



Q3 FY2018

Reconciliation of GAAP to Non-GAAP Financial Measures



Free Cash Flow

We present free cash flow, which is not a recognized financial measure under GAAP, because we use it to report to our board of directors and we believe it assists investors and analysts in evaluating our liquidity. Free cash flow should not be considered as an alternative to cash flows from operations as a liquidity measure. We define “free cash flow” as net cash provided by operating activities net of capital expenditures.

The following is a reconciliation of our net cash from operating activities to free cash flow for the periods presented:

(Amounts in thousands)
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net Cash provided by (used in) operating activities	\$ 47,674	\$ 46,389	\$ 250,893	\$ 100,359
Less: Capital Expenditures	27,674	39,869	103,340	86,122
Free cash flow	20,000	6,520	147,553	14,237

Net Debt and Net Debt Leverage Ratio

We present net debt and the net debt leverage ratio, which are not a recognized as financial measures under GAAP, because we use them to report to our board of directors and we believe they assist investors and analysts in evaluating our borrowing capacity. Net debt leverage ratio is a key financial measure that is used by management to assess the borrowing capacity of the company. The company has defined its net debt leverage ratio as net debt (total debt outstanding less cash and cash equivalents) at the balance sheet date divided by adjusted EBITDA for the trailing twelve-month period. We define adjusted EBITDA as income (loss) from continuing operations before interest expense, net, provision (benefit) for income taxes and depreciation and amortization, adjusted for the impact of certain other items, including: compensatory payments related to options; stock-based compensation expense; preopening expenses; management fees; noncash rent; strategic consulting expenses, severance; costs associated with the Company's initial public offering ("IPO") and other adjustments.

Net Debt and Net Debt Leverage Ratio

(Amounts in thousands)

(Unaudited)

	As of	
	November 3, 2018	
Total Debt	\$	1,938,783
Less: Cash and cash equivalents		31,502
Net Debt	\$	1,907,281

	Twelve Months Ended	
	November 3, 2018	
Income (loss) from continuing operations	\$	131,453
Interest expense, net		184,300
Benefit for income taxes		(29,447)
Depreciation and amortization		163,091
Stock-based compensation expense (a)		57,437
Preopening expenses (b)		4,913
Management fees (c)		5,300
Noncash rent (d)		4,601
Strategic consulting (e)		28,483
Severance (f)		10,025
Offering costs (g)		3,143
Other adjustments (h)		7,756
Adjusted EBITDA	\$	571,055

Net Debt to LTM adjusted EBITDA

3.3x

- a) Represents total stock-based compensation expense and includes one-time expense related to certain restricted stock and stock option awards issued in connection with our IPO.
- b) Represents direct incremental costs of opening or relocating a facility that are charged to operations as incurred.
- c) Represents management fees paid to our sponsors (or advisory affiliates thereof) in accordance with our management services agreement, which terminated upon closing of the IPO.
- d) Consists of an adjustment to remove the non-cash portion of rent expense, which has been recorded on a straight-line basis in accordance with GAAP.
- e) Represents fees paid to external consultants for strategic initiatives of limited duration.
- f) Represents termination costs associated with voluntary workforce reductions that occurred in February 2018 and incremental severance expense to a former executive.
- g) Represents one-time costs related to our IPO and secondary offering
- h) Other non-cash items, including amortization of a deferred gain from sale lease back transactions in 2013, non-cash accretion on asset retirement obligations, obligations associated with our post-retirement medical plan and impairment charges on a club that was relocated in 2018.

