



# LANDS' END, INC.

## THIRD QUARTER 2016 CONFERENCE CALL

December 1, 2016

Cautionary Statement Regarding  
Forward-Looking Information  
Non-GAAP Financial Measures

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The comments of management of Lands' End, Inc. during its conference call held on December 1, 2016 include forward-looking statements, including statements about our future financial performance, business strategy, plans, goals and objectives. 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 assumptions, uncertainties and risk that may cause our actual results, performance or achievement to be materially different from any future results, performance or achievement expressed or implied by these 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 a product assortment with improved fit and quality; changes in customer preference from our branded merchandise; customers' use of our digital platform, including customer acceptance of our efforts to enhance our e-commerce websites; customer response to direct mail catalogs and digital/social media marketing efforts; the success of our efforts to improve catalog quality and optimize catalog productivity; the success of our overall marketing strategies, 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 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 Corporation 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 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 certain agreements related to 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 29, 2016 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.

# Non-GAAP Financial Measures

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.

The sum of net income and adjustments per diluted common share may not equal the Adjusted earnings per share due to rounding.

While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and 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.
  - We excluded a benefit related to the reversal of a portion of the product recall accrual recognized in Fiscal 2014 as this was an unusual event that affects the comparability of our financial results.
  - For the 13 weeks ended and 39 weeks ended October 28, 2016 and October 30, 2015, we excluded 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.

	13 Weeks Ended				39 Weeks Ended			
	October 28, 2016		October 30, 2015		October 28, 2016		October 30, 2015	
	\$'s	% of Net Revenue						
<i>(in thousands)</i>								
<b>NET (LOSS) INCOME</b>	\$ (7,222)	(2.3) %	\$ 10,725	3.2 %	\$ (14,961)	(1.7) %	\$ 19,910	2.1 %
Income tax (benefit) expense	(1,918)	(0.6) %	5,572	1.7 %	(6,316)	(0.7) %	11,395	1.2 %
Other (income) expense, net	(432)	(0.1) %	796	0.2 %	(1,413)	(0.2) %	(210)	- %
Interest expense	6,149	2.0 %	6,204	1.9 %	18,493	2.1 %	18,615	2.0 %
Operating (loss) income	(3,423)	(1.1) %	23,297	7.0 %	(4,197)	(0.5) %	49,710	5.3 %
Depreciation and amortization	4,795	1.5 %	4,260	1.3 %	13,419	1.5 %	12,874	1.4 %
Product recall	(212)	(0.1) %	(1,007)	(0.3) %	(212)	- %	(3,371)	(0.4) %
Loss (gain) on disposal of property and equipment	126	- %	(2)	- %	172	- %	5	- %
<b>Adjusted EBITDA</b>	<b>\$ 1,286</b>	<b>0.4 %</b>	<b>\$ 26,548</b>	<b>7.9 %</b>	<b>\$ 9,182</b>	<b>1.0 %</b>	<b>\$ 59,218</b>	<b>6.3 %</b>