Good morning. I am pleased to welcome the J.Jill team, Claire Spofford, President and CEO; and Mark Webb, Executive Vice President, CFO and COO to the ICR conference. Claire, who will be presenting this morning, is an industry veteran and has led the J.Jill team since early 2021. J.Jill is a national lifestyle brand that provides apparel, footwear, and accessories designed to help its customers move through a full life with ease. J.Jill offers a high touch customer experience through 200 plus stores nationwide and robust e-commerce platform.

Before we begin, I would like to remind you that certain comments made during these remarks may constitute forward-looking statements that are made pursuant to and within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from such statements. Those risks and uncertainties are described in our presentation slides and our SEC filings.

Any forward-looking statements are made as of today, and we don't undertake any obligation to update any of these forward-looking statements. Finally, we may refer to certain adjusted or non-GAAP financial measures during these remarks. A reconciliation schedule showing GAAP versus non-GAAP financial measures is available in the appendix section of our presentation slides. If you do not have a copy of today's presentation, you may obtain one by visiting the Investor Relations page of our website at jjill.com. Following today's presentation, the company will host a breakout session for Q&A at 1:00 p.m. in Palazzo H.

And with that, we would like to begin today's presentation with a short video.

[Video Presentation]

Claire Spofford
President, CEO & Director

Good morning, everybody, and thank you for your time today. Man, those lights are bright. But I want to just start by saying I hope everyone was able to see. We were pleased to have reaffirmed our guidance this morning through press release that you may have seen. So I'm here to talk to you a little bit about J.Jill, clicker, you just saw in the video, a little bit about our brand positioning. We are a women focused brand. We think our positioning reflects and supports our appreciation for and respect for our customer.

And so our vision is to live in a world where the totality of every woman is seen, valued, and celebrated. And our role in that is to fuel her joy and impact with style for all of who she is. This is J.Jill at a glance trailing 12 months as of the end of Q3 2023. So you can see on about $600 million in net sales, we generated very strong maintained margins of about 70%, which when coupled with disciplined inventory management and disciplined expense control, yields an EBITDA margin of about 18.2% on a trailing 12-month basis.

One of the things we always talk about as one of our strengths is the balanced business model that we have. We're about 50/50, direct-to-consumer and brick and mortar, but we are not

overstored. We have a store count as of the end of Q3 of 245 stores guided to flat stores of 243 for year-end. And when we do a good job of servicing our customer, providing her the product she's looking for, providing her the experience she needs and deserves, we have a very loyal customer. The average tenure with the brand is north of 10 years with J.Jill.

Our history, I'll be very brief here because it's a long history. The brand was launched in 1959 as a direct brand. Actually, it started with one store and then became a direct brand. We've always had a direct-to-consumer focus and we have obviously a lot of equity, having been in the marketplace for that long. I was privileged to join the brand almost exactly three years ago next month. So very exciting for me and I think it's been a lot of hard work, but a lot of really gratifying work as well.

And today, as we look forward, we're pleased to demonstrate these results and we're really in a position where we can look forward and look at all the opportunities in front of us. So we've talked a lot about our business model. I'm going to talk to you a little bit more about that in a minute. But really focused approach to our assortment, to our inventory management, relentless focus on our customer yields a disciplined operating model with strong EBITDA and consistent cash flow generation.

We have extremely loyal customer. I'll talk to you a little bit more about her in a minute and the balanced business model that I referenced already. I think we're investing also in our infrastructure and our technology to support our business. We launched and rolled out a POS project in 2023 that is complete and we're beginning to invest and embark on an OMS project, which will be rolling out in 2024 and beyond.

We also see a very clear path for profitable growth as we go forward. This is a little bit more about our customer. Average age or target demographic is 45 to 65, and we've been really focused on serving that core customer. We love that customer. She's very loyal as I mentioned. She has a high household income. 50% of our customers have household income north of $150,000 a year. That is her income largely to spend from a discretionary standpoint, because in general, her kids are out of the house. She can spend it on herself, which is what we like.

And she's well educated over indexes not only for college degrees, but also really over indexes for postgraduate degrees. So she's a sophisticated customer who can really shop largely anywhere she wants. And so we have to do a good job of servicing her and making sure that we're meeting her needs. But when we do a good job, she stays with us.

And as a result, we have very, very strong customer loyalty, strong NPS Scores. We have a CSAT score, which is basically the people who are satisfied with their in-store purchase of 95% plus a retention rate. So year-over-year, the percentage of customers that buy from us that bought last year buy from us again in the current year, and an average tenure of more than 10 years with the brand.

One of the things I also just want to point out here is some of the insights on the right hand side, and this deck is actually uploaded to our website as of today, so you guys can access this anytime you'd like. We really focus on customer insight work and staying very close to our customer, and

that helps yield insights and data mining for opportunities for growth and checking in with our customer, understanding where her head is, what her purchase intent looks like, and how she's feeling about us and about our competition, so super important to our business model as well.

Our omni-channel platform, I said we've been around since 1959. We love the fact that we're about 50/50, brick and mortar and direct-to-consumer. The direct business is obviously very efficient. We stay very close to her and we are always working on improving her experience there, taking friction out of the path to purchase and making sure that she's satisfied, she can find her right fit, get all of the information she's looking for.

Stores are also super important to our business. About 60% of our new customers come in through stores and the high touch experience that we provide in our retail stores we think is kind of a special sauce to our brand. Our store teams are very engaged. They know their best customers. They are – they frequently were our best customers and then come on board and work for us in the stores. And its – I often talk about the fact that sometimes when you're in the fitting rooms, it feels like a party. It's like they're there with their friends, they're helping them put outfits together, they're helping them shop. And people walk out of the store just feeling great, like they've had a really fun, happy experience.

Our omni-channel customers, this is typical of what you'll see, spend, typically around 3 times as much as a single channel customer. So we're obviously always trying to encourage people to cross shop channels as well and speaks to the opportunity that we have for store unit growth. This is a little bit more about our stores. About 97% of the fleet is profitable. About half of our brick and mortar stores are in A malls and half are in lifestyle centers. So we have a nice balance there as well.

And we have an attractive economics in the stores. We do a really diligent job of negotiating our leases, making sure we have the right economics. And if we don't have the right economics, we're not afraid to walk away from a store location and then go back and renegotiate and try to get back into a market or expand our store base. I think one of the key things that sets J.Jill apart is our approach to product and our process for developing, designing, sourcing, merchandising, marketing that product. We have an incredible team. You saw Elliot on the video. He's our Head of Design and Creative Marketing. I think we are not front edge, bleeding edge fashion by any stretch of the imagination, but we are cognizant and understand the trends that are important to our customer.

And I think the team does a really nice job of understanding those trends and understanding our customer and translating for our customer in a way that makes her feel comfortable and excited to buy our product. I'm also going to point out something here on coverage of extended sizes. This is an initiative that we kind of relaunched, if you will, 18 months ago. J.Jill has been in the plus size business since 1999. I think we've had up through size 4x on our website. We never talked about it. We treated it differently. We had an upcharge for the larger sizes. So about a year and a half ago, we kind of stepped back. I'm trying to get that. We kind of stepped back and said, how do we do this right? But we already knew about inventory management and sizing and all of those things that are very tricky.

We stepped back, we talked to our customer, and we had our Welcome Everybody campaign that took the upcharge off of the plus sizes, created one inclusive size one that called Regular. And then we were also, because of the tighter inventory management allow – able to put size 2X in our stores, which takes the assortment in the stores up through about size 20 and we've seen some nice traction on this initiative. In addition, one of the other benefits is that this customer tends to be at the younger end of our target demographic and very valuable in terms of new customers coming onto the file.

We also have an assortment that is based in J.Jill core, which is our core assortment, and the largest part of our business. And then we have three sub-brands. And the beauty of this portfolio is that we can wax and wane with what's happening with the consumer, with trends in the marketplace, with seasonality, and we do sort of plan the business that way and respond to the business that way.

So we have J.Jill core, which is core premium casual really meets a lot of her lifestyle needs. Pure Jill is a sub-brand that is focused very much on fabric first, you heard Elliot talk about that. So quality fabrications, things that she can't necessarily find everywhere else, unique details, prints, patterns, embroideries, and she really responds well to that. We've also – in the past year, I guess, it was a little over a year ago, started pulsing in capsules of Pure Jill elements, which is kind of Pure Jill elevated, price points 20% to 30% higher. Just a capsule to get her excited to test the upper boundaries of the range, the price range, and she has responded really well to those.

Wherever is our sub-brand that speaks to the needs of travel, easy to pack, easy to put together, this is something that we've also been focused on and leaning into this year as a growth initiative. We learned that she was looking for premium casual clothes to wear to work in addition to traveling. And so we've been doing a work edit around our wherever sub-brand, where we actually take a capsule of it, create the right creative products, and focus it right at that work end use from a marketing standpoint, and we've seen, again, some nice traction there. And again, that customer tends to be at the younger end of our demographic. So we're excited about that initiative as well. We even had a capsule around that, wherever works that we launched in September. That's something we're going to continue as we go through and into 2024.

And then a small part of the business is J.Jill Fit. And this is exactly what you would think. It's kind of athleisure. It's a small part of the business, but meets another unique need. It's definitely performance light, but it's something that she's looking for, particularly in certain parts of the year. So lean into that as well.

I talked about not being at the bleeding edge of fashion. I call our fashion, fashion with a little f. So our product assortment is really grounded in basics, predictable annuity businesses that she comes back to us for year after year and season after season. And that's layered on to seasonal basics. So things like Linen and Pima cotton t-shirts. Again, we don't recreate the wheel every year. We may update or refine it, but it's something that she's always looking to us for. And it's a great foundational, predictable, profitable part of the business.

And then on top of that, we have trend right fashion pieces that keep her excited, keep her coming back for more, show her that we're a relevant modern brand that can get her excited about kind of unique pieces. And when we do that right, she really shows very little price sensitivity to paying for that. So again, it's always a balancing act, as merchandising is in any business.

But I think the team has been doing a really good job of creating this assortment that is a balance of predictable and then fashion and excitement in the assortment that keeps her engaged and coming back. One of the things that we're doing differently than we used to do, and I'll get to this in just a second, is we're flowing smaller capsules of fashion more regularly just to keep that core customer engaged and coming back and drive frequency and engagement with the brand. So this is where I do want to spend a little bit of time, because I think this slide really sort of shows what's different now than where the business was five years ago and how we're getting there.

So you can see this is 2018 to 2022. If that's too small for some of you guys in the back to see 2018 to 2022. On the left hand side, you can see revenues versus 2018 about $100 million less. But you can see since pre-COVID time period about 660 basis point improvement in maintained margin. That really tells the story of where we are and how we're managing this business. We're focused on profitability.

And when we have those margins in the high 60s and we control expenses, then we can yield EBITDA margins of upper teens. That doesn't mean that we aren't interested in growing that top line again, we are and I'm going to talk a little bit more about that in a second. But through careful planning, very disciplined inventory management, not promoting too much, really keeping the focus on full price selling. And when we don't have a lot of markdown inventory, we're not competing with ourselves in terms of markdown versus full price. We can tell our brand story, we can tell our product story and keep the focus on full price.

That's what we've been very focused on. And these are some of the results that that yield. So as we look at the model going forward, this is an approximate two-year average. But at a top line of $600 million-ish and margins in the high 60s, we can deliver adjusted EBITDA in the $100 million range. And with a capital profile going forward of about $20 million a year, which is what we've signaled and spoken about, that generates about $40 million of free cash flow on an annual basis. And that is with the investment in infrastructure and growing the business, it creates a lot of opportunities to deploy to those growth initiatives, to pay down our debt and to drive shareholder return strategies.

I'm very proud of this slide. I'm proud of our team. I think they're amazing. You see a lot of industry veterans there. I said to someone yesterday, when did I go from being a promising young thing to a grizzled veteran? I want to take the word grizzled out of it, but industry veteran anyway, we have a great team. They have been executing really well in a very turbulent retail environment, and I couldn't be prouder of them and of the culture that we've been trying to create of kind of focus on the right results and do it in a collaborative, positive way.

Now I just want to talk a little bit about growth strategies, I have five minutes left. You can see there's plenty of room for growth. That's what these circles show you in our, I think, pretty well

defined, addressable, relevant market. We have relatively low shares. Some of that is because we have a lot fewer stores than a lot of our competition. And so there's an opportunity now that the business is in this place of profitability and generating the cash where we can start to invest in going after some of that growth.

So I've talked a little bit about the product and consumer focused initiatives around wherever works, around inclusive sizing around, Pure Jill elements, we did that through listening to our customer, modernizing our brand, it had gotten a little sleepy and hadn't really been addressed in a while. And so we think that there's lots of runway for growth without becoming a lot more complex or something that we're not. We're also strengthening our omni-channel capabilities. We're always looking for improvements in our digital channel to take friction out of the path to purchase.

But we're also investing in that capital profile that I shared with you, not only in POS this last year, but in an OMS project going forward, just to further enhance our omni-channel capabilities and modernize the infrastructure in the business. And then we also feel like there's an opportunity to profitably expand our store base. We have been in net closure mode for the last few years, just through aggressive negotiation of our leases and making sure that we had the right economics.

We now feel like we've got store unit growth potential that will begin as we move into 2024. And we feel like there's a 20 to 25 store unit growth opportunity in the medium term for the next three years or so. So going forward, we'll drive, and I want you guys to notice this, we always modify growth with the word profitable in front of it, right? So drive profitable growth and increase market share through our strategic initiatives. Discipline store growth, which I just spoke to, maintaining that healthy gross margin profile, it is the lifeblood of our business, of our P&L. The lifeblood of our business is our customer and our product.

But the lifeblood of our P&L is that maintained margin, controlling expenses is critical in an ongoing discipline and that we think will continue to deliver high teens adjusted EBITDA margins and generate strong cash to deploy to growth initiatives and to shareholder return strategies. Our priorities for those are to invest in those growth initiatives, to invest in our systems, as I've mentioned, and to pay down debt. We were fortunate.

And Mark, who's sitting in the front row, and his team did a great job, renegotiating our debt in March of 2023. And as we move into 2024, we have the ability to pay that debt down. So obviously, through the amortization schedule, excess cash flow sweeps, and then prepayments become possible for us as we move into 2024.

And on top of that, obviously, we will be evaluating other total shareholder return strategies. Everything's honestly on the table, dividends, share buybacks and/or accretive M&A opportunities. So we feel like we're in a really healthy and I'm always knocking wood, strong position with the business with a lot of potential in front of us for investing in profitable growth, improving the infrastructure in the business, paying down our debt, and evaluating other TSR opportunities in front of us.