



January 22, 2015

## Lands' End Provides Update on Fourth Quarter and Full Year Performance

DODGEVILLE, Wis., Jan. 22, 2015 (GLOBE NEWSWIRE) -- Lands' End, Inc. (Nasdaq:LE) today announced estimated preliminary financial results for the fourth quarter and fiscal year ending January 30, 2015.

Merchandise sales and services, net are expected to be between \$505 million and \$515 million in the fourth quarter of fiscal 2014, a decrease of 3% to 5% from \$530 million in the fourth quarter of fiscal 2013.

Merchandise sales and services, net in the Direct segment are expected to decrease slightly to between \$434 million to \$442 million for the fourth quarter of fiscal 2014 compared to \$443 million for the fourth quarter of fiscal 2013. This is attributable to a decrease in our international businesses resulting primarily from the unfavorable impact of changes in currency exchange rates and a decrease in Europe, largely offset by an increase in our U.S. businesses.

Merchandise sales and services, net in the Retail segment are expected to be between \$71 million and \$73 million in the fourth quarter of fiscal 2014, a decrease of 16% to 18% from \$87 million in the fourth quarter of fiscal 2013. The expected decrease is estimated to be driven by a decrease in the number of Lands' End Shops at Sears, a decrease in same store sales and a decrease in Shop Your Way redemption credits resulting from the commercial agreements entered into with Sears Holdings Corporation and its subsidiaries as part of the Company's separation. Same store sales in the Retail segment are expected to decrease between 7% and 9%. The Company operated 236 Lands' End Shops at Sears, 14 global Lands' End Inlet stores and five international shop-in-shops on January 22, 2015 compared to 274 Lands' End Shops at Sears and 16 global Lands' End Inlets on January 31, 2014.

Gross margin is expected to be between 43.8% and 44.0% in the fourth quarter of fiscal 2014 compared to 43.7% in the fourth quarter of fiscal 2013. This 10 to 30 basis point expected improvement in the fourth quarter of fiscal 2014 is on top of the 390 basis point increase in the fourth quarter of fiscal 2013. The expected increase in Gross margin is driven by an increase in the Direct segment, partially offset by a decrease in the Retail segment.

Net income is expected to decrease 20% to 26% to between \$34 million and \$37 million and diluted earnings per share is expected to be \$1.06 to \$1.16 in the fourth quarter of fiscal 2014 compared with \$45.9 million and \$1.44, respectively, in the fourth quarter of fiscal 2013. Interest, incentive compensation, and stand-alone public company costs are expected to be between \$9 and \$10 million pretax and between \$5 and \$6 million after tax in the fourth quarter of fiscal 2014 compared with no interest, incentive compensation, and stand-alone public company costs in the fourth quarter of fiscal 2013.

Adjusted EBITDA<sup>1</sup> is expected to be in the range of \$66 million to \$71 million in the fourth quarter of fiscal 2014, compared to \$80.1 million in the fourth quarter of fiscal 2013.

Edgar Huber, Lands' End's President and Chief Executive Officer, stated,

"During the fourth quarter, we continued to execute our targeted promotional strategy that we began to implement in last year's fourth quarter and took a balanced approach to driving both sales and margin in the US direct-to-consumer business. Although our US Direct businesses generated increases in both sales and gross margin, we were disappointed by the performance of our cold weather assortment, especially during the peak holiday period. We also experienced mixed customer reactions to some of our fashion investments in key women's categories such as sweaters and knits. The international direct business continued to show improvements in gross margin but had revenue decreases which were significantly impacted by currency translation. The Retail Segment revenue decrease resulted from the right-sizing of our Lands' End Shops at Sears, declines in store traffic and a decrease in Shop Your Way Rewards credits."

For the full year fiscal 2014, Merchandise sales and services, net are anticipated to be \$1.56 billion to \$1.57 billion, adjusted EBITDA<sup>1</sup> is expected to be \$160 million to \$165 million and net income is expected to be \$74.5 million to \$77.5 million. This compares with Merchandise sales and services, net, adjusted EBITDA<sup>1</sup> and net income of \$1.56 billion, \$150 million and \$78.8 million, respectively, in fiscal 2013.

Fiscal 2014 Gross margin is expected to exceed prior year Gross margin by 175 to 185 basis points. Interest, incentive compensation, and stand-alone public company costs are expected to be between \$39 million and \$40 million pretax and \$24 million to \$25 million after tax in fiscal 2014 compared with no interest or stand-alone costs and \$0.7 million pretax and \$0.4 million after tax incentive costs in fiscal 2013.

The Company expects fiscal 2014 balance sheet ending inventory to be down mid-teens compared to fiscal 2013.

In relation to the full year, Mr. Huber continued,

"We are committed to transforming Lands' End into a global lifestyle brand. The full year results of the US Direct businesses show measurable improvements in all major metrics including revenue, gross profit and gross margin. Despite the challenges of the international direct business and the Retail Segment, we expect to deliver full year Adjusted EBITDA improvement of \$10 million to \$15 million compared to the prior year. Over the past two years, we have redesigned the merchandise architecture, enhanced our digital shopping experience, implemented a more targeted promotional strategy, aggressively managed inventory and reduced operating expenses."

The Company currently plans to release its full fourth quarter and fiscal 2014 results on March 26, 2015.

### **About Lands' End, Inc.**

Lands' End, Inc. (Nasdaq:LE) is a leading multi-channel retailer of casual clothing, accessories, footwear and home products. We offer products through catalogs, online at [www.landsend.com](http://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 2014 results are preliminary and unaudited. This press release contains forward-looking statements about our expectations for the fourth quarter and fiscal year ending January 30, 2015. 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. 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 factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to offer merchandise and services that customers want to purchase; changes in customer preference for our branded merchandise; customers' use of our digital platform; the success of our overall marketing strategies; 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; 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 model; if Sears, Roebuck and Co. sells or disposes of its retail stores or if its retail business does not attract customers or does not adequately promote 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 consumer 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 the separation from Sears Holdings 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; potential indemnification liabilities to Sears Holdings pursuant to the separation and distribution agreement; our inability to engage in certain corporate transactions after the separation; our difficulty in operating as a separate entity following the separation; our failure to achieve some or all of the expected benefits of the separation, and adverse effects of the separation on our business; potential liabilities under fraudulent conveyance and transfer laws and legal capital requirements; increases in our expenses and

administrative burden in relation to becoming a public company, in particular to bring us into 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 31, 2014. 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**

<sup>1</sup>Adjusted EBITDA-In addition to our Net income determined in accordance with accounting principles generally accepted in the United States ("GAAP"), 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 is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and useful to investors, because:

- 1 EBITDA excludes the effects of certain on-going financing and investing activities from earnings by eliminating the effects of interest and depreciation costs.
- 1 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 the 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.**

**Adjusted EBITDA Reconciliation  
(Unaudited)**

	13 Weeks Ending		13 Weeks Ended			
	January 30, 2015 High	January 30, 2015 Low	January 31, 2014			
<i>(in thousands)</i>	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales
Net income	\$37,000	7.2%	\$34,000	6.7%	\$45,943	8.7%
Income tax expense	23,100	4.5%	21,100	4.2%	28,797	5.4%
Other income, net	(500)	(0.1)%	(500)	(0.1)%	(17)	—%
Interest expense	6,200	1.2%	6,200	1.2%	—	—%
Operating income	65,800	12.8%	60,800	12.0%	74,723	14.1%
Depreciation and amortization	5,000	1.0%	5,000	1.0%	5,346	1.0%
Loss on disposal of property and equipment	200	—%	200	—%	11	—%
Adjusted EBITDA	<u>\$71,000</u>	<u>13.8%</u>	<u>\$66,000</u>	<u>13.1%</u>	<u>\$80,080</u>	<u>15.1%</u>

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**Adjusted EBITDA Reconciliation  
(Unaudited)**

	52 Weeks Ending		52 Weeks Ended	
	January 30, 2015 High	January 30, 2015 Low	January 31, 2014	

<i>(in thousands)</i>						
	\$'s	% of Net Sales	\$'s	% of Net Sales	\$'s	% of Net Sales
Net income	\$77,500	4.9%	\$74,500	4.8%	\$78,847	5.0%
Income tax expense	48,500	3.1%	46,500	3.0%	49,544	3.2%
Other income, net	(1,345)	(0.1)%	(1,345)	(0.1)%	(50)	—%
Interest expense	20,500	1.3%	20,500	1.3%	—	—%
Operating income	145,155	9.2%	140,155	9.0%	128,341	8.2%
Depreciation and amortization	19,600	1.3%	19,600	1.3%	21,599	1.4%
Loss on disposal of property and equipment	245	—%	245	—%	70	—%
Adjusted EBITDA	<u>\$165,000</u>	<u>10.5%</u>	<u>\$160,000</u>	<u>10.3%</u>	<u>150,010</u>	<u>9.6%</u>

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