Q1 Fiscal Year 2024 Earnings Presentation

NYSE: TCS

August 6, 2024

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our future opportunities and expectations for our business with expected growth in sales. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions.

These statements are neither promises nor guarantees, and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks include, but not limited to, the following: the timeline for the completion of the strategic alternatives review process is unknown and there can be no assurance that the process will result in any particular outcome; a decline in the health of the economy and the purchase of discretionary items and the associated impact on our business; results of operations and financial condition; our ability to continue to lease space on favorable terms; costs and risks relating to new store openings; quarterly and seasonal fluctuations in our operating results; cost increases that are beyond our control; our inability to protect our brand; the timeline for completion of the strategic alternatives review process is unknown and there can be no assurance that the process will results in a particular outcome; our failure or inability to protect our intellectual property rights; our inability to source and market new products to meet consumer preferences; failure to successfully anticipate, or manage inventory commensurate with, consumer preferences and demand; competition from other stores and internet-based competition; our inability to obtain merchandise from our vendors on a timely basis and at competitive prices; vendors may sell similar or identical products to our competitors; our and our vendors' vulnerability to natural disasters and other unexpected events; disruptions at our manufacturing facilities; product recalls and/or product liability, as well as changes in product safety and other consumer protection laws; risks relating to operating multiple distribution centers; our dependence on foreign imports for our merchandise; our reliance upon independent third party transportation providers; our inability to effectively manage our online sales; effects of a security breach or cyber-attack of our website or information technology systems, including relating to our use of third-party web service providers; damage to, or interruptions in, our information systems as a result of external factors, working from home arrangements, staffing shortages and difficulties in updating our existing software or developing or implementing new software; failure to comply with laws and regulations relating to privacy, data protection and consumer protection; our indebtedness may restrict our current and future operations, and we may not be able to refinance our debt on favorable terms, or at all; fluctuations in currency exchange rates; our inability to maintain sufficient levels of cash flow to meet growth expectations; our fixed lease obligations; disruptions in the global financial markets leading to difficulty in borrowing sufficient amounts of capital to finance the carrying costs of inventory to pay for capital expenditures and operating costs; changes to global markets and inability to predict future interest expenses; our reliance on key executive management; our inability to find, train and retain key personnel; labor relations difficulties; increases in health care costs and labor costs; violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery and anti-kickback laws; impairment charges and effects of changes in estimates or projections used to assess the fair value of our assets; effects of tax reform and other tax fluctuations; significant fluctuations in the price of our common stock; substantial future sales of our common stock, or the perception that such sales may occur, which could depress the price of our common stock; risks related to being a public company; our performance meeting guidance provided to the public; anti-takeover provisions in our governing documents, which could delay or prevent a change in control; and our failure to establish and maintain effective internal controls; any failure to meet the NYSE's continued listing standards could result in the delisting of our common stock. These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, (the "SEC") on May 28, 2024, as updated from time to time in our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation.

Any such forward-looking statements represent management's estimates as of the date of this presentation. Because forward-looking statements are inherently subject to risks and uncertainties, you should not rely on these forward-looking statements as predictions of future events. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this presentation.

The Container Store exists to transform lives through the power of organization.

Table of Contents

Q1 Fiscal 2024

Financial Results

Fiscal 2024 Q1 Results

$181.9M
Consolidated Net Sales

12.2% decrease vs. Q1-23

($0.30)
Net Loss Per Diluted Share

$0.06 decrease vs. Q1-23

($0.26)
Adjusted Net Loss Per Diluted Share*

$0.05 decrease vs. Q1-23

58.3%
Gross Margin

300 bps increase vs. Q1-23

(7.6%)
Operating Margin

260 bps decrease vs. Q1-23

$1.7M
Adjusted EBITDA*

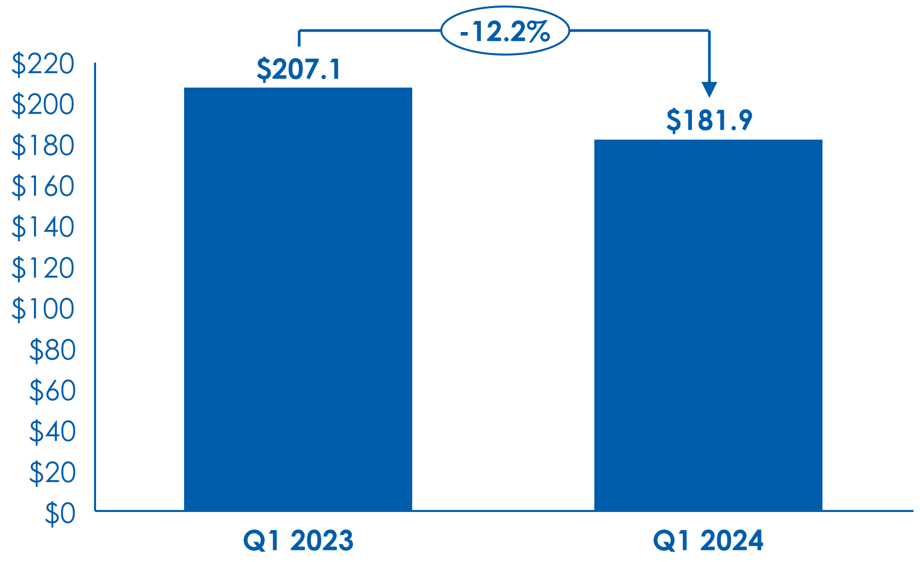
$1.2M decrease vs. Q1-23

* Non-GAAP measure; Refer to Adjusted Net (Loss) Income per Diluted Share reconciliation on slide 15 and Adjusted EBITDA reconciliation on slide 16.

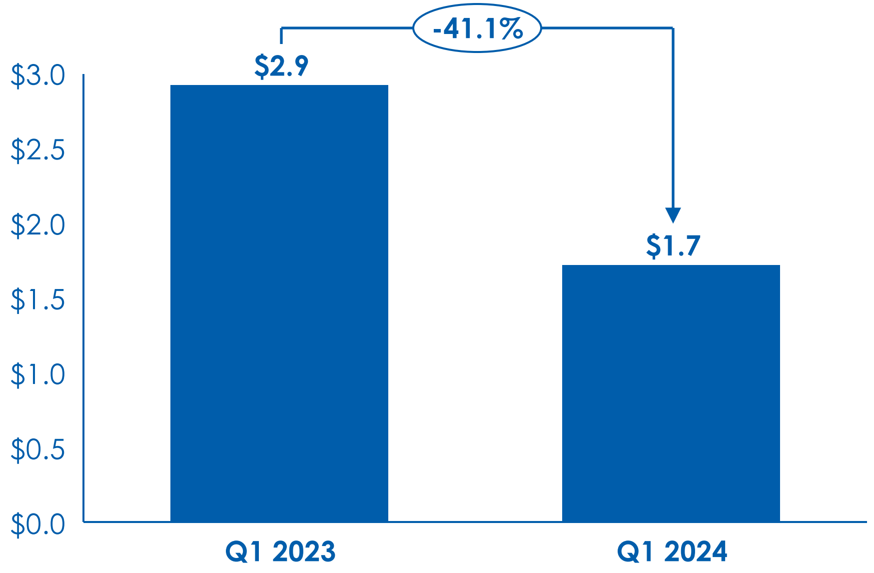
Fiscal 2024 Q1 Results (continued)

Q1 Consolidated net sales of $181.9M. Comparable store sales^ decreased 13.7%, with general merchandise categories down 21.8%, contributing a decrease of 1,440 basis points to comparable store sales^. Custom Spaces were up 1.9%, positively impacting comparable store sales^ by 70 basis points.

Consolidated Net Sales



Adjusted EBITDA*

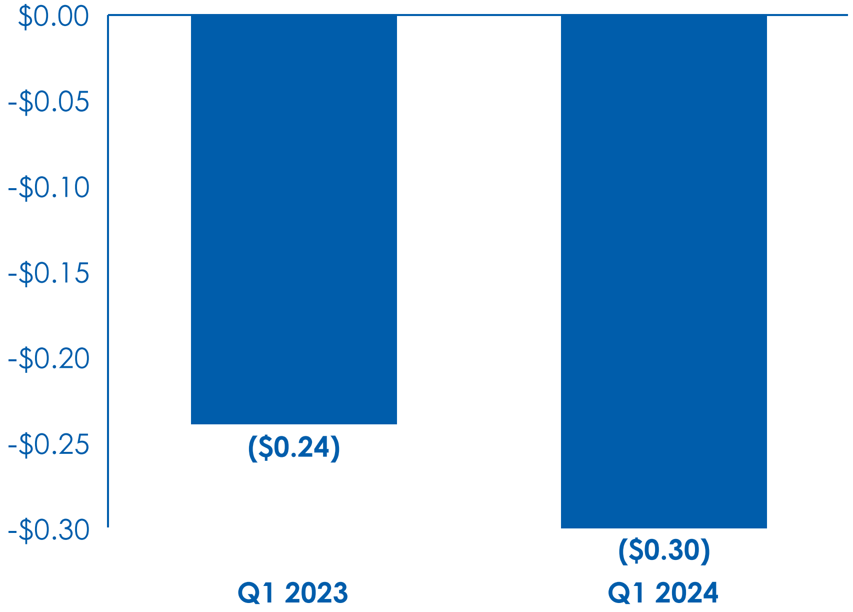


^ Comparable store sales includes all net sales from our TCS segment, except for sales from stores open less than sixteen months, stores that have been closed permanently, stores that have been closed temporarily for more than seven days and C-Studio sales to third parties.
* Non-GAAP measure; Refer to Adjusted EBITDA reconciliation on slide 16.

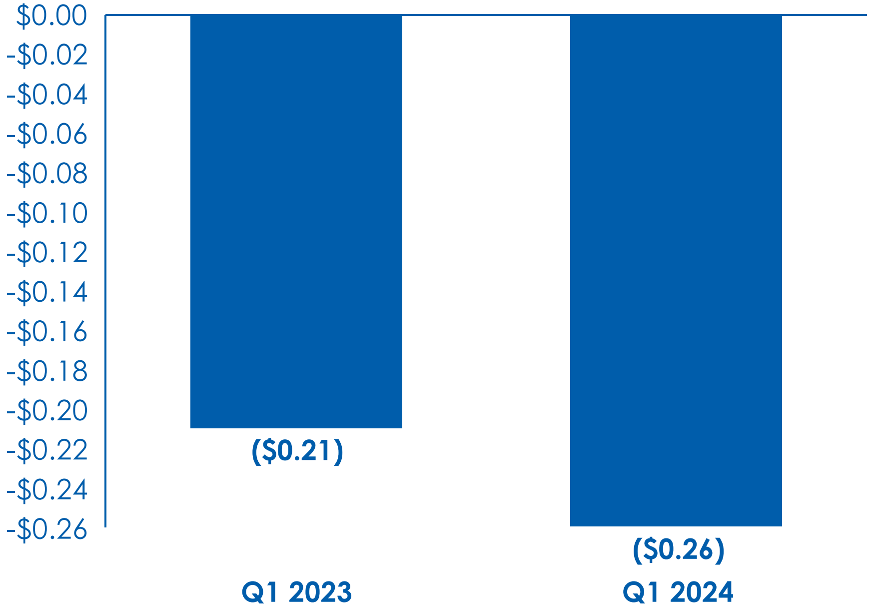
Fiscal 2024 Q1 Results (continued)

GAAP Net Loss per diluted share was down by $0.06. Q1 2024 GAAP Net Loss per Diluted Share had a negative impact mainly from the decline in sales from Gen Merch despite improved gross margins and reduced expenses during the quarter.

GAAP Net Loss per Diluted Share



Adjusted Net Loss per Diluted Share*



* Non-GAAP measure; Refer to Adjusted Net (Loss) Income per Diluted Share reconciliation on slide 15.

Fiscal 2024 Priorities Update

1) Growing Custom Spaces

The Custom Spaces business experienced positive trends throughout the quarter and delivered a 1.9% increase in comparable sales.

Q1 Highlights

- Preston, our premium, wood-based line had the **best sales order quarter in its history.**
- We brought to market **Décor+ by Elfa**, with the same modular framework customers love, but now with elevated options like fully enclosed, birch wood drawers, LED lighting and back panels. It has been well received by customers and is generating a lot of excitement in stores.
- Favorable response to the recent Garage+ and Décor+ by Elfa launches, paired with positive comparable sales for Elfa in Q1, **strengthens our belief** that we can grow Custom Spaces from 40% to 60% of sales over time.

The General Merchandise business experienced sequential month-over-month improvement as the quarter progressed.

Q1 Highlights

- Hosted our second **Partner Summit** with vendors, which drove a renewed level of **conviction in our brand** from our partners who are excited about our focus on core storage and organization products that complement our Custom Spaces.
- Began re-allocating space and inventory to be more reflective of our core storage and organization offering, which is resulting in significant improvements in productivity.
- Cross-functional efforts to connect general merchandise and Custom Spaces are resulting in increased attachment rates.

Strategic marketing initiatives to bring awareness to our differentiated offering as well as new stores are making an impact.

Q1 Highlights

- Launched a **full-funnel marketing test** in 5 key markets that showcases the transformative power of organization.
- Launched a **Garage+ by Elfa marketing campaign**, including partnerships with Jason and Kylie Kelce, which resonated with customers, drove notable media coverage, and can be attributed to the success we are seeing with the new line.
- Opened a new store in Springfield, VA, which **had more than one hundred customers** waiting in line for it to open on the first day.

Appendix

Historical Custom Spaces/General Merchandise Mix

Custom Spaces includes metal-based and wood-based custom space products and in-home installation services.

TCS Retail ONLY *(excluding C-Studio Sales)*

	Custom Spaces Definition								
Mix	**FY22**	**FY22**	**FY22**	**FY22**	**FY23**	**FY23**	**FY23**	**FY23**	**FY24**
TCS Only	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Custom Spaces	33.7%	35.3%	32.4%	39.2%	34.2%	35.7%	35.3%	42.0%	40.3%
Gen Merch	66.3%	64.7%	67.6%	60.8%	65.8%	64.3%	64.7%	58.0%	59.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total $Ms	$ 240	$ 258	$ 239	$ 245	$ 195	$ 209	$ 202	$ 195	$ 172

Excludes C-Studio

	Custom Spaces Definition			
Mix	**FY21**	**FY22**	**FY23**	**FY24**
TCS Only	**Full Year**	**Full Year**	**Full Year**	**YTD**
Custom Spaces	33.3%	35.2%	36.8%	40.3%
Gen Merch	66.7%	64.8%	63.2%	59.7%
Total	100.0%	100.0%	100.0%	100.0%
Total $Ms	$ 1,017	$ 983	$ 801	$ 172

Consolidated

	Custom Spaces Definition								
Mix	**FY22**	**FY22**	**FY22**	**FY22**	**FY23**	**FY23**	**FY23**	**FY23**	**FY24**
Consolidated	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Custom Spaces	39.3%	38.8%	35.9%	42.5%	38.0%	39.0%	39.1%	45.0%	43.7%
Gen Merch	60.7%	61.2%	64.1%	57.5%	62.0%	61.0%	60.9%	55.0%	56.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total $Ms	$ 263	$ 273	$ 252	$ 260	$ 207	$ 220	$ 215	$ 206	$ 182

	Custom Spaces Definition			
Mix	**FY21**	**FY22**	**FY23**	**FY24**
Consolidated	**Full Year**	**Full Year**	**Full Year**	**YTD**
Custom Spaces	38.0%	39.2%	40.2%	43.7%
Gen Merch	62.0%	60.8%	59.8%	56.3%
Total	100.0%	100.0%	100.0%	100.0%
Total $Ms	$ 1,094	$ 1,047	$ 848	$ 182

Adjusted Net (Loss) Income Per Diluted Share Reconciliation

Below is a reconciliation of the GAAP financial measures of net (loss) and net (loss) per common share – diluted to the non-GAAP financial measures of adjusted net (loss) and adjusted net (loss) per common share - diluted:

(in thousands)	Q1-FY24	Q1-FY23
Numerator:		
Net (loss)	(14,732)	(11,837)
Long-lived asset impairment charges (a)	901	-
Severance and retention charges (b)	53	2,453
Strategic alternatives fees (c)	1,632	-
Taxes (d)	(547)	(749)
Adjusted net (loss)	$ (12,693)	$ (10,133)
Denominator:		
Weighted-average common shares outstanding – basic and diluted	49,665,345	49,252,869
Net (loss) per common share – basic and diluted	$ (0.30)	$ (0.24)
Adjusted net (loss) per common share – diluted	$ (0.26)	$ (0.21)

a) Non-cash long-lived asset impairment charge was recorded in the first quarter of fiscal 2024 related to a store which has been identified for closure in fiscal 2024, which we do not consider in our evaluation of ongoing performance.
b) Severance and retention charges recorded in other expenses in the first quarter of fiscal 2024 and 2023, which we do not consider in our evaluation of ongoing performance.
c) Expenses associated with legal and professional fees related our review of strategic alternatives incurred in the first quarter of fiscal 2024, which we do not consider in our evaluation of ongoing performance.
d) Tax impact of adjustments to net loss that are considered to be unusual or infrequent tax items, all of which we do not consider in our evaluation of ongoing performance.

Q1 Adjusted EBITDA Reconciliation

Below is a reconciliation of the GAAP financial measure of net (loss) to the non-GAAP financial measures of EBITDA and Adjusted EBITDA:

(in thousands)

	Q1-FY24	Q1-FY23
Net (loss)	$ (14,732)	$ (11,837)
Depreciation and amortization	10,873	10,512
Interest expense, net	5,468	4,967
Provision for income taxes	(4,493)	(3,586)
EBITDA	(2,884)	56
Pre-opening costs (a)	747	185
Non-cash lease expense (b)	(132)	(174)
Long-lived asset impairment charges (c)	901	-
Stock-based compensation (d)	318	474
Foreign exchange losses (gains) (e)	2	(75)
Severance & retention charges (f)	53	2,453
Strategic alternatives fees (g)	1,632	-
Non-cash inventory reserve (h)	1,081	-
Adjusted EBITDA	**$ 1,718**	**$ 2,919**

a) Non-capital expenditures associated with opening new stores and relocating stores, including marketing expenses, travel and relocation costs, and training costs. We adjust for these costs to facilitate comparisons of our performance from period to period.

b) Reflects the extent to which our annual GAAP operating lease expense has been above or below our cash operating lease payments. The amount varies depending on the average age of our lease portfolio (weighted for size), as our GAAP operating lease expense on younger leases typically exceeds our cash operating lease payments, while our GAAP operating lease expense on older leases is typically less than our cash operating lease payments.

c) Non-cash long-lived asset impairment charge was recorded in the first quarter of fiscal 2024 related to a store which has been identified for closure in fiscal 2024, which we do not consider in our evaluation of ongoing performance.

d) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on volume and vesting timing of awards. We adjust for these charges to facilitate comparisons from period to period.

e) Realized foreign exchange transactional gains/losses our management does not consider in our evaluation of our ongoing operations.

f) Severance and retention charges recorded in other expenses in the first quarter of fiscal 2024 and 2023, which we do not consider in our evaluation of ongoing performance.

g) Expenses associated with legal and professional fees related to our review of strategic alternatives incurred in the first quarter of fiscal 2024, which we do not consider in our evaluation of ongoing performance.

h) Non-cash charges related to lower of cost or market inventory reserve, which was recorded in the first quarter of fiscal 2024, which we do not consider in our evaluation of ongoing performance.