



chico's FAS₂

Q3 2019

Overview



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Forward-Looking Language

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained herein may contain certain “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect our current views with respect to certain events that could have an effect on our future financial performance. These statements, including without limitation statements made in Ms. Brooks’ quote and in the slide entitled “Q4 2019 and Full-Year 2019 Outlook,” relate to expectations concerning matters that are not historical fact and may include the words or phrases such as “will,” “should,” “expects,” “believes,” “anticipates,” “plans,” “intends,” “estimates,” “approximately,” “our planning assumptions,” “future outlook,” and similar expressions. Except for historical information, matters discussed in such statements are forward-looking statements. These forward-looking statements are based largely on information currently available to our management and on our current expectations, assumptions, plans, estimates, judgments and projections about our business and our industry, and are subject to various risks and uncertainties that could cause actual results to differ materially from historical results or those currently anticipated. Although we believe our expectations are based on reasonable estimates and assumptions, we cannot guarantee their accuracy or our future performance, and there are a number of known and unknown risks, uncertainties, contingencies, and other factors (many of which are outside our control) that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Accordingly, there is no assurance that our expectations will, in fact, occur or that our estimates or assumptions will be correct, and we caution investors and all others not to place undue reliance on such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in the general economic and business environment; changes in the general or specialty retail or apparel industries, including the extent of the market demand and overall level of spending for women’s private branded clothing and related accessories; the availability of quality store sites; the effectiveness of our brand strategies, awareness and marketing programs; the ability to successfully execute and achieve the expected results of our business strategies and particular strategic initiatives (including, but not limited to, the Company’s revised organizational cost structure, retail fleet optimization plan and three operating priorities, which are driving stronger sales through improved product and marketing; optimizing the customer journey by simplifying, digitizing and extending the Company’s unique and personalized service; and transforming sourcing and supply chain operations to increase product speed to market and improve quality); sales initiatives and multi-channel strategies; customer traffic; our ability to appropriately manage our inventory and allocation processes; our ability to leverage inventory management and targeted promotions; the successful recruitment of leadership and the successful integration of new members of our senior management team; uncertainties regarding future unsolicited offers to buy the Company and our ability to respond effectively to them as well as to actions of activist shareholders and others; changes in the political environment that create consumer uncertainty; the risk that our investments in merchandise or marketing initiatives may not deliver the results we anticipate; significant changes to product import and distribution costs (such as unexpected consolidation in the freight carrier industry, and the ability to remain competitive with customer shipping terms and costs pertaining to product deliveries and returns); new or increased taxes or tariffs (particularly with respect to China) that could impact, among other things, our sourcing from foreign suppliers; significant shifts in consumer behavior; and those other factors described in Item 1A, “Risk Factors” and in the “Forward-Looking Statements” disclosure in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our latest annual report on Form 10-K and in Part II, Item 1A, “Risk Factors” and the “Forward-Looking Statements” disclosure in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operation” of our quarterly reports on Form 10-Q and in other reports we file with or furnish to the Securities and Exchange Commission. There can be no assurance that the actual future results, performance, or achievements expressed or implied by such forward-looking statements will occur. All forward-looking statements that are made or attributable to us are expressly qualified in their entirety by this cautionary notice. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that projected results expressed or implied in such statements will not be realized.

Q3 2019 Brand Highlights



Sequential Improvement in Comparable Sales

- Improved focus on key items and a more balanced inventory position between basics and fashion product
- Re-assorted our fashion product and reworked marketing plans to deliver aesthetic and value our customers love and expect
- Better leveraged customer feedback and research to fine-tune fit and quality



Course Correction Underway and Delivering Benefits

- Sequential improvement in comparable sales
- Changes made in talent, merchandising and product design
- Quickly improved prints and color
- Improvement primarily due to traffic and average unit retail in stores indicating changes in product and visual presentation are resonating with customers



Another Quarter of Double-Digit Growth

- Growth continues to be driven by product innovation, and investments in inventory and marketing
- 15th Anniversary event fueled customer acquisition
- Well positioned to deliver a strong holiday season

Other Q3 2019 Highlights

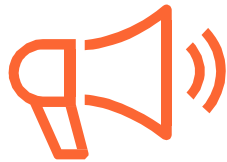
Other Highlights

- Completed the implementation of Buy On-Line, Pick-up In-Store (BOPIS) capability across all brands; early results indicate a strong sales attachment rate on pickups
- Continued growth and momentum in the digital channel; expect to launch new digital platform across 2020 with more intuitive and user-friendly navigation and personalized online experience for customers
- Actively diversifying country of origin mix and reducing manufacturing penetration in China, thereby mitigating the majority of tariff increases
- Strengthened the product teams and made investments in growth areas, such as digital and customer experience; repositioned departments, consolidated others, and reduced areas where the Company can operate more efficiently with fewer resources
- Chico's and Soma recognized in October by Newsweek for America's Best Customer Service in the Brick and Mortar Retailers Category



Executing on Our Strategic Priorities for Growth and Value Creation

1



Driving stronger sales with improved product, stronger marketing and customer engagement

2



Optimizing customer journey by simplifying, digitizing and extending unique and personalized service

3



Transforming sourcing and supply chain operations to increase product quality and overall efficiencies

“Our third quarter results demonstrate that we are gaining traction on our strategic priorities. Comparable sales improved sequentially by 10.4 percentage points at White House Black Market and by 2 points at Chico’s, our largest brand. In addition, Soma’s comparable sales increased double-digits for the second consecutive quarter. Each of these achievements indicate that the actions being taken are positively impacting results. Our customers are also responding to our brands’ better product, stronger marketing and changes to store presentation. I firmly believe the Company’s turnaround is on the right track, and we have updated our full-year financial outlook to reflect the positive momentum of our business.”

— Bonnie Brooks, CEO and President, Chico’s FAS

Q3 2019 Financial Results

	Thirteen Weeks Ended	
	November 2, 2019 Amount	November 3, 2018 Amount
Net Sales		
Chico's	\$249,973	\$259,503
White House Black Market	\$154,941	\$167,805
Soma ¹	\$ 79,792	\$ 72,569
Total Net Sales	\$484,706	\$499,877
Gross Margin	\$171,038	\$180,978
Selling, general and administrative expenses	\$180,586	\$178,394
(Loss) Income from Operations	\$ (9,548)	\$ 2,584
Interest income (expense), net	\$ 25	\$ 97
(Loss) Income before Income Taxes	\$ (9,523)	\$ 2,681
Income tax provision	\$ (1,400)	\$ (3,800)
Net (Loss) Income	\$ (8,123)	\$ 6,481
Per Share Data: Net (loss) income per common and common equivalent share – diluted	\$ (0.07)	\$ 0.05

¹ Includes TellTale™ net sales, which is not a significant component of Soma revenue

	Thirteen Weeks Ended	
	November 2, 2019 Amount	
Net (Loss) Income ¹		
GAAP Basis	\$ (8,123)	
Accelerated depreciation, net of tax ²	\$ 1,504	
Severance Charges ³	\$ 2,063	
Non-GAAP adjusted basis	\$ (4,556)	
Net (Loss) Income per Diluted Share ¹		
GAAP Basis	\$ (0.07)	
Accelerated depreciation, net of tax ²	\$ 0.01	
Severance Charges ³	\$ 0.02	
Non-GAAP adjusted basis	\$ (0.04)	

¹ All adjustments to net (loss) income are presented net of tax. ² Reflects the impact of accelerated depreciation on property and equipment due to the change in the useful life of store assets for store closures added as a result of the Company's retail fleet optimization plan. ³ As defined in Q3 2019 Earnings Press Release

Q4 2019 Outlook¹

Q4 2019

Net Sales

~ Flat

Comparable Sales

~ Flat

Adjusted Gross Margin²

~ Flat

Adjusted SG&A Expense²

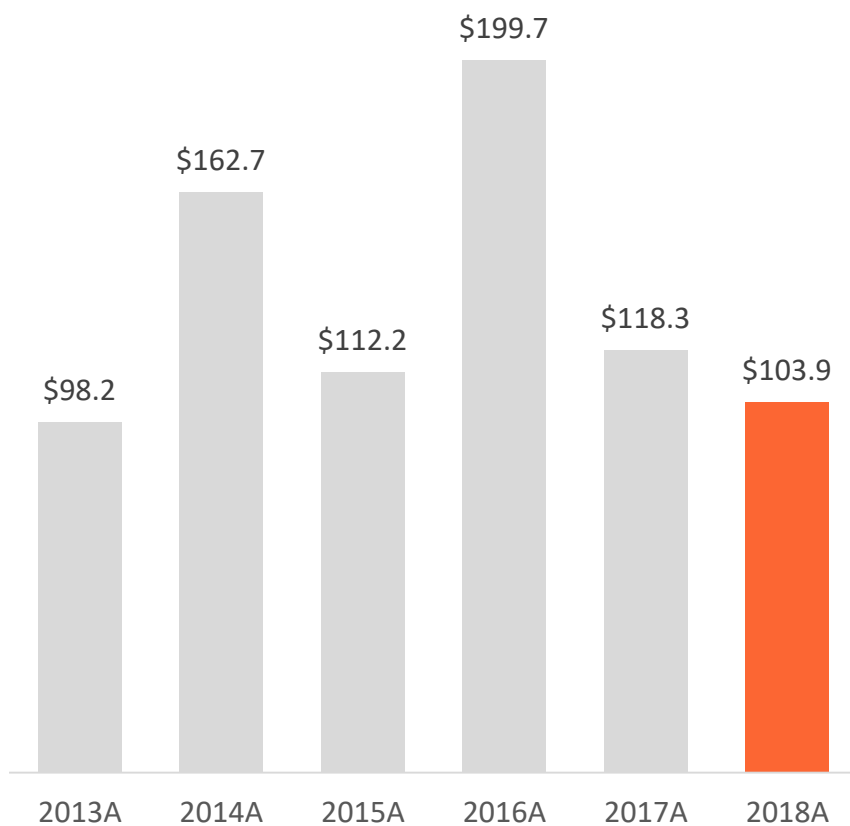
Down ~\$5M

¹ Outlook as compared to comparable fiscal 2018 period. ² Non-GAAP financial measure; see Q3 2019 Earnings Press Release on our website containing GAAP to Non-GAAP reconciliation.

Free Cash Flow and Capital Returns

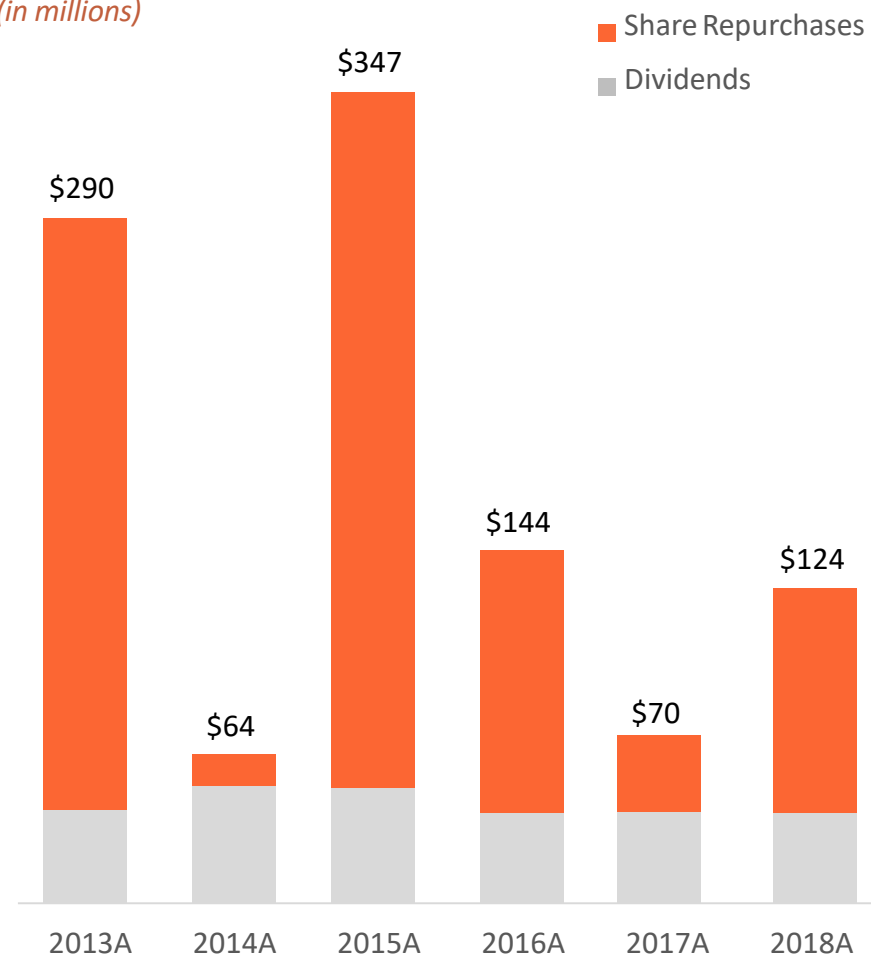
Free Cash Flow¹

(in millions)



Capital Returns

(in millions)



¹ Non-GAAP financial measure; see Appendix for GAAP to Non-GAAP reconciliation.



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APPENDIX



GAAP to Non-GAAP Reconciliation of Net (Loss) Income and (Loss) Income Per Diluted Common Share

The Company reports information in accordance with GAAP. The Company's management does not, nor does it suggest that investors should, consider non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Further, the non-GAAP measures utilized by the Company may be unique to the Company, as they may be different from non-GAAP measures used by other companies. The Company believes presenting these non-GAAP measures, which exclude items that are not comparable from period to period, is useful to investors and others in evaluating the Company's ongoing operating and financial results in a manner that is consistent with management's evaluation of business performance and understanding how such results compare with the Company's historical performance. The reconciliation below excludes the impact of the Company's retail fleet optimization plan and Severance Charges as previously defined.

A reconciliation of net loss and loss per diluted share on a GAAP basis to net (loss) income and (loss) income per diluted share on a non-GAAP basis for the thirteen and thirty-nine weeks ended November 2, 2019 is presented in the table below:

	Thirteen Weeks Ended
	November 2, 2019
	Amount
Net (Loss) Income ¹	
GAAP Basis	\$(8,123)
Accelerated depreciation, net of tax ²	\$ 1,504
Severance Charges ³	\$ 2,063
Non-GAAP adjusted basis	\$ (4,556)
Net (Loss) Income per Diluted Share ¹	
GAAP Basis	\$(0.07)
Accelerated depreciation, net of tax ²	\$ 0.01
Severance Charges ³	\$ 0.02
Non-GAAP adjusted basis	\$ (0.04)

¹ All adjustments to net (loss) income are presented net of tax. ² Reflects the impact of accelerated depreciation on property and equipment due to the change in the useful life of store assets for store closures added as a result of the Company's retail fleet optimization plan. ³ As defined in Q3 2019 Earnings Press Release.

Supplemental Detail on Free Cash Flow (Non-GAAP Financial Measure)¹

Free cash flow is a non-GAAP financial measure which the Company defines as net cash provided by operating activities less purchases of property and equipment. We believe free cash flow, when used in conjunction with GAAP measures, provides investors with a meaningful analysis of our ability to generate cash for discretionary and non-discretionary items after deducting purchases of property and equipment.

Free cash flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies.

A reconciliation of net cash provided by operating activities on a GAAP basis to free cash flow on a non-GAAP basis is presented in the table below:

Chico's FAS, Inc. and Subsidiaries													
Free Cash Flow (Unaudited) (in millions)													
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net cash provided by operating activities	\$289.0	\$208.6	\$99.4	\$215.4	\$239.6	\$255.2	\$368.3	\$236.7	\$282.5	\$197.0	\$231.3	\$166.8	\$158.1
Less: Purchases of property and equipment, net	(218.3)	(202.2)	(104.6)	(67.9)	(73.0)	(131.8)	(164.7)	(138.5)	(119.8)	(84.8)	(31.6) ¹	(48.5)	(54.2)
Free cash flow	\$70.7	\$6.4	\$(5.2)	\$147.5	\$166.6	\$123.4	\$203.6	\$98.2	\$162.7	\$112.2	\$199.7	\$118.3	\$103.9

¹ Includes \$16.2 million from proceeds from sale of land.