

BON TON STORES INC

FORM 8-K (Current report filing)

Filed 03/14/17 for the Period Ending 03/14/17

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|-------------|---|
| Address | 2801 E MARKET ST YORK, PA 17402-2406 |
| Telephone | 7177577660 |
| CIK | 0000878079 |
| Symbol | BONT |
| SIC Code | 5311 - Department Stores |
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| Sector | Consumer Cyclical |
| Fiscal Year | 01/31 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): March 14, 2017

The Bon-Ton Stores, Inc.

(Exact Name of Registrant as Specified in Charter)

Pennsylvania
(State or Other Jurisdiction of Incorporation)

0-19517
(Commission File Number)

23-2835229
(I.R.S. Employer Identification Number)

2801 E. Market Street, York, Pennsylvania 17402
(Address of Principal Executive Offices) (Zip Code)

717-757-7660
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On March 14, 2017, The Bon-Ton Stores, Inc. issued a press release announcing its results of operations and financial condition for the fourth fiscal quarter and fiscal year ended January 28, 2017 and discussing its earnings guidance for the fiscal year ending February 3, 2018. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Report, including the exhibit attached hereto, is furnished solely pursuant to Item 2.02 of this Form 8-K. Consequently, it is not deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933 if such subsequent filing specifically references this Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release issued March 14, 2017 regarding financial results for the fourth fiscal quarter and fiscal year ended January 28, 2017, and discussing earnings guidance for the fiscal year ending February 3, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

The Bon-Ton Stores, Inc.

Date: March 14, 2017

By: /s/ Nancy A. Walsh

Nancy A. Walsh

Executive Vice President—Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|----------------------------------|--------------------------------------|
| <u>99.1</u> | Press Release issued March 14, 2017. |

The Bon-Ton Stores, Inc. Reports Fourth Quarter and Fiscal 2016 Results

YORK, Pa., March 14, 2017 (GLOBE NEWSWIRE) -- **The Bon-Ton Stores, Inc.** (NASDAQ:BONT) today reported operating results for its fiscal fourth quarter and full year ended January 28, 2017 and initiated guidance for fiscal 2017.

Results for the Fourth Quarter Ended January 28, 2017

- Comparable store sales decreased 4.7% as compared with the prior year period.
- Net income was \$44.7 million, or \$2.09 per diluted share. Fourth quarter of fiscal 2016 net income includes non-cash asset impairment charges of \$16.7 million, or \$0.78 per diluted share.

Net income in the fourth quarter of fiscal 2015 was \$50.6 million, or \$2.42 per diluted share. Fourth quarter of fiscal 2015 diluted earnings per share results include severance costs of \$0.19 per diluted share, costs associated with debt extinguishment of \$0.06 per diluted share, non-cash asset impairment charges of \$0.15 per diluted share and a benefit related to an insurance settlement of \$0.03 per diluted share.

- Adjusted EBITDA totaled \$101.6 million compared to Adjusted EBITDA of \$94.0 million in the fourth quarter of fiscal 2015. (As used in this release, Adjusted EBITDA is not a measure recognized under GAAP – see the accompanying financial table which reconciles this non-GAAP measure to net loss.) Adjusted EBITDA for the fourth quarter of fiscal 2015 included \$3.9 million of severance costs associated with the Company's cost savings initiatives and a \$0.6 million gain associated with an insurance settlement. Excluding the financial impact of the severance costs and insurance settlement, Adjusted EBITDA was \$97.3 million in the fourth quarter of fiscal 2015.

Results for the Fiscal Year Ended January 28, 2017

- Comparable store sales decreased 3.8% in fiscal 2016 as compared with the prior year.
- Net loss in fiscal 2016 was \$63.4 million, or \$3.18 per diluted share. Fiscal 2016 results include a \$0.32 per diluted share in consulting expenses and severance costs related to the Company's cost savings initiatives, and \$0.85 per diluted share in non-cash asset impairment charges.

Net loss in fiscal 2015 was \$57.1 million, or \$2.90 per diluted share. Fiscal 2015 results include \$0.32 per diluted share in costs related to debt extinguishment, \$0.20 per diluted share in severance costs, \$0.18 per diluted share in non-cash asset impairment charges, and a \$0.07 per diluted share gain associated with the insurance settlements.

- Adjusted EBITDA totaled \$116.0 million in fiscal 2016 inclusive of \$6.5 million of consulting expenses and severance costs related to the Company's cost savings initiatives. This compares with fiscal 2016 Adjusted EBITDA guidance of \$114 million to \$124 million. Excluding the aforementioned consulting expenses and severance costs, Adjusted EBITDA was \$122.5 million.

Adjusted EBITDA was \$109.5 million in fiscal 2015, including \$3.9 million in severance costs and a \$1.4 million gain from the asset recovery portion of the insurance settlement. Adjusted EBITDA, excluding the aforementioned severance costs and gain on insurance settlement, was \$112.1 million in fiscal 2015.

Kathryn Bufano, President and Chief Executive Officer, commented, "While the continued weak traffic trends and unseasonably warm weather pressured sales in the fourth quarter, we expanded gross margin by 145 basis points and grew Adjusted EBITDA by 8%. In addition, we exceeded our cost reduction goal by \$7 million, with net savings of \$31 million for the year. We also made progress on a number of initiatives designed to differentiate our stores within the retail landscape. As part of this, we believe we further solidified our position as the hometown shopping destination with an emphasis on our localization strategy which included the introduction of our Close to Home product assortment. In addition, we continued to focus on our omnichannel strategy, with sales once again growing in the double digits. Finally, we grew our base of loyal private label credit card users, and launched our new Love Style Rewards loyalty program to great response."

Ms. Bufano continued, "We believe that we are well-positioned for fiscal 2017 as we continue to build on these strategic priorities and drive the business forward. As we look ahead, we will remain focused on capitalizing on our omnichannel business, refining our marketing strategies, and further evolving our merchandise assortment, with even greater emphasis on growth categories and localization. Finally, we will remain disciplined in our inventory management and will once again focus on further reducing our costs throughout the year. Looking ahead, we will strive to make progress on our strategic initiatives and believe we are positioned to deliver improved performance going forward."

Fourth Quarter Review

Comparable store sales in the fourth quarter of fiscal 2016 decreased 4.7%. Total sales in the period decreased 5.5% to \$877.3 million, compared with \$927.9 million in the fourth quarter of fiscal 2015. Comparable sales trends improved from Thanksgiving through the end of December and subsequently weakened in January. The Company continued to see double-digit sales growth in omnichannel which reflects sales via its website, mobile site, and its *Buy Online Pick Up In-Store* initiative.

Other income in the fourth quarter of fiscal 2016 was \$22.8 million, an increase of \$0.3 million over the comparable prior year period, largely due to increased revenues associated with our proprietary credit card operations, partially offset by decreased delivery revenues. Proprietary credit card sales, as a percentage of total sales, increased 400 basis points to 52.7% in the fourth quarter of fiscal 2016.

The gross margin rate in the fourth quarter of fiscal 2016 increased 145 basis points to 36.2% as compared to the fourth quarter of fiscal 2015, primarily due to reduced markdowns and lower distribution costs, partially offset by deleverage from lower sales volume.

Selling, general and administrative ("SG&A") expense in the fourth quarter of fiscal 2016 decreased \$12.8 million compared to the fourth quarter of fiscal 2015, as a result of cost savings initiatives in non-customer facing expenses, partially offset by higher medical claims. The SG&A expense rate in the fourth quarter of 2016

was 27.2% of net sales, an increase of 10 basis points over the prior year as a result of reduced sales volume.

We recorded non-cash asset impairment charges of \$16.7 million in the fourth quarter of fiscal 2016 related to reductions in the reported carrying value of certain long-lived and intangible assets, compared with \$3.2 million of similar charges in the fourth quarter of fiscal 2015.

Full Year Review

Comparable store sales decreased 3.8% in fiscal 2016. Total sales in the period decreased 4.3% to \$2.60 billion from \$2.72 billion in fiscal 2015.

Other income in fiscal 2016 was \$73.8 million, an increase of \$2.0 million over fiscal 2015 results. Proprietary credit card operations fueled this growth, as revenues associated with our credit card increased in tandem with increased loyalty program sales. Proprietary credit card sales, as a percentage of total sales, increased 360 basis points to 55.1% in fiscal 2016.

The gross margin rate in fiscal 2016 increased 80 basis points to 35.5% as compared with fiscal 2015 as a result of reduced markdowns and lower delivery and distribution expenses. Gross profit decreased \$19.1 million to \$922.9 million in fiscal 2016 as compared with fiscal 2015 as a result of decreased sales volume in the current year.

In fiscal 2016, SG&A expense was \$880.6 million, a decrease of \$25.0 million from fiscal 2015 results, largely driven by cost savings initiatives implemented throughout the year, partially offset by \$6.5 million of the related severance costs and consulting fees, as well as higher medical claims and increased marketing expenditures. The SG&A expense rate increased 50 basis points to 33.9% of net sales in fiscal 2016 as a result of the decreased sales volume in the period. Excluding \$6.5 million in severance costs and consulting fees for 2016 and \$3.9 million in severance costs for 2015, SG&A expense would have decreased \$27.6 million in fiscal 2016 from the comparable prior year period, while the SG&A expense rate deleveraged 40 basis points.

Excess borrowing capacity under our revolving credit facility was \$233.8 million at the end of fiscal 2016.

Guidance

For fiscal 2017, the Company expects loss per diluted share to be in a range of \$2.08 to \$2.59, inclusive of a \$0.05 expense from the 53rd week, and adjusted EBITDA to be in a range of \$115 million to \$125 million. (As used in this release, Adjusted EBITDA is not a measure recognized under GAAP – see the accompanying financial table which reconciles this non-GAAP measure to net loss.) Assumptions reflected in our full-year guidance include the following:

- A comparable sales decrease ranging from 2.0% to 3.0%, which excludes sales from the 53rd week;
- A gross margin rate increase of 10 to 20 basis points over the fiscal 2016 rate of 35.5%;
- SG&A dollars ranging from \$864 million to \$866 million, including approximately \$10 million for the 53rd week, compared to SG&A of \$880.6 in fiscal 2016;
- Capital expenditures not to exceed \$30 million, net of external contributions; and
- An estimated 20.3 million weighted average shares outstanding.

The Company expects to decrease debt by approximately \$20 million to \$30 million by the end of fiscal 2017.

Call Details

The Company's quarterly conference call to discuss fourth quarter and fiscal 2016 results will be broadcast live today at 10:00 a.m. Eastern time. Investors and analysts interested in participating in the call are invited to dial (888) 504-7960 at 9:55 a.m. Eastern Time and reference conference ID 7019074. A taped replay of the conference call will be available within two hours of the conclusion of the call and will remain available through Tuesday, March 21, 2017. The number to call for the taped replay is (844) 512-2921 and the replay PIN is 7019074. The conference call will also be broadcast on the Company's website at <http://investors.bonton.com>. An online archive of the webcast will be available within two hours of the conclusion of the call.

About The Bon-Ton Stores, Inc.

The Bon-Ton Stores, Inc., with corporate headquarters in York, Pennsylvania and Milwaukee, Wisconsin, operates 263 stores, which includes nine furniture galleries and four clearance centers, in 25 states in the Northeast, Midwest and upper Great Plains under the Bon-Ton, Bergner's, Boston Store, Carson's, Elder-Beerman, Herberger's and Younkers nameplates. The stores offer a broad assortment of national and private brand fashion apparel and accessories for women, men and children, as well as cosmetics and home furnishings. The Bon-Ton Stores, Inc. is an active and positive participant in the communities it serves. For further information, please visit <http://investors.bonton.com>.

Cautionary Note Regarding Forward-Looking Statements

Certain information included in this press release contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which may be identified by words such as "may," "could," "will," "plan," "expect," "anticipate," "believe," "estimate," "project," "intend" or other similar expressions and include the Company's fiscal 2017 guidance, involve important risks and uncertainties that could significantly affect results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. Factors that could cause such differences include, but are not limited to: risks related to retail businesses generally; a significant and prolonged deterioration of general economic conditions which could negatively impact the Company in a number of ways, including the potential write-down of the current valuation of intangible assets and deferred taxes; risks related to the Company's proprietary credit card program; potential increases in pension obligations; consumer spending patterns, debt levels, and the availability and cost of consumer credit; additional competition from existing and new competitors or changes in the competitive environment; inflation; deflation; changes in the costs of fuel and other energy and transportation costs; weather conditions that could negatively impact sales; uncertainties associated with expanding or remodeling existing stores; the ability to attract and retain qualified management; the dependence upon relationships with vendors and their factors; a data security breach or system failure; the ability to reduce or control SG&A expenses, including initiatives to reduce expenses and improve efficiency; operational disruptions; unsuccessful marketing initiatives; the ability to expand our capacity and improve efficiency through our new eCommerce fulfillment center; changes in, or the failure to successfully implement, our key strategies, including initiatives to improve our merchandising, marketing and operations; adverse outcomes in litigation; the incurrence of unplanned capital expenditures; the ability to obtain financing to fund working capital, capital expenditures, losses and general corporate purposes; the impact of regulatory requirements including the Health Care Reform Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act; the inability or limitations on the Company's ability to favorably adjust the valuation allowance on deferred tax assets; and the financial condition of mall operators. Additional factors that could cause the Company's actual results to differ from those contained in these forward-looking statements are discussed in greater detail under Item 1A of the Company's Form 10-K filed with the Securities and Exchange

- tables follow -

THE BON-TON STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| <i>(In thousands, except share and per share data)</i> <i>(Unaudited)</i> | January 28, 2017 | January 30, 2016 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,736 | \$ 6,879 |
| Merchandise inventories | 724,454 | 711,699 |
| Prepaid expenses and other current assets | 98,558 | 97,254 |
| Total current assets | <u>829,748</u> | <u>815,832</u> |
| Property, fixtures and equipment at cost, net of accumulated depreciation and amortization of \$1,024,435 and \$951,786 at January 28, 2017 and January 30, 2016, respectively | 584,803 | 635,334 |
| Intangible assets, net of accumulated amortization of \$65,646 and \$62,204 at January 28, 2017 and January 30, 2016, respectively | 73,111 | 82,062 |
| Other long-term assets | 17,401 | 17,398 |
| Total assets | <u>\$ 1,505,063</u> | <u>\$ 1,550,626</u> |
| Liabilities and Shareholders' (Deficit) Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 185,900 | \$ 162,831 |
| Accrued payroll and benefits | 25,821 | 28,527 |
| Accrued expenses | 150,441 | 147,378 |
| Current maturities of capital lease and financing obligations | 6,685 | 5,394 |
| Total current liabilities | <u>368,847</u> | <u>344,130</u> |
| Long-term debt, less current maturities | 848,777 | 855,977 |
| Obligations under capital lease and financing obligations, less current maturities | 133,857 | 126,692 |
| Other long-term liabilities | 176,363 | 188,911 |
| Total liabilities | <u>1,527,844</u> | <u>1,515,710</u> |
| Shareholders' (deficit) equity: | | |
| Preferred Stock - authorized 5,000,000 shares at \$0.01 par value; no shares issued | - | - |
| Common Stock - authorized 40,000,000 shares at \$0.01 par value; issued shares of 18,972,718 and 18,532,577 at January 28, 2017 and January 30, 2016, respectively | 190 | 185 |
| Class A Common Stock - authorized 20,000,000 shares at \$0.01 par value; issued and outstanding shares of 2,951,490 at January 28, 2017 and January 30, 2016 | 30 | 30 |
| Treasury stock, at cost - 337,800 shares at January 28, 2017 and January 30, 2016 | (1,387) | (1,387) |
| Additional paid-in-capital | 166,932 | 164,428 |
| Accumulated other comprehensive loss | (72,909) | (76,122) |
| Accumulated deficit | (115,637) | (52,218) |
| Total shareholders' (deficit) equity | <u>(22,781)</u> | <u>34,916</u> |
| Total liabilities and shareholders' (deficit) equity | <u>\$ 1,505,063</u> | <u>\$ 1,550,626</u> |

THE BON-TON STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| <i>(In thousands, except per share data)</i> | THIRTEEN WEEKS ENDED | FIFTY-TWO WEEKS ENDED |
|--|-------------------------|--------------------------|
| | January 28, January 30, | January 28, January 30, |
| | | |

| <i>(Unaudited)</i> | 2017 | 2016 | 2017 | 2016 |
|---|------------------|------------------|--------------------|--------------------|
| Net sales | \$ 877,283 | \$ 927,922 | \$ 2,600,592 | \$ 2,717,691 |
| Other income | 22,758 | 22,437 | 73,759 | 71,806 |
| | <u>900,041</u> | <u>950,359</u> | <u>2,674,351</u> | <u>2,789,497</u> |
| Costs and expenses: | | | | |
| Costs of merchandise sold | 559,648 | 605,397 | 1,677,726 | 1,775,715 |
| Selling, general and administrative | 238,755 | 251,597 | 880,628 | 905,652 |
| Gain on insurance recovery | - | (608) | - | (1,356) |
| Depreciation and amortization | 21,697 | 22,771 | 92,194 | 91,783 |
| Amortization of lease-related interests | 1,187 | 1,038 | 4,209 | 4,245 |
| Impairment charges | 16,708 | 3,207 | 17,023 | 3,632 |
| Income from operations | <u>62,046</u> | <u>66,957</u> | <u>2,571</u> | <u>9,826</u> |
| Interest expense, net | 18,393 | 16,314 | 66,824 | 62,546 |
| Loss on extinguishment of debt | <u>76</u> | <u>1,346</u> | <u>752</u> | <u>6,208</u> |
| Income (loss) before income taxes | 43,577 | 49,297 | (65,005) | (58,928) |
| Income tax benefit | <u>(1,140)</u> | <u>(1,279)</u> | <u>(1,586)</u> | <u>(1,875)</u> |
| Net income (loss) | <u>\$ 44,717</u> | <u>\$ 50,576</u> | <u>\$ (63,419)</u> | <u>\$ (57,053)</u> |
| Basic income (loss) per share | \$ 2.09 | \$ 2.42 | \$ (3.18) | \$ (2.90) |
| Diluted income (loss) per share | \$ 2.09 | \$ 2.42 | \$ (3.18) | \$ (2.90) |

**THE BON-TON STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

| <i>(In thousands)</i> <i>(Unaudited)</i> | FIFTY-TWO WEEKS ENDED | |
|---|--------------------------|---------------------|
| | January 28, 2017 | January 30, 2016 |
| Cash flows from operating activities: | | |
| Net loss | \$ (63,419) | \$ (57,053) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 92,194 | 91,783 |
| Amortization of lease-related interests | 4,209 | 4,245 |
| Impairment charges | 17,023 | 3,632 |
| Share-based compensation expense | 2,700 | 3,021 |
| Loss (gain) on sale of property, fixtures and equipment | 129 | (2,463) |
| Reclassifications of accumulated other comprehensive loss | 5,855 | 6,365 |
| Loss on extinguishment of debt | 752 | 6,208 |
| Amortization of deferred financing costs and debt discount | 4,835 | 3,033 |
| Deferred income tax benefit | (1,586) | (1,875) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in merchandise inventories | (12,756) | 23,257 |
| Increase in prepaid expenses and other current assets | (1,304) | (3,771) |
| Decrease (increase) in other long-term assets | 1,682 | (2,288) |
| Increase (decrease) in accounts payable | 20,849 | (35,879) |

| | | |
|--|-----------------|-----------------|
| Increase (decrease) in accrued payroll and benefits and accrued expenses | 1,033 | (7,215) |
| Decrease in other long-term liabilities | (13,232) | (13,178) |
| Net cash provided by operating activities | <u>58,964</u> | <u>17,822</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (54,621) | (84,675) |
| Proceeds from insurance claim | - | 1,700 |
| Proceeds from sale of property, fixtures and equipment | 101 | 85,354 |
| Net cash (used in) provided by investing activities | <u>(54,520)</u> | <u>2,379</u> |
| Cash flows from financing activities: | | |
| Payments on long-term debt and capital lease and financing obligations | (778,046) | (915,005) |
| Proceeds from issuance of long-term debt and financing obligations | 777,034 | 908,644 |
| Cash dividends paid | - | (4,029) |
| Restricted shares forfeited in lieu of payroll taxes | (191) | (399) |
| Proceeds from stock options exercised | - | 454 |
| Deferred financing costs paid | (5,605) | (1,505) |
| Increase (decrease) in book overdraft balances | 2,221 | (10,235) |
| Net cash used in financing activities | <u>(4,587)</u> | <u>(22,075)</u> |
| Net decrease in cash and cash equivalents | (143) | (1,874) |
| Cash and cash equivalents at beginning of period | <u>6,879</u> | <u>8,753</u> |
| Cash and cash equivalents at end of period | <u>\$ 6,736</u> | <u>\$ 6,879</u> |

Adjusted EBITDA (Non-GAAP Financial Measure)

As used in this release, Adjusted EBITDA is defined as net loss before interest, income taxes, depreciation and amortization, including amortization of lease-related interests, impairment charges and loss on extinguishment of debt. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles ("GAAP"). We present Adjusted EBITDA in this release because we consider it to be a useful financial measure in evaluating our operating performance. When analyzed in conjunction with our net income and cash flows from operations, Adjusted EBITDA provides investors with a supplemental tool to evaluate our ongoing operations as it excludes the effects of financing and investing activities. Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties to evaluate the performance of companies in our industry and by some investors to determine a company's ability to service or incur debt. In addition, our management uses Adjusted EBITDA (i) to compare the profitability of our stores, (ii) to evaluate the effectiveness of our business strategies, and (iii) as a factor in evaluating management's performance when determining incentive compensation.

Adjusted EBITDA is not calculated in the same manner by all companies and, accordingly, is not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. Adjusted EBITDA should not be assessed in isolation from or construed as a substitute for net income or cash flows from operations, which are determined in accordance with GAAP. Adjusted EBITDA is not intended to represent, and should not be considered to be a more meaningful measure than, or an alternative to, measures of operating performance as determined in accordance with GAAP.

The following is a reconciliation of net income (loss) to Adjusted EBITDA for the historical periods indicated:

| | THIRTEEN | | FIFTY-TWO | |
|---|-------------|-------------|-------------|-------------|
| | WEEKS ENDED | | WEEKS ENDED | |
| (In thousands) | January 28, | January 30, | January 28, | January 30, |
| (Unaudited) | 2017 | 2016 | 2017 | 2016 |
| Net income (loss) | \$ 44,717 | \$ 50,576 | \$ (63,419) | \$ (57,053) |
| Adjustments: | | | | |
| Income tax benefit | (1,140) | (1,279) | (1,586) | (1,875) |
| Loss on extinguishment of debt | 76 | 1,346 | 752 | 6,208 |
| Interest expense, net | 18,393 | 16,314 | 66,824 | 62,546 |
| Depreciation and amortization | 21,697 | 22,771 | 92,194 | 91,783 |
| Amortization of lease-related interests | 1,187 | 1,038 | 4,209 | 4,245 |
| Impairment charges | 16,708 | 3,207 | 17,023 | 3,632 |

Adjusted EBITDA

\$ 101,638 \$ 93,973 \$ 115,997 \$ 109,486

The following is a reconciliation of forecasted net loss to forecasted Adjusted EBITDA for fiscal 2017 based on the Company's guidance metrics:

| <i>(In thousands)</i> <i>(Unaudited)</i> | FORECASTED FISCAL 2017 | |
|--|------------------------|---------------------|
| | Minimum Guidance | Maximum Guidance |
| Net loss | \$ (52,600) | \$ (42,200) |
| Adjustments: | | |
| Income tax benefit | (300) | (300) |
| Interest expense, net | 73,900 | 73,500 |
| Depreciation and amortization and amortization of lease-related interests | 94,000 | 94,000 |
| Adjusted EBITDA | <u>\$ 115,000</u> | <u>\$ 125,000</u> |

CONTACT:

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