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<<Paul Trussell, Analyst, Deutsche Bank>>

Good morning, my name is Paul Trussell. I am the retail analyst at Deutsche Bank. And we're here for a fireside chat with Tailored Brands. At Tailored Brands it is a leading specialty retailer of men's tailored clothing and the largest men's formal wear provider in the U.S. and Canada.

The Company has an expansive omni-channel network that includes over 1400 stores and a branded e-commerce website. Brands include Men's Wearhouse, Joseph A. Bank, Joseph Abboud, Moores Clothing for Men and K&G.

And I'm very happy to have with me today the Executive Chairman, Dinesh Lathi and the CFO Jack Calandra. Good morning gentlemen.

<<Dinesh Lathi, Executive Chairman>>

Good morning.

<<Jack Calandra, Chief Financial Officer>>

Good morning Paul.

<<Paul Trussell, Analyst, Deutsche Bank>>

To maybe kick off our conversation and chat today, you did provide a press release regarding your holiday update. Can you just go ahead and tell us about fourth quarter to-date results?

<<Dinesh Lathi, Executive Chairman>>

Happy to. I'd say the big change between when we had our Q3 earnings call and this most recent update was really around our Joseph A. Bank business.

Going into that Q3 earnings call, we were comfortable with the performance trajectory of the Joseph A. Bank business, but in the third and fourth week of December, we experienced some unexpected traffic headwinds.

When we went back and did our hindsight on our own marketing execution, it didn't reveal any smoking gun and so we're also considering external factors such as stock market volatility that was present at the time and just the generally promotional environment during those two important holiday selling weeks.

As disappointed as we were in those particular two weeks, I'd say we did see traffic improve in December week five and more importantly, we continue to have confidence in our long-term customer thesis. Specifically, we think the man is becoming or will become more fashion aware as a result of certain demographic macro trends such as the millennials coming into their own in terms of spending and the influence of social media.

We believe that man is going to increasingly demand personalized services and products with respect to fashion. We think he's going to demand a seamless experience across all the channels he swims in, whether that's online or offline with respect to fashion. And we think at the end of the day he's increasingly going to want to transact with brands that stand for something other than just price. That's a little bit of an update on our holiday.

<<Paul Trussell, Analyst, Deutsche Bank>>

Absolutely. And if we take a step back when you gave your original, fourth quarter guidance, you had spoken to some volatility in the men's warehouse business and you were taking some actions to correct that. Can you just talk a little bit more about the actions you've taken on the MW side and what you're seeing specifically out of that banner?

<<Dinesh Lathi, Executive Chairman>>

Yes. The actions we had talked about for the Men's Warehouse brand was really getting sharper around our promotional messaging and our price points at a point in time that the broader environment was heavily promotional.

And so specific changes there as our marketing mix in terms of branded versus more promotional messaging. We swung that all the way to 100% during this period. And again, as I mentioned, and really in both of our business the Joseph A. Bank business and the men's warehouse business, we got sharper on our price points, but at the same time making sure we were keeping an eye on margin as well.

<<Paul Trussell, Analyst, Deutsche Bank>>

And as we think about, the goal for period and the plan to return these banners to positive comps, talk a little bit more about from a category standpoint in terms of the assortment, in terms of the marketing approach, help us better understand what the drivers of more sustainable positive comp trends will be.

<<Dinesh Lathi, Executive Chairman>>

Yes, for us it always comes back to our belief about the customer. And that's what's really driving these strategic initiatives. And so as you think back to that customer thesis that I talked about and in those three elements around personalization, brands that stand for something more than just price and a seamless omni-channel experience. Those will continue to be the things that we believe will be meaningful components of sustainable growth and value in the business.

And if you look at the initiatives that we've been executing against in 2018, those all match up to one or more of those three items, whether it's custom suiting being a great example of personalization. It's our shift and the evolution that's been happening in our marketing mix from something that was heavily weighted towards promotional advertising to evolving to a more healthy balance between promotional and storytelling.

And then ongoing investments to try to remove some of the friction points in our omni-channel experience and those are things that certainly as you look at the growth we've experienced in our suit business or whether it's the new to file additions. We saw as we started to roll out some of those more brand oriented marketing campaigns that we're starting to see some success points in those initiatives and so we have confidence in our thesis around the customer. We have confidence in that the initiative that we've lined up are going to ultimately deliver value because they address where the customer is going and what the customer needs.

And so we think those can be over the long-run they can help us deliver sustainable growth and value in the business.

<<Paul Trussell, Analyst, Deutsche Bank>>

So let's talk about custom, it's been a big focus for the team, and correct me if I'm wrong, but I believe you were at a \$5 million a week run rate with your custom sales revenue, which is pretty astonishing. So, just help us understand the expectations from here. What's the opportunity overall as you see it and how are you messaging to the customer and incentivizing them to really take a look at your custom offering.

<<Dinesh Lathi, Executive Chairman>>

Yes so, obviously we're pleased with the growth we have seen in the custom business through the end of Q3 year-to-date that business had more than doubled relative to last year. And we think one of the reasons we've been able to experience that sort of growth is that we are executing and innovating along dimensions that matter to the customer. So, specifically along speed, service and selection and some of the progress we've made is, if you look at 2018, in terms of speed, now we are down to three to four weeks on our, call it our regular or standard price points.

Our premium price points now are at a two-week delivery and as you all know recently we introduced custom express which has brought that delivery time for that product down to one week. And so, continuing to push on speed.

On the selection side, we've got over 250 fabrics available, 100 different linings over 200 fabric selections for customs shirting. And we've recently introduced custom options in our performance lines. So on the Men's Wearhouse side, the Kenneth Cole in AWEARNESS – AWEAR-TECH sorry, and on the Joseph A. Bank side, the travel or TravelTech. And so again, selection being an important aspect of what the customer is looking for.

And then finally on the service side, some of you have seen the custom fixture installation in our stores. That creates really a more compelling environment and far more suitable for a custom transaction. We've rolled out 560 of those now across the fleet. We've also made investments in the education and training of our wardrobe consultants and so now roughly 80% of our wardrobe consultants have gone through a fairly rigorous internal certification process so that they can deliver the customized fit experience that we think makes a custom suit so compelling.

And so those vectors, if you will, that matter so much to the customer and continuing to innovate on those things that drove growth in 2018, we have confidence that if we continue to push on those in 2019, we can continue to grow the custom business. It's 20% of all sleeve units right now, in some of our highest penetrated stores that's over 50%. And you couple that with the fact that we have only just started to talk about our custom offering in some of our more brand oriented marketing. You add all that up and we continue to believe there's a substantial growth opportunity in the customs side of the business.

<<Paul Trussell, Analyst, Deutsche Bank>>

And so with custom is that bringing in a new customer or to what extent should we be concerned about cannibalization of the non-custom suit business? And also maybe it'd be helpful just to give some color on how should we think about price points of custom versus non-customers? How should we also think about the margin profile of that business?

<<Dinesh Lathi, Executive Chairman>>

I would let Jack speak a little bit to the price points and the margin structure. But on the customer side of things I think we've talked with many of you before about the customs source right now, which is about 80% existing and 20% new. And so we don't view that as sort of a one for one substitution.

And I'd go back to what I talked about a little bit earlier around ramping up the marketing efforts and how we talk about custom and some of our branded advertising. And we think we offer a compelling proposition around service quality and selection reinforcing those points, not just with our existing customers, but starting to build awareness of that proposition with new customers.

We continue to believe there's an opportunity to bring new customers into the fold with custom and draw organic growth as opposed to cannibalistic growth from that. Jack I don't know if you want to talk a little bit about pricing and the margin structure.

<<Jack Calandra, Chief Financial Officer>>

Yes. So in terms of price points, so our average price point for an off-the rack suit at the door is about \$300 and for our custom suits, average price out the door is about \$540. And that \$540 price point is a combination of our entry priced offering, which is made in Asia and that goes for \$395 and our more premium offering which is made in the United States and that starts at \$795 and goes up depending on the fabric that you're choosing. So, very big difference in AUR.

In terms of margin dollars, obviously accretive in terms of margin dollars and we've actually looked at this down through variable contribution because obviously we pay higher commissions on our custom products and from a variable contribution dollar perspective it is incremental versus off the rack. Right now, the margin rate of custom is lower than off the rack. That's something that we want to address over time.

But as we're growing the business right now, the focus is on margin dollars, but obviously over time we'll be looking at opportunities to optimize margin rate as well.

<<Paul Trussell, Analyst, Deutsche Bank>>

And what role does e-commerce play as part of the overall strategy both in the brand message as well as in terms of increasing transactions?

<<Jack Calandra, Chief Financial Officer>>

Yes, as you go back to that thesis around the customer, an element of that was reducing friction and across channels as sort of this seamless omni-channel experience. E-commerce obviously plays a critical component in that we think. And hopefully, there's no debate about the customer's desire for a seamless experience across channels.

And so as we think about the investments that need to be made, we really think about two big buckets. There's sort of the customer facing side of things and then the back-end that actually has to be built to support those customer facing features.

On the customer facing side, we think about opportunities and it's not just an e-commerce, it goes beyond e-commerce, but it is everything from better visibility into the inventory levels and stores is things like buy online and pickup in-store become more important. It is a degree of personalization, whether that happens and the marketing communications are right down to your interactions on the website.

Do they properly reflect things? Whether it's the email that brought you in or your browsing path to that point in time, down to replicating or reducing the friction associated with certain transactional processes. And many of you have asked and talked about the fact that we are capturing all of these measurements in the store and the opportunity to create a replenishment type of business even on the custom side and not having to come in and retake your measurements and so.

All of those we view as existing friction points that with the right back-end technology, we're going to be in a position to start to eliminate those over time. And it's one of the reasons on our earnings call, I was so excited about some of the progress, our tech team has been able to make on both the infrastructure and the software architecture side. We referenced the completion which will happen this quarter and the consolidation of all of our customer touch-points whether that's marketing interactions or the website interactions as store interactions into one consolidated database. That unified view is going to put us in a much better position from a

foundational perspective to start to address some of those omni-channel friction points, whether they be in marketing or e-com specifically.

<<Paul Trussell, Analyst, Deutsche Bank>>

Absolutely. And my first experience at Men's Wearhouse probably like many others was getting that Tux rental for prom, back in the day. Maybe just give us an update on what you're seeing in the rental market, how you feel about your ability to protect market share in any other trends as related to that?

<<Jack Calandra, Chief Financial Officer>>

Do you want to start with that, Dinesh?

<<Dinesh Lathi, Executive Chairman>>

Yeah. Once you go ahead and start.

<<Jack Calandra, Chief Financial Officer>>

So we've guided that the rental business will be down mid single-digits this year. And what we're seeing is more and more folks are choosing to purchase a custom suit or an off-the-rack suit but are primarily custom and especially, our entry price custom versus renting a Tuxedo. Again, for us that's a good margin dollar trade-off. It is not from a margin rate perspective because the margin rate on our Tux rental business is higher. But from a margin dollar perspective that's good. And we believe that over time having that customer as a purchaser rather than renter will create longer term customer value for us as well.

But there is a fixed cost infrastructure associated with the Tux business that we need to make sure we address proactively as the customer preference changes. And that's why back in Q2, we closed one of our rental DCs and did some adjustments to our inventory levels in rental for that reason.

<<Paul Trussell, Analyst, Deutsche Bank>>

Absolutely. So also under the Q3 call, you also spoke to addressing tariffs. And the work you are doing to mitigate current issues and potential ones. Maybe just elaborate on that a bit?

<<Dinesh Lathi, Executive Chairman>>

Sure, sure. Yeah. Thanks Paul. So, kudos to our supply chain team who've done a lot of great work in this area. What I would say about tariffs, first of all is that the tariffs that have been enacted to-date, which is about \$250 billion of Chinese imports have basically no impact to us. Our categories are outside the scope of those tariffs, largely with the exception of some small leather goods and things like that but immaterial. In terms of, if the next tranche of tariffs were to be passed, again our supply chain team has been working very hard to do two things.

So first, to move production out of China into other countries and so just as an example, this year we will source direct source about a 30% of our product from China. Next year, that number will be about 15%. So we'll cut that in half. That provides not only insulation from any tariffs that the administration enacts on Chinese imports, but also actually allows us to get some lower production costs in those new countries.

The second thing that our team has done is negotiated with the Chinese vendors for those places where we will be staying in the market for at least the near-term. And have negotiated agreements that they will absorb the majority of any new tariffs that are implemented. So the net result of all of this is that we believe that if tariffs were to pass, and obviously we hope they don't, but we believe if they were to pass, that we could absorb that impact within our existing cost structure.

<<Paul Trussell, Analyst, Deutsche Bank>>

Absolutely. And Jack, just still, have you discussed, the balance sheet. I think was an important point, maybe update us on liquidity leverage targets and as well as capital allocation priorities?

<<Jack Calandra, Chief Financial Officer>>

Sure. I mean, our capital allocation priorities haven't changed. So again, first we want to be investing in the business where we can get a good return on that investment. Second, we want to maintain our \$0.72 per share per year dividend. And then third, all of the excess free cash flow from there would be used to pay down debt. Right now at the end of Q3, our debt to EBITDA was a 3.3 multiple. We've made a lot of progress on that over the past year and a half. It was when I started the company about two years ago. It was a 4.7. Q3, we were down \$300 million year-over-year in our debt balances.

And until we get to a three times level, I would say that is our singular focus is to continue to use free cash flow to pay down debt. At that point, I think we would reevaluate where we are, where the company is, where the economy is. And then make a decision as to whether we should continue down that path and continue to deleverage or whether there's another use for that excess free cash. But right now, we are seeing really focused on getting that down another three-tenth of return.

<<Paul Trussell, Analyst, Deutsche Bank>>

Got it. Helpful. And then just maybe big picture, just overall, as we think about real estate. Over 1,400 stores across four banners, how do you feel in terms of your door count and the productivity of those boxes?

<<Dinesh Lathi, Executive Chairman>>

Yeah, maybe I'll start with just sort of how I think about the real estate and the importance of our distribution points in terms of serving the customer. And Jack, you can talk about sort of the specifics of the count. One of the things I've observed just as a former e-commerce guy, the

importance of stores and delivering fit and style advice. In my opinion, continues to remain critical. And the validation point I'd point to is as you look at a lot of the native digital players, it's a thing that they are struggling with as they open and attempt to open their own sets of physical distribution points.

And so I like the fact that we have access to large swaths of the population. I like the fact that we have people in those stores that can really deliver that personalized style and fit advice that frankly, technologies just not there yet to do it. And so as you think about our objectives of addressing those customer needs of the future, was the personalization that seamless omni-channel experience and sort of reinforcing those brand messages with what happens in the stores. I think our store footprint will continue to play, in some form a critical element of our strategic execution.

<<Paul Trussell, Analyst, Deutsche Bank>>

And Dinesh, you've been serving in a CEO-like role as Executive Chairman. Is there any update that you can provide on the search?

<<Dinesh Lathi, Executive Chairman>>

Yeah, the board has formed a search committee that search committee is busy at work. Obviously remained finding a permanent CEO for the business remains a high priority for the board. With that all being said, the emphasis is really on not so much meeting a certain deadline but ensuring we find the best candidate for the job. And so my commitment to the board and the company was to sit in this role and until the board felt comfortable, they had actually found that the best and right candidate for this business.

<<Paul Trussell, Analyst, Deutsche Bank>>

And then Jack, you guys gave some comments and updates on the corporate apparel business. Maybe you can just kind of update us on how we should think about that segment going forward?

<<Jack Calandra, Chief Financial Officer>>

Sure. So, our position on the corporate apparel business hasn't changed. So we view that business as non-core. And I say that because there are no real synergies between our branded retail businesses and our corporate apparel business. The corporate apparel business, we gave guidance on Q4 in terms of revenue. We said revenue would be between \$55 million and \$60 million. That's down about 20% versus last year, but half of that decrease is due to the 53rd week and FX rates which are unfavorable versus last year.

And then about half of that decline is due to, really I think the uncertainty that Brexit has created and the impact that has had on customers in terms of their replenishment orders. And so we think that business will continue to face some headwinds as we go forward into 2019. Again until Brexit gets resolved, I think there's just a much more tentative customer out there. But it's a

conversation we continue to have with our board about ways that we can unlock shareholder value from that business.

<<Paul Trussell, Analyst, Deutsche Bank>>

And then maybe just to wrap up, how should we think about your goals and priorities and areas of focus over the next 12 months?

<<Jack Calandra, Chief Financial Officer>>

Yeah, one of the beauties about focusing on the customer is that helps you automatically focus on the things that are going to be important in the company and what the priorities will be. And hopefully one of the things you've gotten from this is sort of our thesis on customer and what's going to matter to them. And so our priorities have certainly through 2018 and will continue into 2019 to reflect those core beliefs around where the customer's going. Specifically that desire for personalized products and services, the desire to have those delivered seamlessly across all the channels that the customer swims in.

And finally, to really to interact with the brand that ultimately stands for something more than price. We think those are sort of the customer truth, if you will. And we'll continue to orient the things we execute against those truths.

<<Paul Trussell, Analyst, Deutsche Bank>>

Thank you, gentlemen.

<<Dinesh Lathi, Executive Chairman>>

Thank you, Paul.

<<Jack Calandra, Chief Financial Officer>>

Thank you.