



January 28, 2016

Lands' End Provides Preliminary Financial Results for the Fourth Quarter

DODGEVILLE, Wis., Jan. 28, 2016 (GLOBE NEWSWIRE) -- Lands' End, Inc. (NASDAQ:LE) today announced estimated preliminary financial results for the fourth quarter ending January 29, 2016.

Net revenue is expected to be between \$464 million and \$474 million in the fourth quarter of fiscal 2015, a decrease of 6% to 8% compared to \$505 million in the fourth quarter of fiscal 2014.

Net revenue in the Direct segment is expected to be between \$401 million and \$410 million for the fourth quarter of fiscal 2015 compared to \$432 million for the fourth quarter of fiscal 2014. The expected decrease is primarily attributable to a decline in the Company's U.S. businesses resulting from a highly promotional environment and unfavorable weather conditions. Monthly year-over-year sales performance improved sequentially during the quarter as the Company increased promotional activity.

Net revenue in the Retail segment is expected to be between \$63 million and \$64 million in the fourth quarter of fiscal 2015, compared to \$73 million in the fourth quarter of fiscal 2014. The expected decrease is primarily the result of a decline in same store sales, and a decrease in the number of Lands' End Shops at Sears. Same store sales in the Retail segment are expected to decrease between 8% and 10%. The Company operated 227 Lands' End Shops at Sears, 14 global Lands' End Inlet stores and five international shop-in-shops on January 28, 2016 compared to 236 Lands' End Shops at Sears, 14 global Lands' End Inlets and five international shop-in-shops on January 30, 2015.

Gross margin is expected to be between 42.0% and 42.2% in the fourth quarter of fiscal 2015 compared to 44.0% in the fourth quarter of fiscal 2014. The expected Gross margin decline is primarily due to a decrease in the Direct segment, as well as a smaller decrease in the Retail segment.

The Company is performing its annual testing of goodwill and indefinite-lived intangible assets. As a result, the Company has determined a write-down of the Lands' End trade name is required. The estimated impairment of \$90 million to \$110 million will reduce the value of the asset from \$528 million to between \$418 million and \$438 million. This non-cash accounting charge will not impact the Company's liquidity, cash flows, compliance with debt covenants or any future operations.

Including the impairment, Net loss is expected to be between \$35 million and \$50 million, and diluted loss per share is expected to be \$1.08 to \$1.55 in the fourth quarter of fiscal 2015 compared with Net income of \$33 million and diluted earnings per share of \$1.03 in the fourth quarter of fiscal 2014. The impairment is expected to negatively impact diluted earnings per share by \$1.86 to \$2.24.

Adjusted EBITDA¹ is expected to be in the range of \$44 million to \$48 million in the fourth quarter of fiscal 2015, compared to \$70 million in the fourth quarter of fiscal 2014.

Federica Marchionni, Lands' End's President and Chief Executive Officer, stated, "While our financial results were negatively impacted by the unseasonably warm weather, weak economic fundamentals and the continuation of a highly promotional retail environment, we continued to make progress on a number of key initiatives across product, branding, technology, distribution and talent to achieve our vision for Lands' End as a meaningful global lifestyle brand. These strategic initiatives, which we have implemented over the last several quarters, are intended to enhance our appeal to our core customer, as well as inject design and aspiration that will expand the reach of our brand to a broader consumer base over time. Overall, we believe that the steps that we are taking are positioning us to achieve meaningful long term growth."

The Company currently plans to release its full fourth quarter and fiscal 2015 results, and host a conference call on March 17, 2016.

About Lands' End, Inc.

Lands' End, Inc. (NASDAQ:LE) is a leading multi-channel retailer of clothing, accessories, footwear and home products. We offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through

retail locations, primarily at Lands' End Shops at Sears® and standalone Lands' End Inlet® Stores. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and seek to deliver timeless style for men, women, kids and the home.

Forward-Looking Statements

Fiscal year 2015 results are preliminary and unaudited. This press release contains forward-looking statements, including statements about our strategies and our opportunities for growth. Forward-looking statements are subject to risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, without limitation, information concerning our future financial performance, business strategy, plans, goals and objectives. There can be no assurance that any of our efforts will be successful. Statements preceded or followed by, or that otherwise include, the words "believes," "expects," "anticipates," "intends," "project," "estimates," "plans," "forecast," "is likely to" and similar expressions or future or conditional verbs such as "will," "may," "would," "should" and "could" are generally forward-looking in nature and not historical facts. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. The following additional factors, among others, could cause our actual results, performance, and achievements to differ from those described in the forward-looking statements: our ability to offer merchandise and services that customers want to purchase, including our ability to strengthen our merchandise offering, including the new *Lighthouse by Lands' End™* label, while retaining and growing sales from core customers; changes in customer preference for our branded merchandise; customers' use of our digital platform, including our e-commerce websites, customer response to direct mail catalogs and digital marketing and catalogs; the success of our efforts to change the issuance of catalogs and reinvest savings therefrom into marketing initiatives that are designed to drive new customer acquisition and increase brand awareness; the success of our overall marketing strategies, including brand marketing initiatives, some of which, if successful, may not produce positive results in the short term; the success of our efforts to optimize promotions to drive sales and maximize gross margin dollars; our maintenance of a robust customer list; our dependence on information technology and a failure of information technology systems, including with respect to our e-commerce operations, or an inability to upgrade or adapt our systems; the success of our ERP implementation; the success of our efforts to grow and expand into new markets and channels; fluctuations and increases in the costs of raw materials; impairment of our relationships with our vendors; our failure to maintain the security of customer, employee or company information; our failure to compete effectively in the apparel industry; the performance of our "store within a store" business; if Sears Holdings sells or disposes of its retail stores, including pursuant to the recapture rights granted to Seritage Growth Properties and other parties, or if its retail business does not attract customers or does not adequately provide services to the Lands' End Shops at Sears; legal, regulatory, economic and political risks associated with international trade and those markets in which we conduct business and source our merchandise; our failure to protect or preserve the image of our brands and our intellectual property rights; increases in postage, paper and printing costs; failure by third parties who provide us with services in connection with certain aspects of our business to perform their obligations; our failure to timely and effectively obtain shipments of products from our vendors and deliver merchandise to our customers; reliance on promotions and markdowns to encourage customer purchases; our failure to efficiently manage inventory levels; unseasonal or severe weather conditions; the seasonal nature of our business; the adverse effect on our reputation if our independent vendors do not use ethical business practices or comply with applicable laws and regulations; assessments for additional state taxes; our exposure to periodic litigation and other regulatory proceedings, including with respect to product liability claims; incurrence of charges due to impairment of goodwill, other intangible assets and long-lived assets; our failure to retain our executive management team and to attract qualified new personnel; the impact on our business of adverse worldwide economic and market conditions, including economic factors that negatively impact consumer spending on discretionary items; the inability of our past performance generally, as reflected on our historical financial statements, to be indicative of our future performance; the impact of increased costs due to a decrease in our purchasing power following our separation from Sears Holdings ("Separation") and other losses of benefits associated with being a subsidiary of Sears Holdings; the failure of Sears Holdings or its subsidiaries to perform under various transaction agreements that have been executed in connection with the Separation or our failure to have necessary systems and services in place when certain of the transaction agreements expire; our agreements related to the Separation and our continuing relationship with Sears Holdings were negotiated while we were a subsidiary of Sears Holdings and we may have received better terms from an unaffiliated third party; potential indemnification liabilities to Sears Holdings pursuant to the separation and distribution agreement; our inability to engage in certain corporate transactions after the Separation; the ability of our principal shareholders to exert substantial influence over us; adverse effects of the Separation on our business; potential liabilities under fraudulent conveyance and transfer laws and legal capital requirements; declines in our stock price due to the eligibility of a number of our shares of common stock for future sale; our inability to pay dividends; stockholders' percentage ownership in Lands' End may be diluted in the future; and increases in our expenses and administrative burden in relation to being a public company, in particular to maintain compliance with certain provisions of the Sarbanes-Oxley Act of 2002; and other risks, uncertainties and factors discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 30, 2015 and other filings with the SEC. We intend the forward-looking statements to speak only as of the time made and do not undertake to update or revise them as more information becomes available, except as required by law.

-Financial Tables Follow-

Use and Definition of Non-GAAP Financial Measures

⁽¹⁾Adjusted EBITDA - In addition to our Net income, for purposes of evaluating operating performance, we use an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), which is adjusted to exclude certain significant items as set forth below.

Our management uses Adjusted EBITDA to evaluate the operating performance of our business, as well as for executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA⁽¹⁾ is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and is useful to investors, because:

- ▮ EBITDA excludes the effects of financings, investing activities and tax structure by eliminating the effects of interest, depreciation and income tax costs.
- ▮ Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations.
 - ▮ For the 13 weeks ending January 29, 2016 we exclude the impairment of our indefinite lived trade name asset as this is a non-cash charge that is an unusual event that affects the comparability of our financial results.
 - ▮ For the 13 weeks ended January 30, 2015, we exclude the effects of the product recall as this was an unusual event that affects the comparability of our financial results.
 - ▮ For the 13 weeks ending January 29, 2016 and January 30, 2015, we exclude the gain or loss on disposal of property and equipment as management considers the gains or losses on disposal of assets to result from investing decisions rather than ongoing operations.

LANDS' END, INC. Preliminary Adjusted EBITDA Reconciliation (Unaudited)

<i>(in thousands)</i>	13 Weeks Ending				13 Weeks Ended	
	January 29, 2016		January 29, 2016		January 30,	
	High		Low		2015	
	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales
Net income (loss)	\$ (34,700)	(7.3)%	\$ (49,600)	(10.7)%	\$ 33,095	6.6%
Income tax expense (benefit)	(17,500)	(3.7)%	(26,500)	(5.7)%	21,749	4.3%
Other income, net	(700)	(0.1)%	(700)	(0.2)%	(561)	(0.1)%
Interest expense	6,200	1.3%	6,200	1.3%	6,170	1.2%
Operating income (loss)	(46,700)	(9.8)%	(70,600)	(15.2)%	60,453	12.0%
Intangible asset impairment	90,000	19.0%	110,000	23.7%	—	—%
Depreciation and amortization	4,500	0.9%	4,500	1.0%	5,074	1.0%
Product recall	—	0.0%	—	0.0%	4,713	0.9%
Loss on disposal of property and equipment	200	0.0%	200	0.0%	194	—%
Adjusted EBITDA	<u>\$ 48,000</u>	<u>10.1%</u>	<u>\$ 44,100</u>	<u>9.5%</u>	<u>\$ 70,434</u>	<u>14.0%</u>

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