



20th Annual ICR Xchange Conference  
January 8, 2018

# Safe Harbor

## Forward-Looking Statements

This presentation contains forward-looking statements. Such statements are intended to qualify for the protection of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. The words "anticipate," "estimate," "expect," "objective," "goal," "project," "intend," "plan," "believe," "will," "should," "may," "target," "forecast," "guidance," "outlook" and similar expressions generally identify forward-looking statements. Similarly, descriptions of the Company's objectives, strategies, plans, goals or targets are also forward-looking statements. Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected sales, earnings, capital expenditures and business strategy.

Forward-looking statements are based upon a number of assumptions and factors concerning future conditions that may ultimately prove to be inaccurate. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those discussed in forward-looking statements as a result of various factors. Such factors include, but are not limited to, the ability of the Company to maintain normal trade terms with vendors, the ability of the Company to comply with the covenant requirements contained in its revolving credit facility agreement, the demand for the Company's merchandise and other factors. The demand for merchandise and sales volume may be affected by significant changes in economic conditions, including an economic downturn, unemployment rates, consumer confidence, energy and gasoline prices and other factors influencing discretionary consumer spending. Other factors affecting the demand for merchandise and sales volume include unusual weather patterns, an increase in the level of competition, changes in fashion trends, changes in the average cost of merchandise, availability of merchandise on normal payment terms and the failure to achieve the expected results of the Company's merchandising, marketing and store operating plans. Additional assumptions, factors and risks concerning future conditions are discussed in the Risk Factors section of the Company's most recent Annual Report on Form 10-K as filed with the SEC ("Form 10-K"), and other factors discussed from time to time in the Company's other SEC filings.

Forward-looking statements are based upon management's then-current views and assumptions regarding future events and operating performance. Although management believes the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of its knowledge, forward-looking statements involve risks, uncertainties and other factors which may materially affect the Company's business, financial condition, results of operations or liquidity. Most of these factors are difficult to predict and are generally beyond the Company's control.

This presentation should be considered in conjunction with the Form 10-K and the Company's other SEC filings. You should consider all such risks, uncertainties and other factors carefully in evaluating forward-looking statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. This presentation was prepared as of January 8, 2018, and the Company undertakes no obligation to publicly update forward-looking statements whether as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures. Please refer to the appendices for a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Management believes this supplemental financial information enhances an investor's understanding of the Company's financial performance as it excludes those items which impact comparability of operating trends. The non-GAAP financial information should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. The inclusion of non-GAAP financial information as used in this presentation is not necessarily comparable to other similarly titled measures of other companies due to the potential inconsistencies in the method of presentation and items considered.

# Our Business Model



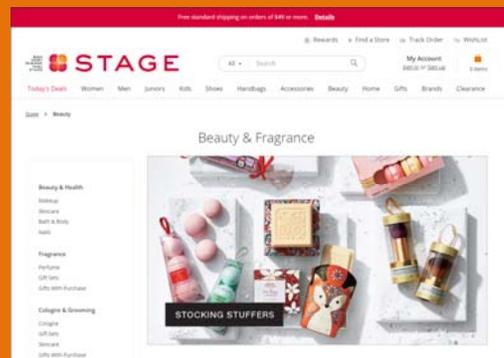
788 department stores with great brands in ~18,000 sq. ft.

- Primarily in small and mid-sized communities
- 82% name brand merchandise



A growing e-commerce website with expanded assortment

- Focus on “mobile first” experience
- Web @ POS gives in store Guests access to assortment 7x larger than our average store



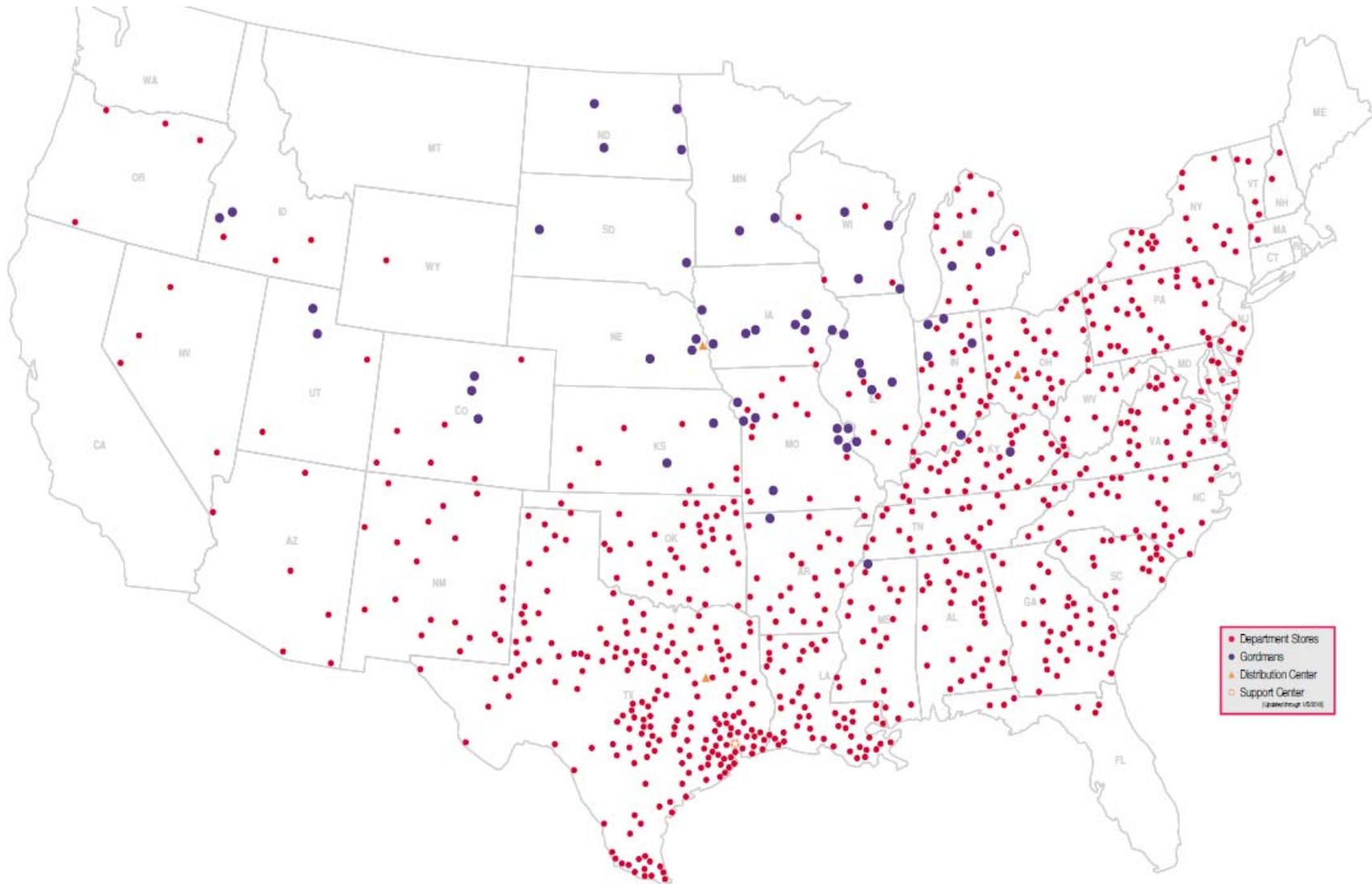
58 off-price stores offer a treasure hunt experience with everyday value in ~55,000 sq. ft.

- Primarily in mid-sized, Midwest markets
- Emphasis on youth and home categories



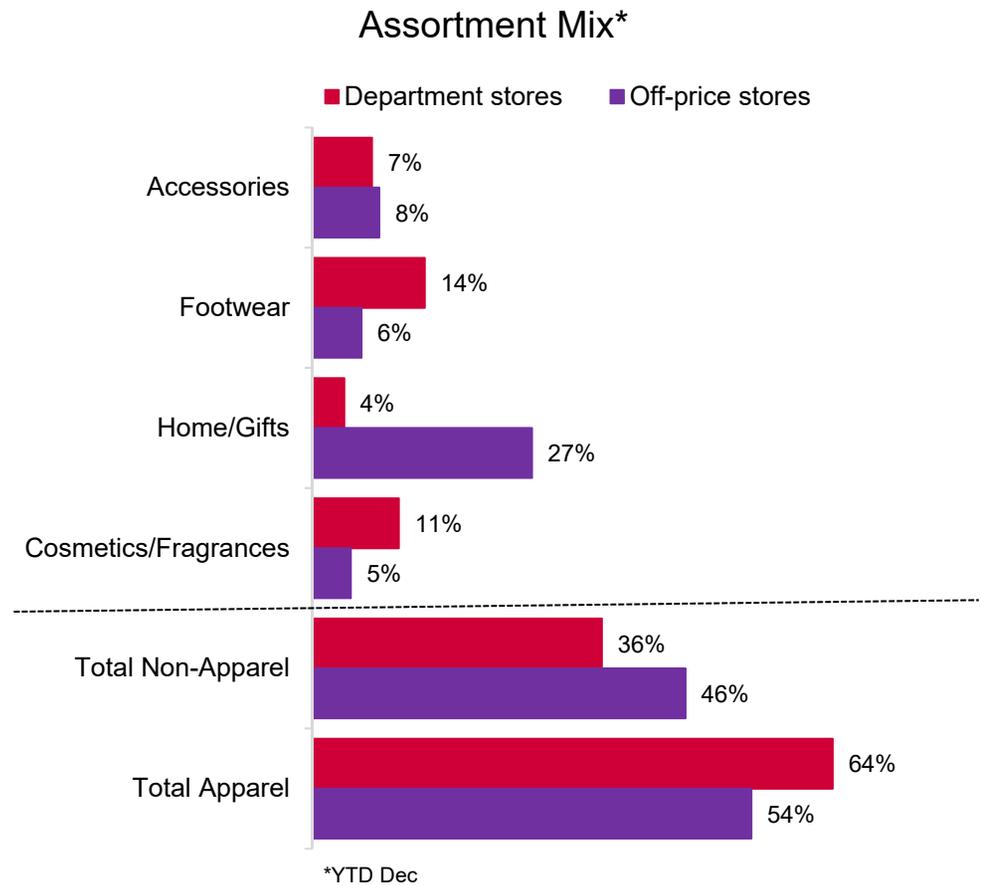
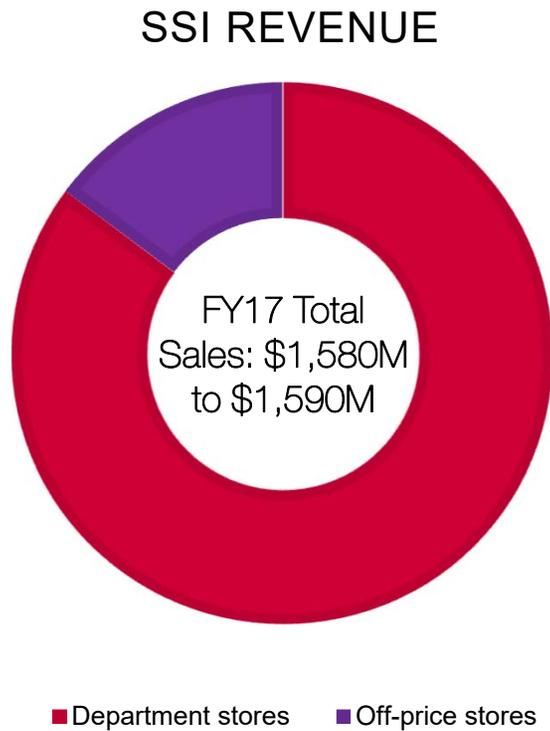
# A National Footprint

Stage Stores operates in 42 states through 788 Bealls, Goody's, Palais Royal, Peebles and Stage department stores, [www.stage.com](http://www.stage.com), and 58 Gordmans off-price stores.



# A Department Store and Off-Price Retailer

Our department stores offer a deeper, more curated assortment and our off-price stores offer a scarcity-driven treasure hunt experience.



# Holiday Highlights

- Comp sales +1.1% for nine-week Nov-Dec period
  - Three consecutive months of positive comp sales (Oct-Dec)
- Holiday outperformers:
  - Non-apparel categories: cosmetics, shoes, home, gifts, and handbags
  - Activewear up double digits
  - Ecommerce up double digits
  - Oil and gas states
- Drove growth in AUR and conversion, and traffic rate continues to recover

 **STAGE**



4 DAYS ONLY  
extra **25% off**  
YOUR PURCHASES  
see details on pg. 2

LET'S GET *gifting*  
new styles, savings & surprises—find your giftspiration!

**40% off**  
SIGNATURE STUDIO®  
Jeans, sweaters & more.  
Misses S-XL, 6-16.  
Reg. 34.00-60.00.  
Now 20.40-35.99  
sale starts nov. 6

 **STAGE**  
stage.com

# Department Store Strategies and Initiatives



## CONNECT STORES & ONLINE

- Continue to build our online and mobile business
- Connect to the store experience
- Expand online assortments

Double digit ecomm sales growth YTD Dec



## RECOVER MERCHANDISE MARGIN

- Increase AUR
- Streamline promotions
- Improve seasonal transitions
- Add off-price buys

AUR +3% YTD  
Merch Margin up YTD Q3



## INVIGORATE MERCHANDISE

- Deliver more newness
- Elevate style
- Accelerate growth in non-apparel
- Drive gifts and impulse

Double digit home & gifts sales growth Nov/Dec



## IMPROVE MARKETING EFFICIENCY

- Showcase newness
- Shift media mix to digital
- Grow loyalty and PLCC

Digital spend +18%, PLCC pen. +150 bps YTD Dec



## BUILD ON BEAUTY

- Add smaller format Clinique and Estee Lauder counters to more doors
- Launch a self-service concept in 150 doors

Double digit beauty sales growth Nov/Dec



## ENHANCE STORE EXPERIENCE

- Focus on service and selling culture
- Reduce inventory levels
- Close underperforming stores

Guest satisfaction scores +200 bps YTD

# Off-price Store Strategies and Initiatives

## OFF-PRICE VALUE



- Achieve everyday value price parity with off-price competitors
- Eliminate coupons
- Guarantee lowest prices
- Message value and scarcity
- Deliver opportunistic buys

## TREASURE HUNT EXPERIENCE



- Organize by category and size on H-rack fixtures
- Shift to open sell shoes by size
- Leverage scarcity to drive traffic and conversion
- Adapt supply chain to support off-price model and constant newness

## DISTINCTIVE ASSORTMENT



- Build on core strength in home
- Leverage department store expertise in beauty and footwear
- Emphasize youth categories in apparel
- Tailor assortments to the midwestern Guest

## LOYALTY AND PLCC



- Leverage gRewards loyalty program name recognition
- Drive long term Guest engagement with new value proposition for PLCC and loyalty program
- Use department store expertise to grow credit penetration

# Guidance & Outlook\*



## Revised FY2017 Guidance

- Comparable sales expected to be between -4.0% and -4.5%
- Adjusted loss per diluted share expected to be between \$0.90 and \$1.15
  - Excludes after-tax charges associated with Gordmans acquisition, store closures and other strategic initiatives
  - Excludes the impact of federal tax reform and the valuation of net deferred tax assets
- Capital expenditures, inclusive of our investments in Gordmans stores, expected to be \$40 million

## Financial Outlook

- Capital allocation plans reflect our focus on operating efficiently and returning value to shareholders
- Free cash flow for 2017, excluding the initial Gordmans investment, expected to be positive
- Cash dividend is \$0.05 per quarter (\$0.20 annualized); 50 consecutive quarters of dividend payouts
- Financial flexibility and liquidity are a priority, with up to \$450 million total capacity under our credit facility

# Appendix

Stage Stores, Inc.  
Reconciliation of Non-GAAP Financial Measures  
 (in thousands, except earnings per share)  
 (Unaudited)  
 As of January 8, 2018

	2017 Guidance Range*	
	Low	High
Diluted loss per share (GAAP)	\$ (1.38)	\$ (1.13)
Business acquisition costs (pretax)	0.33	0.33
Store closures, impairments and other (pretax)	0.05	0.05
Income tax impact	(0.15)	(0.15)
Adjusted diluted loss per share (non-GAAP)	<u>\$ (1.15)</u>	<u>\$ (0.90)</u>

\* The updated guidance does not reflect the impact of federal tax reform and the valuation of net deferred tax assets as the impact cannot be determined without unreasonable effort.