ended Wholesale Clubs

Remaining decline attributed to start-up effects of a new team

2019 Sales Bridge (\$000)



Sales on fiscal calendar

RESTATEMENT



Inventory not correctly stated at FIFO

Warehousing and handling not correctly capitalized

Warehousing and handling incorrectly classified as operating expenses

On track to complete by August 10, 2020

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2020

COVID-19 Response & Outlook



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2020 PLAN



Demonstrate success of our consumer-facing strategies

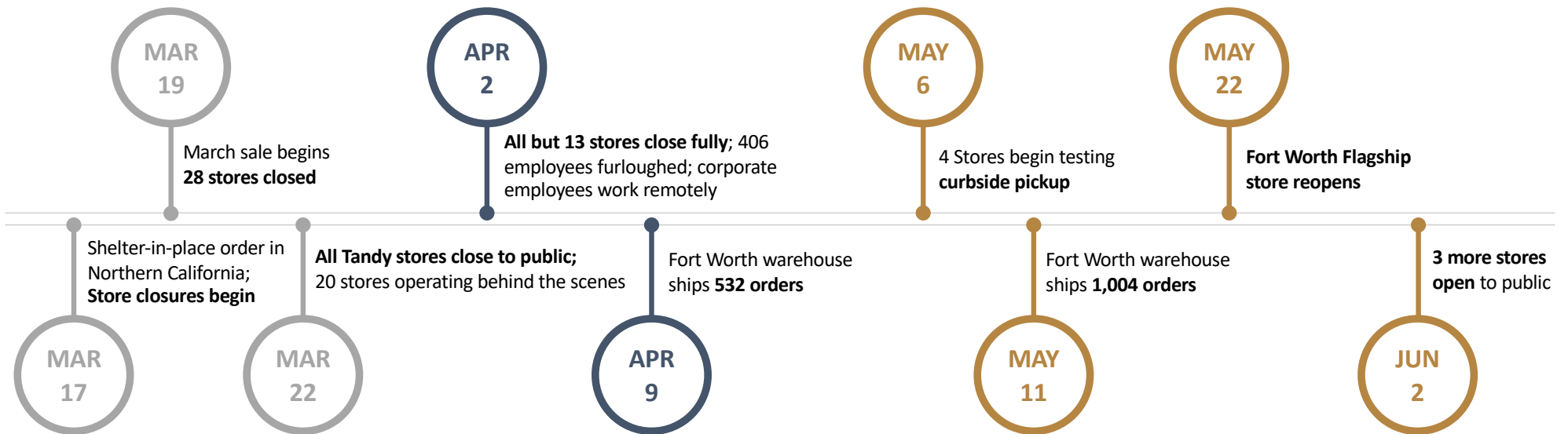
Substantially complete key infrastructure initiatives

Evaluate and test growth opportunities

Complete restatement by August 10, 2020

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TIMELINE



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COVID-19 RESPONSE



Focus on web fulfillment

- Retooled to drive online business and fulfill all web orders out of Fort Worth
- Able to ship over 1,500 direct-to-consumer orders from our warehouse daily
- Created virtual customer service and phone order team

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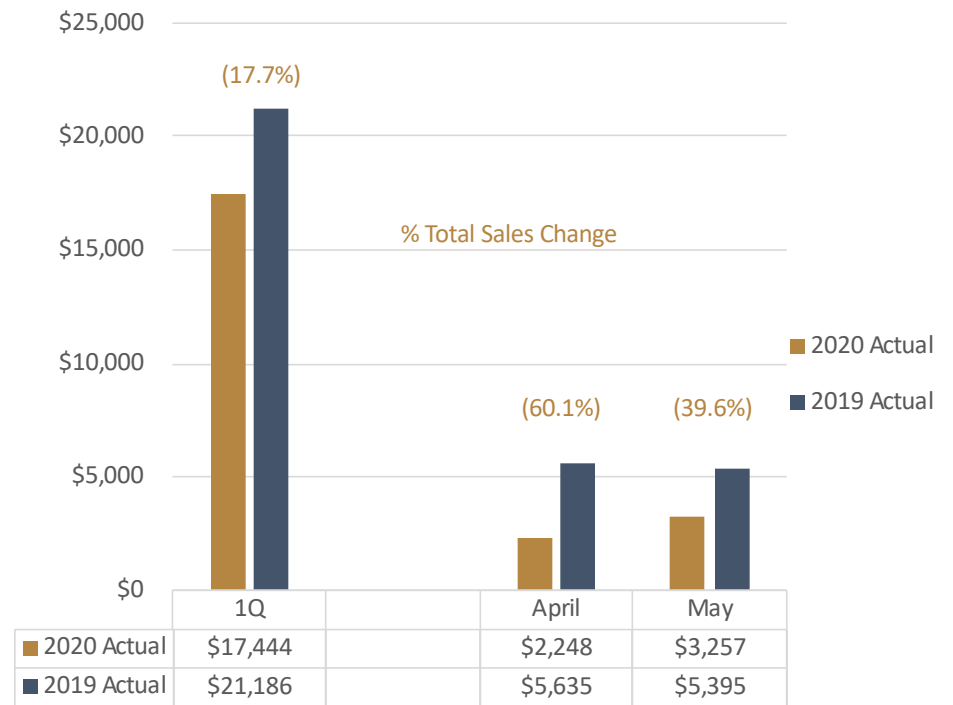
2020 SALES



Increase in online sales
Online orders up 200%
from last year

Decline in total sales
1Q – 18% decline
April – 60% decline
May – 40% decline

2020 Sales (\$000)



Sales on retail calendar

COVID-19 RESPONSE



Focus on conserving capital and protecting liquidity

- 406 employees furloughed or laid off on April 2
- Reduced SG&A expenses, including salary cuts
- Paused product purchases
- Negotiated abatements, deferrals and longer-term reductions in rent
- 8 stores permanently closed

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COVID-19 RESPONSE

Closed stores

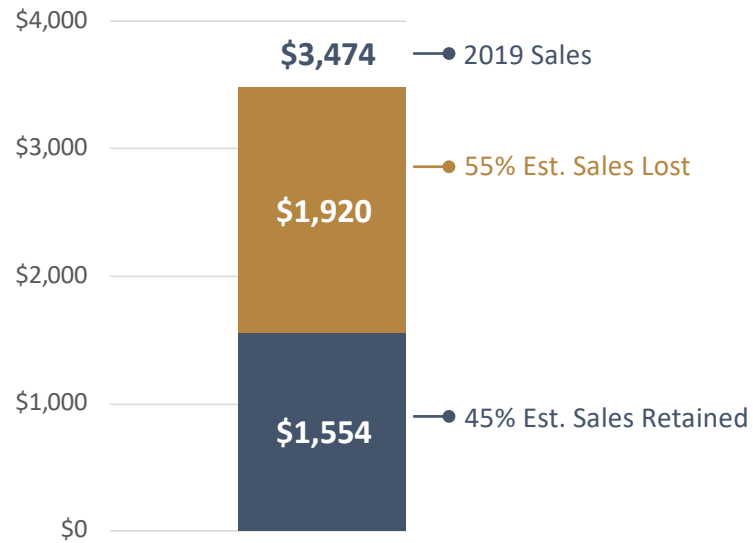
- Phoenix AZ
- Austin TX
- Dallas TX
- Peoria IL
- Richmond VA
- Nyack NY
- Johnston RI
- St Leonard QC



COVID-19 RESPONSE



Store Closures Sales Impact (\$000)



Operating Expense Impact (\$000)

SG&A savings: **\$1,586 annually** ↑

Total cost to exit: **\$183 in 2020** ↓

WHERE WE ARE NOW



Reopening stores where possible

- Prioritize the safety of our employees, customers and community
- 10 stores currently offering curbside pickup (plus 2 more by June 5)
- Fort Worth Flagship location opened to customers

This is a gradual process, as we monitor and assess business and environment factors for each store

10 total stores will have reopened to the public by June 5

June 2

El Paso TX
Portland OR
Oklahoma City OK

June 5

Columbus OH
Billings MT
Berlin CT
Pittsburgh PA
Denver CO
Phoenix AZ

OUTLOOK



Protecting long-term value

Positioning to reemerge strong

Solid strategy to build on

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QUESTIONS



To ask a question, please message Daniel Ross in the Zoom chat and he will facilitate

If you are calling in on a phone line and would like to ask a question, please email Dan Ross at daniel.ross@tandy.com

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