Long Idea: Tailored Brands

Equity – Ticker: TLRD

7% Bonds Due 2022 – CUSIP: 587118AE0

http://finra-markets.morningstar.com/BondCenter/BondDetail.jsp?ticker=C632019

Analysis by Michael Roberson

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Michael Roberson is currently long TLRD.

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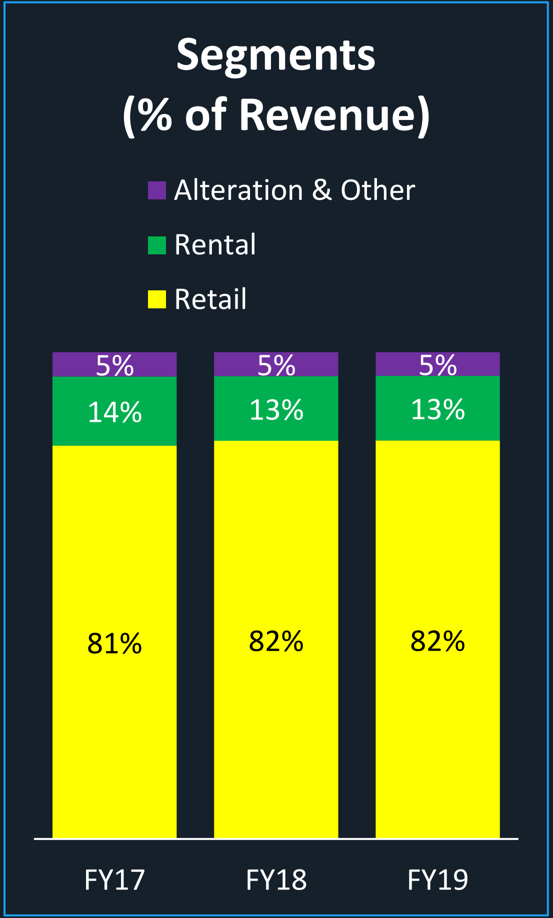
Thesis

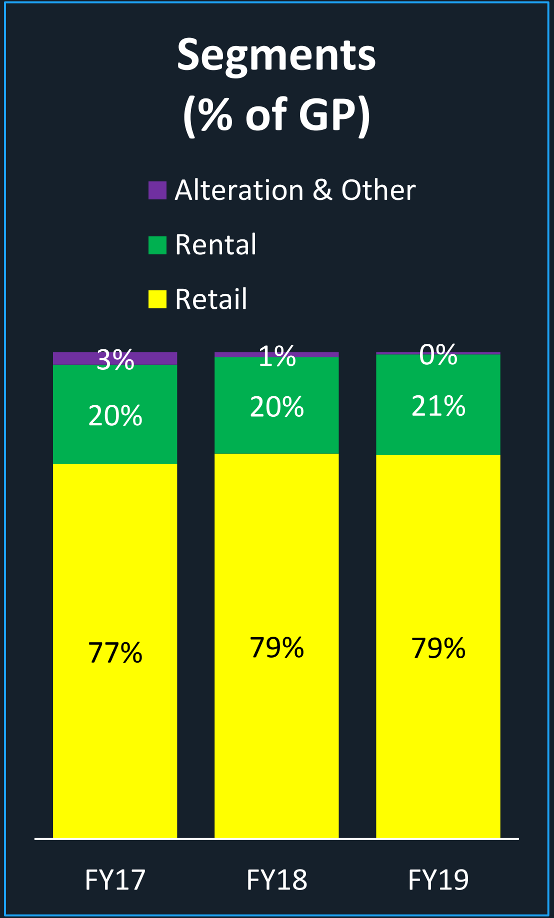
- TLRD is priced for bankruptcy but is unlikely to file
    - Financials suggest TLRD can operate for 6 months with no revenue
    - P/E: 2.7x current; 1.0x normalized
    - P/LFCF: 1.6x current; 0.8x normalized
    - 2022 bonds at 28
- At under $70m in market capitalization, there has likely been indiscriminate selling
    - Further exacerbated by recent sales by Michael Burry, who trimmed his position from 8% to below 5% of shares outstanding
- TLRD is a classic Joel Greenblatt "stub stock" play
    - $70m market capitalization
    - $1,413m debt
    - $439m cash
    - $1,041m TEV

Business: Overview

- Brands: Men's Wearhouse, Jos. A. Bank, Moores, and K&G
- Products & Services
  - Sell men's suits, formalwear, and business casual (79% of GP)
  - Rent tuxedos (21% of GP)
  - Offer tailoring and other services (<1% of GP)
- Distribution
  - 1,450 stores in the US and Canada
  - Factory in Massachusetts
  - eCommerce operations
  - Management doesn't break out revenue by channel

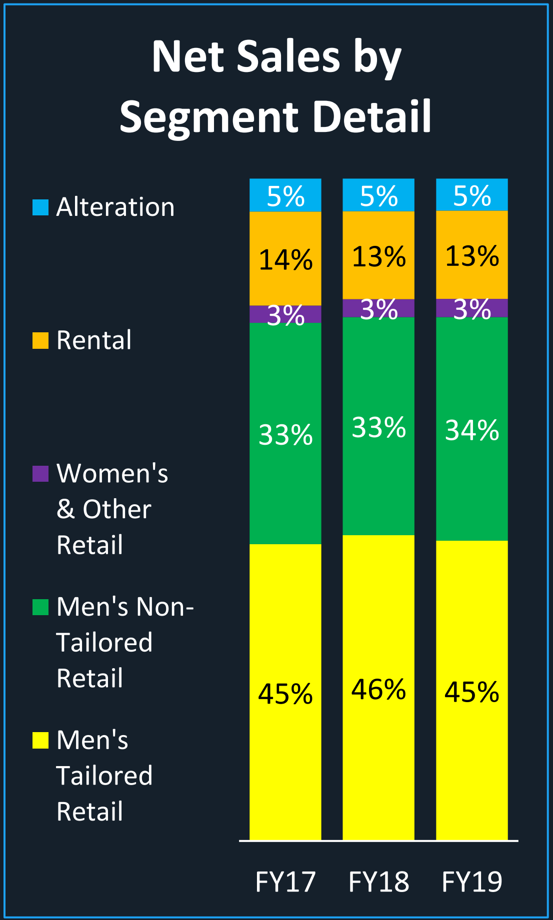
Business:
Segment Overview

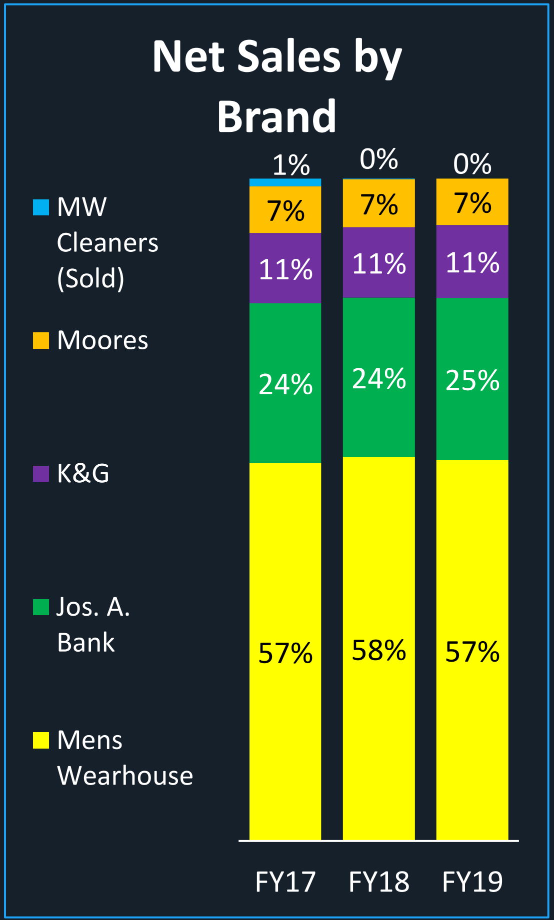


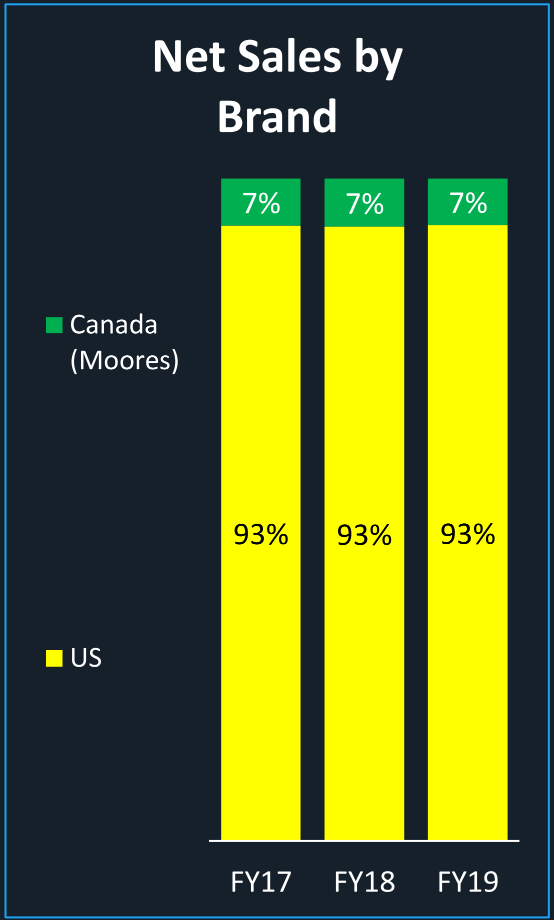


- Gross Margin Focus
  - Roughly 78% Retail
  - Roughly 20% Rental (high-margin business)
  - Alteration is negligible because of its low margins

Business: Net Sales Details

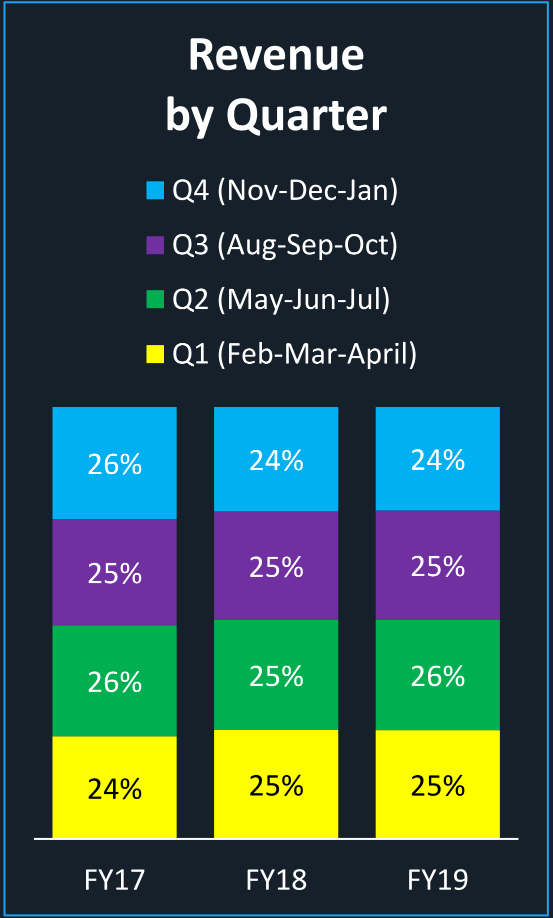


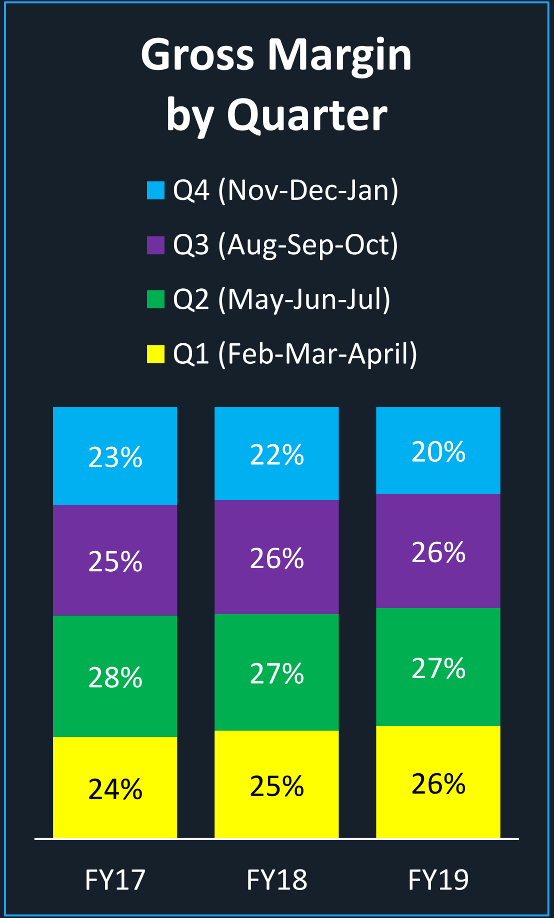




- 45% Men's Tailored Clothing
- 34% Men's Non-Tailored Clothing
- 13% Rental (but this business is high-margin)
- Men's Wearhouse & Jos. A. Bank are 80%+ of Net Sales
- Dominantly US business; Moores is the Canadian portion

Business:
Mild Seasonality (Unlike Most Retail)





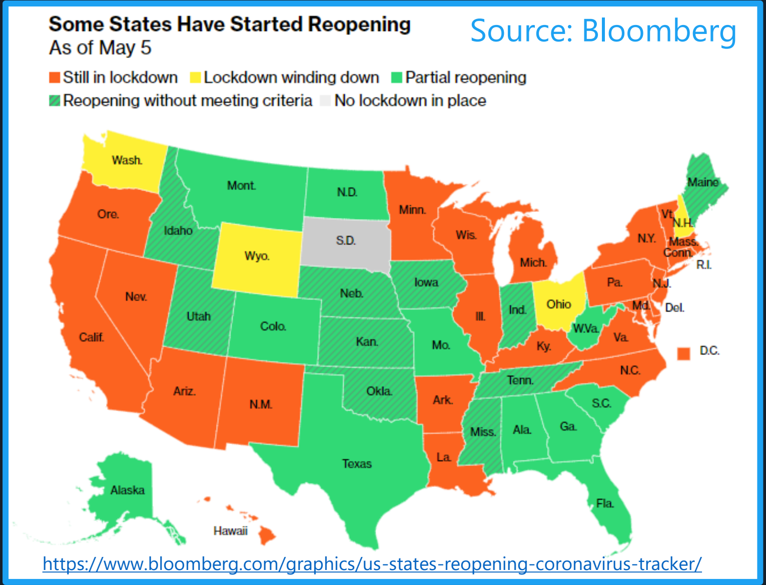
- Q2 and Q3 contribute about 53% of gross margin
  - Q2 (May-Jul): Prom Season
  - Q3 (Aug-Oct): Wedding Season
- Q4 is the seasonal low point
- Most of the seasonality has to do with rental products, which are in high demand during Prom and Wedding seasons
  - 2020's Prom and Wedding seasons are likely to be hurt by COVID-19
  - But, as we can see at left, Q2 and Q3 don't dominate the year's results like you might expect from a typical retailer's Q4

Business:
Top States and Lockdown Status

#	US Location	State Subtotal	% of US Total	Running %	Bloomberg Status	Bloomberg Detail (5/5/2020)
1	Texas	118	9%	9%	Partial Reopening	The state is in the first phase of reopening, which focuses on allowing limited capacity for retailers, restaurants, libraries, museums, and malls.
2	California	111	8%	17%	Still in Lockdown	On May 8, the state will move into its second phase of reopening, allowing some retailers to reopen in a limited capacity.
3	Florida	95	7%	24%	Partial Reopening	With the exception of some counties with high case loads, Florida began a phased reopening on May 4. It requires reduced capacity at retailers and restaurants.
4	New York	70	5%	30%	Still in Lockdown	The epicenter of America's COVID-19 crisis, New York may allow some businesses upstate to reopen on May 15. The rest of the state remains on lockdown.
5	Pennsylvania	63	5%	35%	Still in Lockdown	The state has a stay home order through May 8.
6	Illinois	62	5%	39%	Still in Lockdown	The state is effectively closed through May 30, though some outdoor recreation options have reopened.
7	Ohio	52	4%	43%	Lockdown Winding Down	The state began a phased reopening on May 1. On May 4, manufacturing, construction, and distribution businesses reopened with precautions. Retail and consumer services are scheduled to reopen on May 12 in a limited capacity.
8	Virginia	51	4%	47%	Still in Lockdown	Still in lockdown
9	Michigan	48	4%	51%	Still in Lockdown	The state is efectively closed through May 15, though some outdoor recreation is allowed in a limited capacity.
10	North Carolina	48	4%	54%	Still in Lockdown	The state has a stay home order through May 8.
11	New Jersey	47	4%	58%	Still in Lockdown	One of the hardest hit states, New Jersey is still in lockdown.
12	Maryland	46	3%	61%	Still in Lockdown	Still in lockdown
13	Georgia	44	3%	65%	Partial Reopening	Georgia was on of the first states to begin reopening its economy.
14	Massachusetts	44	3%	68%	Still in Lockdown	The state is effectively closed through May 18.
15	Indiana	26	2%	70%	Partial Reopening	With the exception of some counties with high case loads, Indiana entered its second stage of reopening on May 4. The state plans to fully reopen by July 4.
	Others	399	30%	100%		
	US Total	1,324	100%	100%		

Business: "Open" States

- 36% of TLRD's American store fleet are in "Open" states as of May 5.



US Location	Status	State Subtotal	% of US Total	Cumulative State Subtotal	Cumulative % of US Total
Texas	Open	118	9%	118	9%
Florida	Open	95	7%	213	16%
Georgia	Open	44	3%	257	19%
Indiana	Open	26	2%	283	21%
Colorado	Open	25	2%	308	23%
Tennessee	Open	25	2%	333	25%
Alabama	Open	22	2%	355	27%
South Carolina	Open	22	2%	377	28%
Missouri	Open	20	2%	397	30%
Kansas	Open	14	1%	411	31%
Iowa	Open	11	1%	422	32%
Oklahoma	Open	11	1%	433	33%
Utah	Open	11	1%	444	34%
Mississippi	Open	9	1%	453	34%
Nebraska	Open	7	1%	460	35%
West Virginia	Open	5	0%	465	35%
Idaho	Open	4	0%	469	35%
North Dakota	Open	3	0%	472	36%
Alaska	Open	2	0%	474	36%
Maine	Open	2	0%	476	36%
Montana	Open	2	0%	478	36%
South Dakota	Open	2	0%	480	36%
Closed States	Closed	844	64%	1,324	100%
US Total		**1,324**	**100%**	**1,324**	100%

Financials

USD Millions	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Δ since 10-K	Market Data (5)	"Normal" Data (6)
Revenue (1)	$3,496	$3,379	$3,053	$3,005	$2,881			$2,980
-COGS	(2,012)	(1,938)	(1,712)	(1,694)	(1,713)			($1,706)
Gross Profit	$1,484	$1,441	$1,341	$1,311	$1,168			$1,273
-Opex (2)	(2,561)	(1,308)	(1,125)	(1,085)	(1,070)			($1,093)
EBIT	($1,077)	$133	$216	$226	$98			$180
-Interest	(119)	(101)	(94)	(110)	(71)			(92)
EBT	($1,196)	$32	$122	$116	$27			$88
-Tax Expense	169	(7)	(35)	(18)	(2)			(18)
Net Income (3)	($1,027)	$25	$87	$98	$25			$70
+D&A	132	115	106	104	107			106
-Capex	(115)	(100)	(95)	(82)	(89)			(89)
Levered FCF	($1,010)	$40	$98	$120	$43			$87
+Interest	119	101	94	110	71			92
Unlevered FCF	($891)	$141	$192	$230	$114			$179
EBIT	(1,077)	133	216	226	98			180
+D&A	132	115	106	104	107			106
+Write-down (2)	1,243	-	-	-	-			-
EBITDA	$298	$248	$322	$330	$205			$286

USD Millions	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Δ since 10-K	Market Data (5)	"Normal" Data (6)
Shares Outs.	48	49	49	51	50			
*Price	$ 14.36	$ 25.55	$ 21.85	$ 13.41	$ 4.21	$ (2.87)	$ 1.34	$ 1.34
Market Cap.	$689	$1,252	$1,071	$684	$211	($144)	$67	$67
+Debt	1,656	1,596	1,397	1,164	1,103	$310	1,413	1,413
-Cash (4)	(30)	(70)	(104)	(33)	(14)	($425)	(439)	(439)
TEV	$2,315	$2,778	$2,364	$1,815	$1,300		$1,041	$1,041
TEV / EBITDA	7.8x	11.2x	7.3x	5.5x	6.3x		5.1x	3.6x
TEV / EBIT	-2.1x	20.9x	10.9x	8.0x	13.3x		10.6x	5.8x
TEV / UFCF	-2.6x	19.7x	12.3x	7.9x	11.4x		9.1x	5.8x
P / E	-0.7x	50.1x	12.3x	7.0x	8.4x		2.7x	1.0x
P / Levered FCF	-0.7x	31.3x	10.9x	5.7x	4.9x		1.6x	0.8x

(1) 2015 & 2016 include the impact of corporate apparel, sold in August 2019. It produced $243-280m of revenue and $173-193mm of GP from 2015-2017.
(2) TLRD wrote down $1,243m of Jos. A. Bank intangibles in 2015
(3) I'm not including Net Losses from Discontinued Operations since they're non-cash. They were $108mm in 2019, $14mm in 2018, and $13mm in 2017.
(4) TLRD sold Joseph Abboud trademarks, retaining rights to market the line in North America. They received about $115m.
(5) Market Data as of 2020-05-22
(6) Revenue, COGS, Opex, Interest, D&A, and Capex based on 3-year averages.

Risks & Mitigants: Summary

- Risks
  - Massive sales declines due to COVID-19
  - Resulting illiquidity and payment defaults
  - Long-term trends away from formalwear
- Mitigants
  - 6 months' worth of zero-revenue cash runway (see following page)
  - eCommerce is currently operational (and presumably generating revenue)
  - Management plans to open 300/1,450 stores by Memorial Day
  - Potential asset sales (like the recent Joseph Abboud deal for $115m)
  - Potential acquisition bids
    - Founder George Zimmer https://www.youtube.com/watch?v=6cLE5NfMQVU
    - PE Firm Sycamore Partners https://sec.report/Document/0001140361-19-015903/

Risks & Mitigants: 6+ Month Runway with Zero Revenue

USD Millions	
-Interest	($70)
-Incremental Interest	(22)
-COGS (Occupancy Portion)	(400)
-Total Opex	(1,071)
+Furloughed Store Employees (based on 13.7% of Sales per 10-K's page 35)	395
+Advertising Spend	159
+D&A	107
+Rental Product Amortization	34
+Loss on Sale of Business	84
+Currency Loss	27
Estimated Total Annual Cash Burn	($757)
Estimated Total Monthly Cash Burn	($63)
Balance Sheet Cash	425
Months until out of cash	6.7

- Source Locations in 10-K (pg.)
  - Income Statement (50)
    - Interest Expense
    - COGS Occupancy Line Item
    - Advertising
  - Cash Flow Statement (53)
    - Rental Amortization
    - Loss on Sale
    - Currency Loss
  - Other Notes
    - Incremental Interest Rate (40)
      - (1.66% + 3.25%) * $310
    - Furloughed Employees (35)
      - 13.7% of 2019 Revenues

Risks & Mitigants: Breakeven Scenario Analysis

	CY 2017	CY 2018	CY 2019	Zero Sales	21% of Stores Open	65% of Stores Open	75% of Stores Open	85% of Stores Open	90% of Stores Open	95% of Stores Open	100% of Stores Open
Historical Data											
Net Sales	$3,053	$3,005	$2,881								
Number of Stores Open	1,477	1,464	1,450								
Net Sales per Store	**2.1**	**2.1**	**2.0**								
Occupancy Costs as a % of Net Sales	13.6%	13.5%	14.4%								
Gross Margin Including Occupancy	43.9%	43.6%	40.6%								
Gross Margin Excluding Occupancy	**57.5%**	**57.1%**	**55.0%**								
Store Salaries (Within SG&A) as a % of Net Sales	12.5%	12.5%	13.7%								
Store Salaries (Within SG&A) $	**($382)**	**($376)**	**($395)**								
Assumptions											
2019 Net Sales per Store ($ million)				2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Number of Stores Open				-	300	942	1,087	1,232	1,305	1,377	1,450
Percentage of Traffic and Ticket (Links Store-Level Sales to Store Salaries)				0%	100%	100%	86%	76%	72%	68%	65%
Resulting Sales				$0	$596	$1,872	$1,857	$1,860	$1,867	$1,860	$1,873
Gross Margin % (Occupancy Held Constant & Taken Out Below)				55%	55%	55%	55%	55%	55%	55%	55%
Resulting Gross Margin $ (Occupancy Held Constant & Taken Out Below)				**$0**	**$328**	**$1,029**	**$1,022**	**$1,023**	**$1,027**	**$1,023**	**$1,030**
Percentage of Stores Open				0%	21%	65%	75%	85%	90%	95%	100%
Percentage of Normal Per-Store Staffing (Links Store-Level Sales to Store Salaries)				0%	100%	100%	86%	76%	72%	68%	65%
Resulting Percentage of 2019 Staffing				0%	21%	65%	65%	65%	65%	65%	65%
2019 Staffing Cost				($395)	($395)	($395)	($395)	($395)	($395)	($395)	($395)
Resulting Staffing Cost				$0	($82)	($257)	($255)	($255)	($256)	($255)	($257)
+Store Contribution Before Occupancy (Gross Margin - Staffing)				$0	$246	$773	$767	$768	$771	$768	$773
-Estimated Annual Cash Burn Including Occupancy				(767)	(767)	(767)	(767)	(767)	(767)	(767)	(767)
Annual Cash Flow with Assumptions				(767)	(520)	6	0	2	5	2	7
Monthly Cash Flow with Assumptions				(64)	(43)	1	0	0	0	0	1
Balance Sheet Cash				439	439	439	439	439	439	439	439
Months until out of cash				**6.9**	**10.1**	**CF+**	**CF+**	**CF+**	**CF+**	**CF+**	**CF+**

- The scenarios presented assume that % of in-store sales and % of normal staffing levels are linked
- The columns ending with CF+ show the variables required for returning to cash flow positive
- At zero sales, as shown previously, TLRD has 6+ months of runway
- At 300 stores open (management's plan by 5/25) and 100% of normal sales volume, the company would have 9+ months of runway
- At 942 stores open, assuming normal sales volume and 0% discretionary spending, the company reaches breakeven

Conclusion

- The entire Tailored Brands capital stack is a bargain
  - Equity (Ticker:TLRD) at 1.6x Levered FCF
  - 7% 2022 Bonds (CUSIP:587118AE0) at 28
- The market is pricing in a bankruptcy filing
  - I think the market is wrong
  - When news developments confirm this thesis, the stock price should increase markedly (pre-COVID-19, the price was trading in the $4 range—about 3 times the current levels)
- The bonds offer downside protection, 25% current yield and significant principal upside potential

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Appendix: Balance Sheet

TAILORED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 1, 2020	February 2, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,420	$ 32,671
Accounts receivable, net	39,973	34,686
Inventories	696,657	724,086
Assets held for sale	34,935	—
Other current assets	49,130	66,823
Current assets - discontinued operations	—	171,376
Total current assets	835,115	1,029,642
PROPERTY AND EQUIPMENT, AT COST:		
Land	17,181	19,162
Buildings	149,942	151,071
Leasehold improvements	650,778	628,572
Furniture, fixtures and equipment	575,986	647,241
	1,393,887	1,446,046
Less accumulated depreciation and amortization	(998,075)	(1,021,730)
PROPERTY AND EQUIPMENT, net	395,812	424,316
OPERATING LEASE RIGHT-OF-USE ASSETS	880,291	—
RENTAL PRODUCT, net	92,897	99,770
GOODWILL	79,271	79,491
INTANGIBLE ASSETS, net	116,843	153,711
OTHER ASSETS	18,730	8,489
NON-CURRENT ASSETS - DISCONTINUED OPERATIONS	—	25,071
TOTAL ASSETS	$ 2,418,959	$ 1,820,490

LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 183,897	$ 204,775
Accrued expenses and other current liabilities	246,110	268,698
Current portion of operating lease liabilities	186,304	—
Income taxes payable	3,416	13,478
Current portion of long-term debt	9,000	11,619
Current liabilities - discontinued operations	—	40,025
Total current liabilities	628,727	538,595
LONG-TERM DEBT, net	1,094,398	1,153,242
OPERATING LEASE LIABILITIES	726,327	—
DEFERRED TAXES, net AND OTHER LIABILITIES	67,813	119,545
NON-CURRENT LIABILITIES - DISCONTINUED OPERATIONS	—	5,477
Total liabilities	2,517,265	1,816,859
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' (DEFICIT) EQUITY:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized, no shares issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 50,909,984 and 50,180,832 shares issued	508	501
Capital in excess of par	514,397	505,157
Accumulated deficit	(568,697)	(468,048)
Accumulated other comprehensive loss	(34,514)	(33,979)
Treasury stock, 2,336,852 and 0 shares, at cost	(10,000)	—
Total shareholders' (deficit) equity	(98,306)	3,631
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	$ 2,418,959	$ 1,820,490

The accompanying notes are an integral part of these consolidated financial statements.

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Appendix: Income Statement

TAILORED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

For the Years Ended
February 1, 2020, February 2, 2019, and February 3, 2018

(In thousands, except per share amounts)

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Net sales:			
Retail clothing product	$ 2,358,392	$ 2,454,747	$ 2,439,817
Rental services	383,521	399,146	428,355
Alteration and other services	139,348	150,618	184,849
Total net sales	2,881,261	3,004,511	3,053,021
Cost of sales:			
Retail clothing product	1,107,642	1,096,032	1,085,799
Rental services	56,750	59,243	69,973
Alteration and other services	132,302	132,591	139,840
Occupancy costs	415,955	406,037	415,981
Total cost of sales	1,712,649	1,693,903	1,711,593
Gross margin:			
Retail clothing product	1,250,750	1,358,715	1,354,018
Rental services	326,771	339,903	358,382
Alteration and other services	7,046	18,027	45,009
Occupancy costs	(415,955)	(406,037)	(415,981)
Total gross margin	1,168,612	1,310,608	1,341,428
Advertising expense	159,052	165,248	172,001
Selling, general and administrative expenses	911,722	919,798	951,831
Goodwill impairment charge	—	—	1,500
Operating income	97,838	225,562	216,096
Interest income	523	563	564
Interest expense	(71,272)	(79,570)	(100,471)
(Loss) gain on extinguishment of debt, net	(77)	(30,253)	5,445
Earnings before income taxes	27,012	116,302	121,634
Provision for income taxes	1,645	17,706	34,617
Net earnings from continuing operations	25,367	98,596	87,017
(Loss) earnings from discontinued operations, net of tax	(107,643)	(15,356)	9,686
Net (loss) earnings	$ (82,276)	$ 83,240	$ 96,703
Net earnings from continuing operations per common share:			
Basic	$ 0.51	$ 1.98	$ 1.77
Diluted	$ 0.51	$ 1.94	$ 1.76
Net (loss) earnings from discontinued operations per common share:			
Basic	$ (2.16)	$ (0.31)	$ 0.20
Diluted	$ (2.16)	$ (0.30)	$ 0.20
Net (loss) earnings per common share:			
Basic	$ (1.65)	$ 1.67	$ 1.97
Diluted	$ (1.65)	$ 1.64	$ 1.95
Weighted-average common shares outstanding:			
Basic	49,774	49,856	49,094
Diluted	49,929	50,725	49,468

The accompanying notes are an integral part of these consolidated financial statements.

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Appendix:
Cash Flow Statement

TAILORED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended

February 1, 2020, February 2, 2019 and February 3, 2018

(In thousands)

	Fiscal Year 2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	$ (82,276)	$ 83,240	$ 96,703
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization	107,174	104,216	106,493
Non-cash lease expense	194,529	—	—
Rental product amortization	34,289	35,058	38,021
Goodwill impairment charge	—	23,991	1,500
Loss (gain) on extinguishment of debt, net	77	30,253	(5,445)
Amortization of deferred financing costs and discount on long-term debt	1,878	3,422	7,066
Loss on divestiture of business	83,513	3,766	—
Loss on release of cumulative foreign currency translation adjustment	26,885	—	—
Loss on disposition of assets	2,628	4,821	1,237
Asset impairment charges	3,404	1,026	3,547
Share-based compensation	8,902	14,770	20,636
Deferred tax benefit	(13,461)	(8,009)	(5,763)
Other	80	272	938
Changes in operating assets and liabilities:			
Accounts receivable	3,161	2,264	(9,440)
Inventories	26,243	(4,482)	114,652
Rental product	(30,513)	(16,217)	(9,582)
Other assets	(20,015)	9,385	(5,956)
Accounts payable, accrued expenses and other current liabilities	(39,325)	43,706	(10,843)
Income taxes payable	(11,750)	9,993	4,650
Operating lease and other liabilities	(195,782)	(18,803)	2,354
Net cash provided by operating activities	99,641	322,672	350,768
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(88,502)	(82,286)	(94,958)
Proceeds from divestiture of business, net	45,034	17,755	—
Acquisition of business, net of cash	—	—	(457)
Proceeds from sales of property and equipment	311	—	5,480
Net cash used in investing activities	(43,157)	(64,531)	(89,935)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on original term loan	—	(993,420)	(53,379)
Proceeds from new term loan	—	895,500	—
Payments on new term loan	(9,370)	(9,000)	—
Proceeds from asset-based revolving credit facility	1,333,000	655,500	276,300
Payments on asset-based revolving credit facility	(1,331,500)	(607,000)	(276,300)
Repurchase and retirement of senior notes	(54,425)	(199,365)	(145,371)
Deferred financing costs	—	(6,713)	(2,580)
Cash dividends paid	(28,071)	(36,946)	(35,761)
Proceeds from issuance of common stock	1,561	6,649	1,903
Tax payments related to vested deferred stock units	(1,216)	(7,901)	(1,687)
Repurchases of common stock	(10,000)	—	—
Net cash used in financing activities	(100,021)	(302,696)	(236,875)
Effect of exchange rate changes	2,526	(3,621)	8,760
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,011)	(48,176)	32,718
Balance at beginning of period	55,431	103,607	70,889
Balance at end of period	$ 14,420	$ 55,431	$ 103,607

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Appendix: Furloughed Employees

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Selling, General and Administrative Expenses

SG&A expenses decreased to $911.7 million in fiscal 2019 from $919.8 million in fiscal 2018, a decrease of $8.1 million or 0.9%. As a percentage of total net sales, these expenses increased to 31.6% in fiscal 2019 from 30.6% in fiscal 2018. The components of this 1.0% increase in SG&A expenses as a percentage of total net sales and the related dollar changes were as follows:

%	in millions	Attributed to
0.6	$ 16.9	In fiscal 2019, we incurred certain costs that impact the comparability of our results totaling $28.0 million including $24.0 million related to our multi-year cost savings and operational excellence programs and $4.0 million relating to the agreement to sell the Joseph Abboud trademarks. In fiscal 2018, costs that impacted the comparability of our results totaled $11.1 million including $6.4 million related to the retirement of our former CEO, a $3.8 million loss on divestiture of our MW Cleaners business and $0.9 million related to the closure of a rental product distribution center. As a percentage of sales, these costs increased to 1.0% in fiscal 2019 from 0.4% in fiscal 2018.
0.2	(9.5)	Store salaries decreased $9.5 million and increased as a percentage of sales to 13.7% in fiscal 2019 from 13.5% in fiscal 2018 primarily due to deleveraging from lower sales.
0.2	(15.5)	Other SG&A expenses decreased $15.5 million primarily due to lower incentive and share-based compensation costs as well as lower employee-related benefit and travel and entertainment costs. As a percentage of sales, other SG&A expenses increased to 16.9% in fiscal 2019 from 16.7% in fiscal 2018 due to deleveraging from lower sales.
1.0	**$ (8.1)**	**Total**

Appendix: Incremental Interest

- Other Notes
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The interest rate on the New Term Loan is based on 1-month LIBOR, which was 1.66% at February 1, 2020, plus the applicable margin of 3.25%, resulting in a total interest rate of 4.91%. We have two interest rate swap agreements where the variable rates due under the New Term Loan have been exchanged for a fixed rate. At February 1, 2020, the total notional amount under these interest rate swaps is $705.0 million. See Note 19 for additional information on our interest rate swaps.

Appendix: Seasonality

- Fiscal 2019 10-K
  - Page 95
- Fiscal 2018 10-K
  - Page 96

22. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

Our quarterly results of operations reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The consolidated results of operations by quarter for fiscal 2019 and 2018 are presented below (in thousands, except per share amounts):

	Fiscal 2019 Quarters Ended (1)			
	May 4, 2019 (2)	August 3, 2019 (3)	November 2, 2019 (4)	February 1, 2020 (5)
Net sales	$ 724,662	$ 736,145	$ 729,481	$ 690,973
Gross margin	304,875	318,875	308,028	236,834
Net earnings (loss) from continuing operations	6,480	29,656	27,788	(38,557)
Earnings (loss) from discontinued operations, net of tax	662	4,610	(117,378)	4,463
Net earnings (loss)	7,142	34,266	(89,590)	(34,094)

	Fiscal 2018 Quarters Ended (1)			
	May 5, 2018 (6)	August 4, 2018 (7)	November 3, 2018 (8)	February 2, 2019 (9)
Net sales	$ 754,843	$ 767,914	$ 751,741	$ 730,013
Gross margin	328,291	353,545	345,494	283,278
Net earnings from continuing operations	12,287	47,724	34,787	3,798
Earnings (loss) from discontinued operations, net of tax	1,622	1,514	(20,912)	2,420
Net earnings	13,909	49,238	13,875	6,218

21. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

Our quarterly results of operations reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The consolidated results of operations by quarter for fiscal 2018 and 2017 are presented below (in thousands, except per share amounts):

	Fiscal 2018 Quarters Ended			
	May 5, 2018 (2)	August 4, 2018 (3)	November 3, 2018 (4)	February 2, 2019 (5)
Net sales	$ 817,964	$ 823,430	$ 812,747	$ 785,761
Gross margin	345,224	368,902	362,735	300,606
Net earnings	$ 13,909	$ 49,238	$ 13,875	$ 6,218
Net earnings per common share:				
Basic (1)	$ 0.28	$ 0.99	$ 0.28	$ 0.12
Diluted (1)	$ 0.27	$ 0.97	$ 0.27	$ 0.12

	Fiscal 2017 Quarters Ended			
	April 29, 2017 (6)	July 29, 2017	October 28, 2017	February 3, 2018 (7)
Net sales	$ 782,906	$ 850,758	$ 810,818	$ 859,864
Gross margin	332,440	396,696	358,757	320,873
Net earnings (loss)	$ 1,839	$ 58,471	$ 36,892	$ (499)
Net earnings (loss) per common share:				
Basic (1)	$ 0.04	$ 1.19	$ 0.75	$ (0.01)
Diluted (1)	$ 0.04	$ 1.19	$ 0.75	$ (0.01)

Appendix: Liquidity Discussion

- 10-K (Pages 11-12)
  - Drew an additional $310m
    - $260+$25+$25
    - 3/16, 3/19, 3/26
    - Crucially, TLRD has the capacity to continue paying its interest
- The maintenance covenant referenced at right is a 1.00x Fixed Charge Coverage Ratio
  - By my calculation, the current level is 2.08x

Liquidity and Indebtedness Impacts

We have typically funded our operating costs, working capital requirements, repayment of our indebtedness and capital expenditures primarily with cash flow from operating activities as well as availability under our ABL Facility. As reflected in our consolidated financial statements, as of February 1, 2020, we had $14.4 million of cash and cash equivalents, working capital of $206.4 million and long-term debt totaling $1.1 billion. In addition, as of February 1, 2020, $50.0 million of borrowings were outstanding under our ABL Facility and letters of credit totaling approximately $26.6 million were also issued and outstanding.

On March 16, 2020, we drew down $260.0 million under the ABL Facility. In addition, after assessing the remaining availability under the ABL Facility and determining that additional borrowings were prudent to maximize cash on hand, on March 19, 2020 and on March 31, 2020, respectively, we borrowed an additional $25.0 million under the ABL Facility. We note these borrowings under the ABL Facility are proactive measures in order to increase our cash position and preserve financial flexibility in light of current uncertainty in the global markets resulting from COVID-19. In addition, we are taking other measures to increase liquidity by eliminating or deferring most of our discretionary spending. For example, we are significantly reducing inventory purchases, capital expenditures, advertising spend and store and other general and administrative costs, including furloughing a significant portion of our employees and salary reductions. We are also engaging landlords to discuss possible rent reductions and/or rent deferrals. We cannot provide assurances that these measures will be successful, that our plans will not change or that circumstances will not change with regards to our ability to eliminate or defer discretionary spending.

Our indebtedness contains customary non-financial and financial covenants, including fixed charge coverage ratios, total leverage ratios and secured leverage ratios. Specifically, our ABL Facility requires us to comply with a financial maintenance covenant under certain circumstances. As a result of our $310.0 million in ABL borrowings during March 2020, the likelihood that this financial maintenance covenant may be triggered has increased and continued deterioration in operating results or other adverse factors could result in our being unable to comply with this financial maintenance covenant. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the ABL Facility would be in default and could be accelerated by our lenders. Because of cross-default provisions in the agreements and instruments governing our indebtedness, a default under one agreement or instrument could result in a default under, and the acceleration of, our other indebtedness. In addition, the lenders under the Credit Facilities could proceed against the collateral securing that indebtedness. An acceleration of the indebtedness under our Credit Facilities would cause a cross default under the indenture governing our Senior Notes. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all. If the effects of the COVID-19 pandemic are protracted and we are unable to increase liquidity and/or effectively address our debt position, we may be forced to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. This could result in a complete loss of shareholder value.

Appendix: Covenant Calculations

Consolidated EBITDA	$240.750
Consolidated Fixed Charges	115.902
Fixed Charge Coverage Ratio (Covenant Minimum is 1.00x)	**2.08x**

Calculation of Fixed Charges per Credit Agreement Schedule II

+Cash Interest Expense	$71.272
+Accrued Interest Required to be Capitalized per GAAP	-
+Prior-Period Interest Accruals Paid During This Period	-
-Interest Income	(0.523)
-Non-Cash Interest (Such as Amoritzation of Financing Costs)	(1.878)
-Non-Cash Interest Related to Discounts or PIK Interest	-
+Scheduled Principal Payments	9.000
+Cash Income Taxes	38.031
+Restricted Payments (Dividends)	-
Fixed Charges per Credit Agreement Schedule II	$115.902

Calculation of EBITDA per Credit Agreement Schedule II

+Net Income (i)	($82.276)
+Interest Expense (ii)(a)	70.749
+Income Tax Expense (ii)(b)	1.645
+D&A (ii)(c)	107.174
+Non-Cash Extraordinary Charges (ii)(d)	-
+Non-Cash Stock-Based Compensation (ii)(e)	8.902
+Other Non-Cash Charges, Excluding Write-Downs, Bad Debt, and Returns (ii)(f)	-
+Losses on Extinguishment of Debt (ii)(g)	0.077
+Transaction Fees (ii)(h)	1.878
+Non-Recurring Losses, Costs, Charges, or Expenses (ii)(i)	26.885
+Permitted Acquisition Costs (ii)(j)	86.141
+Permitted Reorganization Transaction Fees (ii)(k)	-
+Rental Product (Tuxedos, etc.) Amortization (ii)(l)	34.289
+Rent Expense in Excess of Cash Costs (ii)(	194.529
-Cash Payments Made on Account of Non-Cash Charges (iii)(	-
-Extraodrinary Gains or Non-Cash Income Items (iv)	(13.461)
-Cash Rent Expense, if Greater than Rent Expense (v)	(195.782)
Consolidated EBITDA per Credit Agreement Schedule II	$240.750

Appendix: Contractual Obligations

- 10-K (Page 42)
  - Long-Term Debt $1,394m
    - Additional $310 Drawn in March
  - Operating Leases $1,054m
  - Other $50m
  - Total $2,498m + $310m
    - $2,808m

Contractual Obligations

As of February 1, 2020, we are obligated to make cash payments in connection with our long-term debt, operating leases and other contractual obligations in the amounts listed below. In addition, we utilize letters of credit primarily as collateral for workers compensation claims. At February 1, 2020, letters of credit totaling approximately $26.6 million were issued and outstanding.

(In millions) Contractual obligations	Payments Due by Period Total	<1 Year	1 - 3 Years	4 - 5 Years	> 5 Years
Long-term debt(1)	$1,393.9	$ 72.0	$ 362.0	$ 111.4	$ 848.5
Operating leases(2)	1,053.7	228.9	434.3	256.3	134.2
Other contractual obligations(3)	50.0	30.2	18.1	1.7	—
Total contractual obligations(4)	$2,497.6	$331.1	$ 814.4	$ 369.4	$ 982.7

(1) Includes interest payments of $63.0 million within one year, $120.2 million between one and three years, $93.4 million between four and five years and $11.8 million beyond five years, at current interest rates including the impact of our interest rate swaps. The payments due by period do not consider amounts which may become payable under the excess cash flow provision of our New Term Loan. Interest on our ABL borrowings is excluded from the amounts presented in the table due to our inability to predict the timing and settlement of our ABL borrowings. See Notes 6 and 19 of the consolidated financial statements for additional information.

(2) We lease retail business locations, office and warehouse facilities and equipment under various operating leases. See Note 17 of the consolidated financial statements for additional information.

(3) Other contractual obligations consist primarily of commitments for products and services used in the normal course of business as well as minimum payments under our agreement with Vera Wang that gives us the exclusive right to "Black by Vera Wang" tuxedo products and our partnership with Kenneth Cole.

(4) Excluded from the table above is $0.6 million related to uncertain tax positions. These amounts are not included due to our inability to predict the timing of the settlement of these amounts. See Note 9 of the consolidated financial statements for additional information.

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Appendix: 10-Ks

- I’m including HTML links since these documents are easiest to work with in that format
  - CY 2016
    - https://www.sec.gov/Archives/edgar/data/884217/000155837017002109/tlrd-20170128x10k.htm
  - CY 2017
    - https://www.sec.gov/Archives/edgar/data/884217/000155837018002583/tlrd-20180203x10k.htm
  - CY 2018
    - https://www.sec.gov/Archives/edgar/data/884217/000155837019002607/tlrd-20190202x10k.htm
  - CY 2019
    - https://www.sec.gov/ix?doc=/Archives/edgar/data/884217/000155837020003700/tlrd-20200201x10k72fd37.htm

Appendix: Credit Agreements

- I’m including HTML links since these documents are easiest to work with in that format
  - 2014 ABL Credit Agreement
    - https://www.sec.gov/Archives/edgar/data/884217/000110465914047509/a14-1128_41ex10d1.htm
  - 1st Amendment
    - https://www.sec.gov/Archives/edgar/data/884217/000110465914065728/a14-17235_1ex10d4.htm
  - 2nd Amendment
    - https://www.sec.gov/Archives/edgar/data/884217/000155837017009217/tlrd-20171028ex1011baa08.htm

Appendix:
Share Price History

$3.94 on February 14th, 2020

$3.94 on February 14th, 2020

Appendix:
Bond Price History