FINAL TRANSCRIPT

LXRandCo, Inc.

Third Quarter 2017 Financial Results Conference Call

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CONFERENCE CALL PARTICIPANTS

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Canaccord Genuity — Analyst

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the LXRandCo's Third Quarter 2017 financial results conference call.

Yesterday after market close, LXR issued a news release reporting its financial results for the third quarter ended September 30, 2017. That news release, along with the Company's financial statements, are available on SEDAR and on the Company's website, www.lxrandco.com in the Investors section.

Please note that today's call is being broadcast live over the Internet, and will be archived for replay both by telephone and via the Internet beginning approximately one hour following the completion of the call. Details of how to access the replays are available in yesterday's news release.

Before we begin, let me remind you that forward-looking statements may be made today during or after the formal part of this conference call. Certain material assumptions were applied in providing these statements, many of which are beyond the Company's control. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed or implied in forward-looking statements.

A summary of these underlying assumptions, risks, and uncertainties is contained in the Company's various security filings, including LXRandCo's MD&A for the quarter ended September 30, 2017, which is available on SEDAR.

These forward-looking statements are made as of today's date, and except as required by applicable securities laws, the Company undertakes no obligation to publicly update or revise any such statements.

I would now like to turn the call over to Fred Mannella, President and Chief Executive Officer, LXRandCo. Please go ahead, Mr. Mannella.

Fred Mannella — President and Chief Executive Officer, LXRandCo, Inc.

Thanks, Lisa, and thank you to everyone for joining us today. With me for today's call is LXRandCo's Interim Chief Financial Officer, Jeremy Stepak.

In terms of the agenda for today's call, I'll begin with a review of the operational and financial highlights of the third quarter. I'll then turn the call over to Jeremy to review the third quarter financial results in detail. And I'll return with some concluding comments before opening the call to questions.

The third quarter was an extremely busy and highly productive period for our company, as we continued to successfully advance our international omni-channel strategy, with a particular focus on expanding our physical shop-in-shop retail network through both existing and new retail partners across the world.

During the third quarter, we opened a total of 25 new retail store locations. Since the end of the second quarter this year, we have opened nearly 70 stores, which will more than double our store count in the second half of the year. Our store count on September 30th stood at 86.

To recap, in terms of existing partners we opened 12 locations with Lord & Taylor, our second expansion with Lord & Taylor since we started with them two years ago; we opened five locations in the Netherlands with Hudson's Bay; and we opened three additional locations with Galeria Kaufhof in Germany.

We have also opened stores with four new partners. In September, we opened five locations with the iconic British department store, House of Fraser. And in the US on November 1st, we opened ten locations across the country with Stein Mart. Also on November 1st, we opened 12 locations with Bon-Ton, which is particularly strong in the Midwest. And then on November 9th and 10th, we opened 18 Burlington Coat Factory stores, with two more opening as we speak this right moment.

We are seeing great results out of the gate with each of these partners. Today, our store count stands at 128, and I am therefore very pleased to report that we have not only achieved, but surpassed our stated annual target of 122 stores opened by the end of the year.

We are tremendously proud of this accomplishment, and I would be remiss if I did not take the opportunity to publicly acknowledge the hard work and dedication of all the people across the organization that were responsible for making this ambitious goal a reality.

Our Q3 revenue grew 82 percent to $8.8 million versus the same period last year. For the year to date, revenue increased 73 percent to 22.1 million. Please note that while this growth is impressive, in some cases it can take as much as up to 12 months for new stores to reach their steady-state level of revenue productivity. So many of the locations opened over the past year are still ramping up in terms of sales, and customer awareness may have more growth potential than that currently reflected in our current performance.

With four new partnership agreements since the end of the second quarter, five for the year, our total number of retail partners has grown to ten, twice the number we had at the beginning of the year. Our ability to add new partners, as well as our expansion in a number of stores with many of our existing partners, is strong evidence of how well the LXRandCo value proposition is resonating with retailers and consumers alike.

Our proven shop-in-shop model provides a truly unique shopping experience that generates increased foot traffic with both new and repeat customers, while our compact highly efficient store layout delivers partner sales productivity of as much as 10 to 15 times higher than their existing business.

Moreover, and I believe we don't say this enough, we are reinventing the way people consume. The importance of the reuse economy is becoming more and more prevalent every single day, and we are not only participating in that change, but also in certain cases an important part of driving that change.

It goes without saying that we are proud to be a valued solution for the retail partners and our end customers. I will note here that the President of Stein Mart, who has been a huge believer and supporter of the LXRandCo concept from the beginning, herself bought two pre-loved Louis

Vuitton and two pre-loved Chanel pieces within the first hour of opening the new Jacksonville, Florida location.

The response from prospective partners continues to be highly supportive and enthusiastic. When we first described our model and then showed the performance metrics, in most cases their decision is not a matter of if, but when, and how many locations can we roll out? To support and lead these efforts, during the quarter we added veteran retail executive Todd Howard, who has joined as our Executive VP for Global Business Development. Todd is a proven business builder, having successfully led major expansions of high-profile international retail brands within North America and globally.

Todd has a specific mandate to grow our business with existing partners and expand our business with new partners and to do so profitably. And there is great alignment between him and the management team.

While our near-term focus has been on rapidly building our physical store network, our broader strategy is an omni-channel strategy, and in the medium term we see huge, untapped opportunity for the e-Commerce business. The expansion of our physical networks and as—and will continue to naturally drive our online business through increased awareness and confidence in the brand and experience.

Through all of our store openings over the past 12 months, we have added an estimated 4 times as many customers to our e-mail database in Q3 of this year than we did in Q3 of last year. We have only just begun to pursue the e-Commerce opportunity. Our e-Commerce customer penetration strategy today remains an organic one, and we have yet to invest substantially in tried and true tactics for online businesses, such as pay-per-click, search engine optimization, content marketing, and other social media strategies.

Despite this, we are continuing to see healthy organic growth in online activity. For Q3, the number of unique users to our site was up 87 percent year over year, and the number of organic sessions was up 93 percent. These are great metrics, but we know there is so much more we can and will do here.

As we expand our physical store network and by extension our e-Commerce revenue, one of our most important strategic priorities is to substantially diversify our product sourcing beyond third-party Japanese suppliers, which currently provide about 88 percent of our inventory.

I want to be clear here that we are absolutely confident in the scalability of our existing sources of supply in terms of the quantity, quality, and breadth of the product as our business expands. The Japanese pre-owned personal luxury goods market is large and well established over many decades. As comfortable as we are with Japan, there are some great margin-expanding opportunities around sourcing that over time can both enhance our profitability and strengthen our business model.

Adding third-party suppliers outside Japan and purchasing more vintage product directly from existing and new customers alike will enable us to be better curated, our inventory, while we expand our gross margins. To this end, during the third quarter we added a new supplier in the United States that will further enhance the depth and breadth of our product offering.

We are also sourcing more product than ever directly from consumers, which we continue to see as an exciting opportunity going forward. For example, some of our stores are actually purchasing more product than they are selling.

Long term, our stated goal is to be sourcing half of our inventory directly from consumers for the simple reason that our margin on product purchased directly from consumers is substantially higher than that purchased from established third parties. And it significantly enhances the value proposition to our retail partners because it results in multiple visits back into the store from that same customer.

I'd now like to turn the call over to Jeremy, who will review the third quarter financial results in detail.

Jeremy?

Jeremy Stepak — Interim Chief Financial Officer, LXRandCo, Inc.

Thanks, Fred. So in the interest of time, I'm going to confine my remarks primarily to the key financial metrics for the third quarter.

Our full third quarter and year-to-date financial results are obviously available in our financial statements and MD&A, which are posted on our website and filed on SEDAR.

As Fred discussed, we once again delivered strong top-line performance in the third quarter as we continued to successfully execute on our omni-channel growth strategy.

Net revenue for the third quarter increased 82 percent year over year to $8.8 million from $4.8 million in the corresponding quarter of 2016. Growth was driven primarily by the continued expansion of our retail footprint.

Our store count at the end of Q3 of this year was almost triple that at the end of Q3 last year, 86 against 29, or an increase of 57 locations.

Year to date, total revenue was up 73 percent to $22.1 million.

E-Commerce revenue expanded to 4.1 percent of net revenue from 3.5 percent in Q3 of last year, as the general awareness of our brand drove online activity, and we saw the initial benefits the proactive work we are doing here. And although e-Commerce revenue as a percentage of overall revenue for Q3 was down sequentially from Q2, this is more of a function of the outsized growth in store sales as the network rapidly expanded.

Gross profit for the third quarter increased by 99 percent to $2.9 million from $1.4 million last year, and gross profit margin expanded to 32.5 percent from 29.8 percent. The increase in gross profit is primarily due to a better approach to pricing and a more profitable product mix, which was partially offset by wholesale sales made at lower margins unique to this quarter, a onetime inventory adjustment, and lower US dollar exchange rate.

And while we did see a nice improvement in gross margin this quarter, it was a bit outsized as a result of these factors. As Fred discussed, though, gross margin expansion is a strategic priority, and we expect our continued diversification of supply sources to support this over time.

Turning over to expenses. SG&A for Q3 increased to $4.0 million, or 45 percent of net revenue, from $1.3 million, or 28 percent of net revenue, and generally reflect our continued investment to build and support the growth of the business, much of which is in advance of anticipated revenue generation. More specifically, the increase is attributable to about three areas.

One, higher store staffing expenses to support the tripling of the size of the retail network to 86 stores from 29 stores over the past year. Again, as Fred noted, it can take up to 12 months for these stores to reach steady-state productivity. And I will remind listeners that 25 of these stores were only recently opened in Q3, and therefore have a significant revenue ramp ahead of them.

Two, higher costs associated specifically with store openings activities, costs such as travel, training, legal, et cetera. This includes costs related to the openings of more than 40 or more stores in the fourth quarter.

And then three, we expanded our headcount at corporate office to support the execution of the growth strategy and the larger business.

For comparative purposes, at the end of Q3 2017 we had a total of 328 staff company-wide compared to 174 at the end of Q3 last year. Again, a significant proportion of these costs are being expended in advance of future revenue that they will be directly responsible for generating.

It's worth noting that approximately $0.9 million of SG&A costs during Q3 this year were directly attributable to store opening activities, exacerbated somewhat by LXR's entry into two new geographies, and by nonrecurring costs associated with the rebranding initiative.

We also incurred public company costs in Q3 of this year totalling approximately $0.9 million, as well as $0.2 million of stock-based comp expense which were not present in Q3 of last year.

Adjusted EBITDA in the quarter was a loss of $0.8 million compared with positive adjusted EBITDA of $0.1 million for Q3 of last year. And again, the decrease is largely due to the higher SG&A costs that I just described.

Net loss for the third quarter of 2017 was $1.4 million compared to a net profit of $0.1 million for the same quarter last year.

Moving over to the balance sheet. Cash at the end of Q3 of this year was $4 million compared with $0.1 million at the end of Q3 last year and $6.2 million at the end of Q2 of this year. We also had $4.8 million drawn on our revolving credit facility against a drawn amount at the end of Q3 2016 of $3.2 million.

In addition, subsequent to the end of the quarter, we amended our existing ABL credit agreement with our lender, allowing us to access a greater portion of our $25 million revolver through an expansion of the borrowing base calculation, which now includes eligible AR and inventory for our complete span of global operations. That includes Japan, Europe, and the UK.

That concludes my review for the quarter. I'll now turn the call back to Fred for some closing remarks.

Fred?

Fred Mannella

Thanks, Jeremy. Now this is a very exciting time for our company. We are executing on all aspects of our strategy, and there is tremendous momentum in the business today. We look forward to building on this throughout the remainder of this year and throughout 2018.

As mentioned earlier, we have opened 128 stores as of this morning, and we will finish the year well ahead of our annual store target. Now we're focused on our next milestone, which is to continue to grow the retail network to more than 200 stores by the end of next year.

We remain confident in our ability to achieve this goal, and will achieve this through both expanding networks with our existing retail partners and through new store openings with new partners.

As we move ahead, the stores we have opened throughout the back half of this year will not only ramp up in productivity, but will increasingly contribute to our top growth target.

In the near term, we're preparing and looking forward to this busy holiday season, which not surprisingly is an especially busy time for our online and off-line stores. And this year with a network of at least 128 stores running for more than half of Q4, we're expected to deliver strong sequential top-line growth and profitability.

As we pursue continued rapid expansion of our network, we are sacrificing profitability in the short term for rapid growth, and I want to be clear that profitability remains a top priority for our company. It's part of our DNA.

We remain cost disciplined with a continuous focus on managing our expense base and an eye on adjusted EBITDA. As per our plan, we are investing in the short term to capitalize on the unique opportunity to rapidly build out our store network, and add new partners to drive future revenue growth.

Our business has historically generated positive adjusted EBITDA, and we expect to return to profitability in 2018 as our new stores ramp to full productivity and we increasingly benefit from the operating leverage in our business. In this regard, as we move into the next phase of the build-out of our retail network, we expect to respond dynamically to our retail partners' needs, and expect increasingly to open locations under our new hybrid model, which generally speaking are shop-in-shop stores with a similar branding and merchandise strategy as our full licensed stores, but with a nimbler, slightly smaller footprint of about 200 square feet.

Depending on retail partner priorities, they are at times staffed by our employees or our partners' own employees, whom we train to the same high standards as our fully licensed stores. In some cases under the hybrid model, inventory risk is sometimes shared with a partner as well.

The hybrid model was developed to meet retail partners' needs, and to take advantage of opportunities in which sales volumes don't support the cost structure of a fully licensed model, but where there is still an attractive business opportunity. In short, more hybrid locations will allow us to open more stores and grow sales and profitability quicker.

We have exciting growth opportunities ahead of our business, and LXRandCo today really is at the intersection of two powerful consumer trends. Global demand for the top personal luxury brands remains incredibly strong, and the emerging pre-owned personal luxury market provides significantly greater accessibility to these brands while being on trend with the rapidly developing reuse economy.

At LXRandCo, we truly believe that we are changing the way people shop. We are a smarter, trusted way for consumers to experience pre-owned personal luxury. At the same time, we are bringing department stores and other retailers an attractive, space-efficient, high-traffic, high-productivity solution as they navigate an evolving retail landscape. All of this positions our Company very well for both the short and long term.

We'd now be happy to take your questions. Operator?

Q&A

Operator

Thank you. If you would like to ask a question at this time, please press *, 1 on your telephone handset.

Our first question comes from Derek Dley, Canaccord Genuity. Your line is open.

Derek Dley — Canaccord Genuity

Yeah. Good morning, guys. Congratulations on exceeding the new store—or the store opening targets for the year. Can you just talk about the performance at some of the new stores, perhaps some of the new stores you added after the end of Q3? And then as well, just the metrics on your existing stores? Have you seen sales increases at those stores? Are the new stores still doing in and around or over and above $2,200 a square foot?

Fred Mannella

Good morning, Derek. Yeah. Thanks for the question. It's Fred here. So essentially we haven't yet given guidance on same-store sales, so it's a little bit hard for me to say right now. But what I will say is that we're still aligned with the metrics that you have at 2,275 a square foot. So legacy stores, stores that have been open for more than 12 months, are still absolutely performing at those levels, and of course we're very much focused on having those stores grow. As much as we're opening a lot of stores, we're focused on growing the existing stores. So we're definitely doing that, and we're seeing some great results at that level.

And what we're seeing now with the new stores—well to tell you the truth, it's a bit early because we've really just opened these stores. It's been at the end—for the most part, the stores have opened at sort of middle to the end of September, and then we've opened the majority to get to the 128 stores right now in early November, and we're still opening today. So I would say that it's a little bit early for us to say, but the early signs of what I'm seeing is that the productivity levels are aligned with the 2,275 per square foot.

Derek Dley

Okay. That's great. In terms of your guys' products that we're seeing, how much—in the quarter how much was—of that sourcing was from the direct-to-consumer channel—direct-from-consumer? Sorry

Fred Mannella

So direct-from-consumers right now is about 5 percent of the business. But I think that there's an important point to look at here is that essentially we had to buy very quickly about during the summertime and then in fall we had to buy a lot of inventory to get ready for these store openings at the end of Q3, early Q4. And so we had to go very heavy in Japan and rely on wholesale stores just because we didn't have the time to go and buy from consumers, just because we had to get the right product in the stores on time for these store openings.

And so it's a little bit disproportionate right now just because we had to buy so much from Japan. But what I will say is that if you look at the stores that are buying on an individual level, the buying from the consumer is increasing month over month. So those stores are buying more than the month prior to that.

So at the end of Q2, we were buying in 29 stores; at the end of Q3, we were still buying in 29 stores. So we didn't put a focus on expanding the infrastructure in buying from the consumer in those stores, just because we were so focused on opening the stores. But in Q4, we launched the buying program in 25 more stores, and we have the intention to get at least over 100 stores by early Q1.

And so stores that are buying are seeing more products come through and they're buying more. Now it's just a question of rolling out into more stores so that we can get to buy more from consumers. So I think that going forward we're definitely going to be seeing more products being purchased from consumers.

Derek Dley

Okay. Perfect. That's great. I noticed you guys had increased the number of stores that are offering a greater assortment here of apparel and shoes. I think it was one at the end of Q2 and now you're at five. Can you just talk about the dynamics of that? Are the metrics similar? Are the margins on apparel and shoes similar? Or are they higher compared to the handbags?

Fred Mannella

Great question. So in terms of apparel and shoes, typically margins are higher. Gross margin is higher for these types of products, and turns, inventory turns and productivity is very similar to the handbags. And so what we're seeing is we're seeing amazing results in I would say at least four of the five stores that we rolled it out, especially in I think Twelve Oaks in Michigan in the suburbs of Detroit is a phenomenal store for us. We have Woodfield in Chicago, which is also doing very, very good with apparel and shoes. And so we're seeing some great, great traction with that.

It's just been a little bit hard right now to roll out all these stores, focus on growing the existing stores, and at the same time expand into different categories into many stores. So I think that we're seeing some great results, and we're going to see in Q1 that we're going to be rolling out these different categories in more stores, but it won't happen in 2017; it'll be more in Q1 of 2018.

Derek Dley

Okay. And then just on the new store—and I apologize, I'll pass the line after this—but just on the new store rollout, I mean how are the conversations going with new retail partners as we head into 2018? Do you feel you have the team in place now with Todd and some of the other team members to facilitate the type of growth that you guys have outlined here? And clearly you exceeded your targets here in 2017. Just wondering how you feel about the infrastructure you have in place to meet those growth targets for 2018.

Fred Mannella

Yeah. We definitely invested a lot in the infrastructure. To be able to do what we did in 2017, which is essentially more than double, to some extent even close to tripling the store count from the end of 2016, and we did it really in pretty much a quarter and a half. And so you can imagine that that did put a bit of pressure on the infrastructure, but we built it and now we have it.

So we have the structure right now to really take this home and deliver on our promise of over 200 stores by the end of 2018. We feel very confident in that. We are in 128 today, so essentially to get to 205 it's pretty much the same amount of store openings that we did in 2017, but we have a full 12 months to do it. So the focus will be to continue to grow the existing stores; make sure that we have great positive comp sales; that the stores are growing.

And with the retailers right now, we have nine retail partners, which is really good because remember that we doubled the amount of retail partners. We didn't have—we had half of that amount at the end of 2016, so now we have ten. And it's really … we have a very interesting pipeline with these partners. If you take the example of Burlington Coat Factory, Burlington has over 700 stores nationwide, and right now we're going to be in 20 of their stores as of today.

So we have a great pipeline of business with these existing partners, but certainly we're also talking to future partners that we're not in business with today. And that's really sort of Todd that brings this home. And so we certainly are talking to a couple of different people, and we feel that we do have the team and the infrastructure to reach our goals, stated goals of 200 plus stores by the end of 2018.

Derek Dley

Okay. Great. Thank you very much.

Fred Mannella

Thank you.

Jeremy Stepak

Thanks, Derek.

Operator

Thank you. Our next question comes from Bob Gibson, PI Financial. Your line is open.

Bob Gibson — PI Financial

Good morning. Thanks for taking my call.

Jeremy Stepak

Good morning, Bob.

Fred Mannella

Morning.

Bob Gibson

I know it's early days, but maybe you could comment on your menswear—or your men's initiative?

Fred Mannella

Yeah. Absolutely. So the men's initiatives was primarily focused on watches. And so we rolled it out in our Financial District store, and we're seeing some really great results. And so what we're doing right now is to sort of get a bit more feedback from different locations in different areas in the country. We're also expanding the men's watch section in our store in Lincoln Square in the Upper West Side in New York, and we're going to try also with the men's watch business in Florida in our Jacksonville, Florida store.

So it's a little bit early to give you some sense as to how we're doing, but certainly what we're seeing is we're seeing some great fashion. We see a lot of women buying for their husbands.

We're seeing also a lot of women buying men's watches for themselves, and it's also a great product online. We're seeing some great traffic, especially some organic traffic going to the site, sort of people going on Google and researching LXRandCo Rolex or LXRandCo Breitling, and then we're going to see that traffic go to the site. And sometimes we do see some conversion, so we're seeing people going to the site and buying these expensive watches online.

So not only are we seeing some great fashion in stores—and it's a bit early for me to tell you if this is going to be an opportunity to expand in all stores or a majority of stores next year; we're definitely going to try more stores, but it's not an all-store concept today—but we're certainly seeing also a lot of traction online.

Bob Gibson

Okay. Great. And just a housekeeping question; how should I be thinking about FX and specifically vis-à-vis the yen?

Jeremy Stepak

Give me a little bit of clarification on what you mean there, Bob.

Bob Gibson

Well, like your hedging program, your sensitivity to the various currencies, I'm assuming yen would be the most sensitive. What might be number two? Things like that.

Jeremy Stepak

Yeah. So it's a great question. It's one we have an eye on it. There's no formal hedging program today. We looked at hedges a while back and it's something we're going to keep an eye on as well and sort of see if we want to institute something formal. But I can't give you too much colour, other than the fact that you've got your eye on it, right? From the Japan side we're buying yen, reporting Canadian dollars, and our biggest market is USD.

So I can't … like I said, I can't gear you to exactly what to do, but I think if you're modelling or sensitizing, the third-biggest currency would obviously be US dollar, and we're getting traction in euro as well. So that's about all the colour I can give—

Bob Gibson

Okay. But no hedging right at the moment?

Jeremy Stepak

Not at the moment.

Bob Gibson

Okay. Great. Thanks very much.

Jeremy Stepak

Okay.

Fred Mannella

Thank you, Bob.

Operator

Thank you. And again, if you would like to ask a question, please press *, 1 on your telephone handset.

Our next question comes from Brandon Osten from Venator. Your line is open.

Brandon Osten — Venator

Hey, guys.

Fred Mannella

Good morning.

Jeremy Stepak

Good morning, Brandon.

Brandon Osten

Since the growth, obviously, is not a concern at this point, just wanted to touch on the gross margins. The gross margins came in pretty strong rebound from where it was last quarter. You guys sort of alluded this is a little high relative to plan, but can you give me a sense of where you think this settles out?

Jeremy Stepak

So it's a good question, Brandon, and we've been remiss to give like formal guidance on gross margin. And so I don't want to give it specifically here. But I would say that some of the onetime efforts that—or sorry, the onetime items that contributed to the improved gross margin in the quarter, probably looking at about somewhere between 1 percent, 1.5 percent of lift in the quarter and then maybe about 70 basis points year to date.

Okay. So I'm not sure if that gets you entirely where you want to go, but that maybe quantifies some of the onetime nature of the quarter's items.

Brandon Osten

Mm-hmm. Okay. And when you guys are opening up all these new stores, I mean you guys have sort of talked a bit around inventory, but that's a lot of stores to be opened up. Like what's the cadence of the inventory? Would you ever have to delay a store opening because you just couldn't get enough inventory in on time?

Fred Mannella

It's Fred here. Good question. To be really, really honest, no. There is just a lot of product out there. As we mentioned earlier, the majority of our inventory, 88 percent, does come from Japan. And so the Japanese market is a really sophisticated and developed market that there is at the retail level domestically around 5 billion to US$6 billion that's being traded at the market over there. And so at the cost level you're looking at something like 3 billion to US$4 billion of product that is available to be purchased. And we estimate that there's about 1,000 auction houses in Japan, and this is where in the middle markets we go and we buy the product.

And so what I would say is that there is plenty of product. There's plenty of the right product for the store. We just hired a senior planner that is helping us understand better exactly what needs to be sent to the stores, the right product mix, the exact right models that we—because we have a lot of data right now since we're running over 100 stores. We know what works in which area; we know what people in Florida like. So when we open these new stores, we're very confident in the selection and the curation that we're bringing to the store.

So that's also one of the reasons why you're seeing a lift in gross margin is that we're just getting better with the product mix, we're sourcing the product better, and we're sending the right product to the store.

So I think that's really, really positive. That is not what would delay a store opening. And by the way, we've opened over 70 stores and we have not had one single delay in these store openings.

Brandon Osten

Okay. And then I guess the last question, so you guys are saying that your typical store is sort of 12 months to get up to full speed. So you have an accelerated store opening schedule for the last couple months of this year. So I know it's early, but if you're looking ahead to the second half of last year or towards the tail end of last year, would you expect some accelerated growth as those stores get fully up and running in the second half of last year?

Fred Mannella

So if I understood correctly, you're … I guess that you're asking the question about whether we're going to see these 128 stores even though they haven't reached full productivity state because it hasn't—they haven't been open for 12 months, but because we are in the holiday period are we going to see some fast activity and some growth in the sales? Is that the question?

Brandon Osten

Well, no. I mean you're saying that a lot of these stores take about 12 months to get fully up and running, which would suggest that you guys are opening up a lot of stores in the last three or four months of this year, so when I'm looking at the last three or four months of next year, I would expect those stores to be fully up and running. So is it fair to assume that there's going to be a bit of a growth ramp towards the back half of next year?

Fred Mannella

Yes. That would be the case.

Brandon Osten

As the stores get up to full productivity?

Fred Mannella

That's 100 percent the right assumption, yes.

Brandon Osten

Okay. Thank you.

Fred Mannella

Yup. Pleasure.

Operator

And we have no further questions in queue. I'll turn the call back over to Mr. Mannella for closing remarks.

Fred Mannella

Thank you, Lisa, and thanks once again to everyone for joining us today. We look forward to speaking with you again at the time of our next call.

Operator

This concludes today's conference call. You may now disconnect.

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