



# Q2 2016 Supplemental Information

## Forward-Looking Statements and Non-GAAP Measures

---

### Forward-Looking Statements:

Certain information contained in this presentation, including, but not limited to, sales, gross margin, free cash flows, EBITDA, capital expenditures and store counts for fiscal 2016 and beyond, constitute forward-looking statements under the federal securities laws. The discussion of forward-looking information requires management of the Company to make certain estimates and assumptions regarding the Company's strategic direction and the effect of such plans on the Company's financial results. Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those indicated. Such risks and uncertainties may include, but are not limited to: the failure to execute the Company's DXL strategy and grow market share, failure to compete successfully with our competitors, failure to predict fashion trends, extreme or unseasonable weather conditions, economic downturns, a weakness in overall consumer demand, trade and security restrictions and political or financial instability in countries where goods are manufactured, fluctuations in price, availability and quality of raw material, the interruption of merchandise flow from the Company's distribution facility, and the adverse effects of general economic conditions, political issues abroad, natural disasters, war and acts of terrorism on the United States and international economies. These, and other risks and uncertainties, are detailed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended January 30, 2016 filed on March 18, 2016 and other Company filings with the Securities and Exchange Commission. The Company assumes no duty to update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

### Non-GAAP Measures:

Adjusted Net Income (Loss), Adjusted Net Income (Loss) Per Diluted Share, EBITDA, Free Cash Flow and Free Cash Flow before DXL Capital Expenditures are non-GAAP measures. The Company believes that these non-GAAP measures are useful as additional means for investors to evaluate the Company's operating results, when reviewed in conjunction with the Company's GAAP financial statements. Please see Appendix A for additional information concerning these non-GAAP measures and a reconciliation to their respective GAAP measures, as applicable.

## Pivotal Year in DXL Transformation

---

On track for 400 stores in next five to six years

187

DXL retail and outlet stores across the U.S.

400

Expected number of DXL stores at completion

➤ Focused on opening 200 additional stores in five to six years

FY  
2016

Milestone year; expect to generate positive FCF

➤ *\$(0.09) to breakeven EPS guidance*

➤ *\$(0.05) to breakeven non-GAAP EPS guidance*

## Q2 Highlights

---

### Delivered growth in sales and profitability in challenging consumer environment

+4.6%

DXL comparable store sales  
➤ *On top of +11.9% in Q2 2015*

+3.3%

Total Q2 sales vs. Q2 2015

\$8.5M

EBITDA +26%  
➤ *Versus \$6.8M in Q2 2015*

\$0.2M

Net income  
➤ *Versus net loss of \$(1.0)M in Q2 2015*

## Proud of Success of DXL Transformation Strategy

---

### Second Quarter 2016 - Key Metrics

13th

Consecutive quarter of positive comps

➤ *Increased sales, cash flow and profit*

+9%

Conversion rate of Casual Male customers

➤ *Versus Q2 2015*

44.1%

End-of-rack percentage of bottoms business

➤ *Up from 42.9% in Q2 2015*

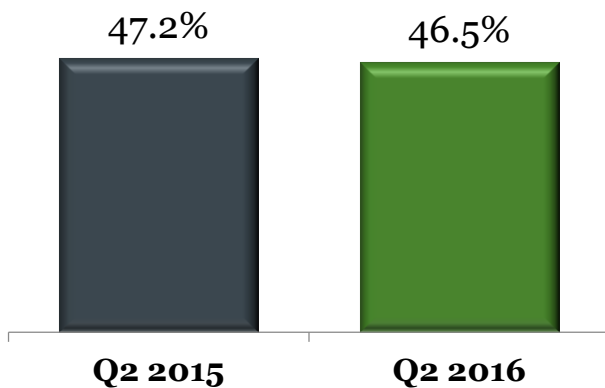
+5.2%

Increase in sales per square foot

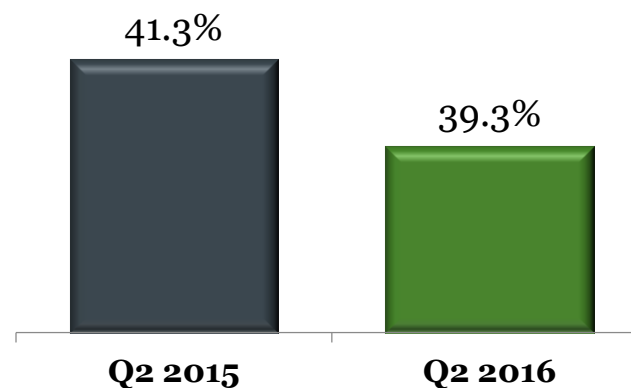
➤ *\$181 per foot vs. \$172 in Q2 2015*

## Income Statement Highlights

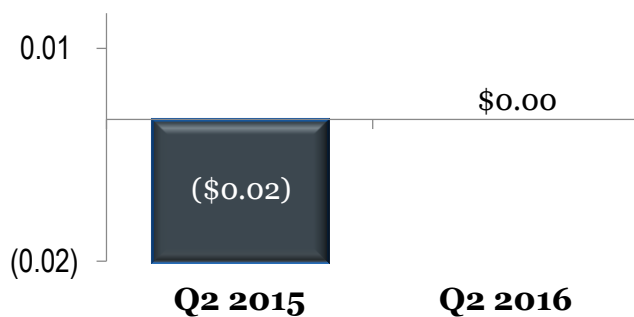
### Gross Margin (% of Sales)



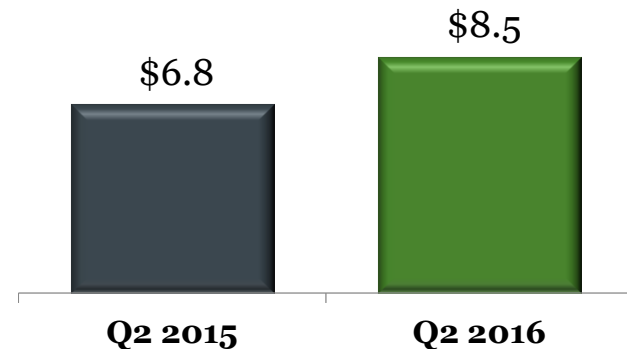
### SG&A Expense (% of Sales)



### Diluted EPS\*



### EBITDA (\$ in millions)\*\*



\* On a non-GAAP EPS, assuming a normalized tax rate, was \$0.00 per diluted share for the second quarter of fiscal 2016, compared with \$(0.01) per diluted share for the prior year's second quarter. See Appendix A for a reconciliation to its comparable GAAP measure.

\*\* EBITDA is a non-GAAP measure, see Appendix A for a reconciliation to its comparable GAAP measure.

## Cash Flow And Balance Sheet Highlights

<i>(\$ in millions)</i>	<b>H1 2015</b>	<b>H1 2016</b>
<b>Capital Expenditures:</b>		
DXL stores	\$11.2	\$9.7
Other maintenance/infrastructure	<u>5.8</u>	<u>4.1</u>
Total	\$17.0	\$13.8
<b>Inventory</b>	<b>\$123.6</b>	<b>\$121.3</b>
Clearance inventory	7.2%	7.7%
<b>Total debt*</b>	<b>\$63.9</b>	<b>\$63.6</b>
Borrowings under credit facility*	\$34.1	\$41.2
Excess availability	\$73.9	\$66.0

- Lower CAPEX on smaller average DXL store footprint
- Opened 12 DXL stores in H1 2016 versus 18 DXL stores in H1 2015
- On track to open 31 DXL stores in fiscal 2016

\* *Net of unamortized debt issuance costs*

## FY 2016 Guidance

(\$ in millions, except per share data)	<u>Guidance</u>
<b>Sales</b>	<b>\$457.0~\$463.0</b> (1)
Total comparable sales increase	2.0%~4.0% (1)
Gross margin	46.2%~46.5%
<b>EBITDA*</b>	<b>\$31.0~\$35.0</b>
Net loss per share, diluted	\$(0.09)~breakeven
<b>Adjusted net loss per diluted share *</b>	<b>\$(0.05)~breakeven</b>
Total debt	\$59.0~\$64.0
Total Capital expenditures	Approximately \$30.0
DXL capital expenditures	Approximately \$20.6
Free cash flow*	\$5.0 to \$10.0
Free cash flow before DXL capital expenditures*	\$25.6 to 30.6

\* EBITDA, Adjusted net loss per diluted share, Free Cash Flow and Free Cash Flow before DXL expenditures are non-GAAP measures. See Appendix A for a reconciliation of these non-GAAP measures to their comparable GAAP measures.

(1) Guidance has been reduced from previous guidance of Sales of \$465.0-\$472.0 million, with a comparable sales increase of approximately 4.8% to 5.5%.



## DXL Store Funding from Free Cash Flow

*(in millions)*

	H1 2016	H1 2015
<b>Cash flow from operating activities (GAAP)</b>	<b>\$ 19.1</b>	<b>\$ 6.7</b>
Capital expenditures, infrastructure projects	(4.1)	(5.8)
<b>Free Cash Flow, before DXL capital expenditures</b>	<b>\$ 15.0</b>	<b>\$ 0.9</b>
Capital expenditures for DXL stores	(9.7)	(11.2)
<b>Free Cash Flow (non-GAAP basis)</b>	<b>\$ 5.3</b>	<b>\$ (10.3)</b>

- In fiscal 2016, continue to project DXL stores will be funded completely from Free Cash Flow vs. Revolving Credit Facility

# Non-GAAP Reconciliation

## Appendix A

The Company uses non-GAAP financial measures, such as “EBITDA,” “Free Cash Flow,” “Free Cash Flow before DXL Capital Expenditures,” “Adjusted net income (loss)” and “Adjusted net income (loss) per diluted share” in assessing its operating performance. The Company believes that these non-GAAP measures serve as an appropriate measure to be used in evaluating the performance of its business. The Company defines EBITDA as Earnings before interest, taxes and depreciation and amortization. Free cash flow is defined as cash flow from operating activities less capital expenditures. Adjusted net income (loss) and Adjusted net income (loss) per diluted share are calculated assuming a normalized tax rate of 40%.

These measures as defined by the Company may not be comparable to similarly titled measures reported by other companies. The Company does not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. The following tables provide a reconciliation of for each of these Non-GAAP measures.

### GAAP TO NON-GAAP RECONCILIATION OF EBITDA

	For the three months ended		For the six months ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
<i>(in millions)</i>				
Net income (loss), GAAP basis	\$ 0.2	\$ (1.0)	\$ 0.4	\$ (1.6)
Add back:				
Provision for income taxes	0.0	0.1	0.1	0.1
Interest expense	0.8	0.7	1.6	1.5
Depreciation and amortization	7.5	6.9	14.9	13.5
EBITDA, non-GAAP basis	\$ 8.5	\$ 6.8	\$ 16.9	\$ 13.5

### GAAP TO NON-GAAP RECONCILIATION OF NET PROFIT (LOSS)

	For the three months ended		For the six months ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
	Per diluted share	Per diluted share	Per diluted share	Per diluted share
	\$	\$	\$	\$
<i>(in thousands, except per share data)</i>				
<b>Net income (loss) (GAAP basis)</b>	\$ 199	\$ (979)	\$ 413	\$ (1,553)
Add back: Actual income tax provision	35	67	92	128
Income tax (provision) benefit, assuming a normal tax rate of 40%	(94)	365	(202)	570
<b>Adjusted net income (loss) (non-GAAP basis)</b>	\$ 140	\$ (547)	\$ 303	\$ (855)
Weighted average number of common shares outstanding on a diluted basis	49,953	49,081	49,902	49,050

## Non-GAAP Reconciliation, continued

### GAAP TO NON-GAAP FREE CASH FLOW RECONCILIATION

<i>(in millions)</i>	For the six months ended	
	July 30, 2016	August 1, 2015
Cash flow from operating activities (GAAP basis)	\$ 19.1	\$ 6.7
Capital expenditures, infrastructure projects	(4.1)	(5.8)
Free Cash Flow, before DXL capital expenditures	\$ 15.0	\$ 0.9
Capital expenditures for DXL stores	(9.7)	(11.2)
Free Cash Flow (non-GAAP basis)	\$ 5.3	\$ (10.3)

### GAAP TO NON-GAAP RECONCILIATION OF FISCAL 2016 OUTLOOK

<i>(in millions, except per share data)</i>	Projected Fiscal 2016	
	<i>per diluted share</i>	
Net income (loss), GAAP basis	\$(4.4)-\$0.0	
Add back:		
Provision for income taxes	0.2	
Interest expense	2.9-3.3	
Depreciation and amortization	31.9	
<b>EBITDA, non-GAAP basis</b>	<b>\$31.0-\$35.0</b>	
Net income (loss), GAAP basis	\$(4.4)-\$0.0	\$(0.09)-\$0.00
Income tax benefit, assuming 40% rate	\$(1.8)-\$0.0	\$(0.04)-\$0.00
<b>Adjusted net income (loss), non-GAAP basis</b>	<b>\$(2.6)-\$0.0</b>	<b>\$(0.05)-\$0.00</b>
Weighted average shares outstanding	49.9	
Cash flow from operating activities, GAAP basis	\$35.0-\$40.0	
Capital expenditures, infrastructure projects	(9.4)	
Free Cash Flow, before DXL capital expenditures	\$25.6-\$30.6	
Capital expenditures for DXL stores	(20.6)	
<b>Free Cash Flow, non-GAAP basis</b>	<b>\$5.0-\$10.0</b>	

## Investor Contact

---

### **Jeffrey Unger**

V. P. Investor Relations

Destination XL Group, Inc.

---

[jeffunger@usa.net](mailto:jeffunger@usa.net)

561-482-9715 (o)

561-543-9806 (c)

[www.DestinationXL.com](http://www.DestinationXL.com)