



**Williams-Sonoma, Inc. reports strong results for the second quarter of 2019**  
**Comparable brand revenue growth accelerates to 6.5%**  
**GAAP operating margin of 6.3%; Non-GAAP operating margin expansion of 10bps to 6.9%**  
**GAAP diluted EPS of \$0.79; Non-GAAP diluted EPS of \$0.87, a 13% increase over Q2 18**  
**Raises fiscal year 2019 topline and EPS guidance**

San Francisco, CA, August 28, 2019 – Williams-Sonoma, Inc. (NYSE: WSM) today announced operating results for the second fiscal quarter ended August 4, 2019 (“Q2 19”) versus the second fiscal quarter ended July 29, 2018 (“Q2 18”).

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**Laura Alber, President and Chief Executive Officer, commented:**

“We continue to deliver very strong results. In the second quarter, comp revenue growth accelerated to 6.5%, while operating margin expanded and EPS grew double digits. The growth strategy that we outlined at the beginning of the year is driving results and giving us the competitive advantage to continue to outperform. West Elm, our biggest growth opportunity, continues to accelerate, the Pottery Barn brands have returned to strength, and our cross-brand initiatives such as the Key and Business-to-Business are becoming more impactful levers of growth. We are also improving the customer experience through innovation and experimentation, and we are seeing the results of this work fuel brand level performance across our portfolio. In addition, our data-driven performance marketing is producing outsized returns on our digital media investments.”

Alber continued, “Our performance year-to-date demonstrates that our initiatives are successfully driving consistent profitable growth across the business and we are confident that we will build on our market share gains in the second half and longer-term. As a result, we are raising our full-year guidance for net revenues, comp revenue growth and EPS.”

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**SECOND Quarter 2019**

- Net revenue growth of 7.5% to \$1.371 billion
- Comparable brand revenue growth of 6.5%, primarily driven by an acceleration in comparable growth for West Elm and Pottery Barn to 17.5% and 4.2%, respectively
- GAAP operating margin of 6.3%; non-GAAP operating margin expansion of 10bps to 6.9%
- GAAP diluted EPS of \$0.79; non-GAAP diluted EPS \$0.87, a 13% increase compared to Q2 18

**GUIDANCE**

- Raises fiscal year 2019 net revenues, comparable brand revenue growth and EPS guidance
- Reiterates long-term financial targets

**Fiscal Year 2019\***

- Total Net Revenues: \$5.740 billion - \$5.900 billion
- Comparable Brand Revenue Growth: 3% - 6%
- Non-GAAP Operating Margin: In-line with FY 18

P O T T E R Y B A R N

pottery barn kids

**PBteen**

west elm

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WILLIAMS-SONOMA, INC.

- Non-GAAP Diluted EPS to \$4.60 - \$4.80
- Non-GAAP Income Tax Rate: 23% - 24%
- Depreciation and Amortization: \$185 million - \$195 million
- Net 25 store closures for a total store count of 600 by the end of FY 19
- Capital Spending: \$200 million - \$220 million
- Return to Shareholders: quarterly cash dividend of \$0.48 per share and continued share buybacks under our multi-year share repurchase authorization of approximately \$640 million

## Long-Term Financial Targets\*

- Total Net Revenues growth of mid to high single digits
- Non-GAAP Operating Income growth in-line with revenue growth, driving Operating Margin stability
- Above-industry average ROIC

\*We have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential variability and limited visibility of excluded items.

## CONFERENCE CALL AND WEBCAST INFORMATION

Williams-Sonoma, Inc. will host a live conference call today, August 28, 2019, at 2:00 P.M. (PT). The call, hosted by Laura Alber, President and Chief Executive Officer, will be open to the general public via live webcast and can be accessed at <http://ir.williams-sonomainc.com/events>. A replay of the webcast will be available at <http://ir.williams-sonomainc.com/events>.

## CONTACT INFORMATION

**Julie Whalen** EVP, Chief Financial Officer – 415 616 8524  
**Elise Wang** Vice President, Investor Relations – 415 616 8571

## SEC REGULATION G — NON-GAAP INFORMATION

This press release includes non-GAAP financial measures. Exhibit 1 provides reconciliations of these non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the U.S. (“GAAP”). We have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential variability and limited visibility of excluded items; these excluded items include expenses related to the operations of Outward, Inc. and employment-related expense. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful evaluation of current period performance on a comparable basis with prior periods. Our management uses these non-GAAP financial measures in order to have comparable financial results to analyze changes in our underlying business from quarter to quarter. In addition, certain other items may be excluded from non-GAAP financial measures when the company believes this provides greater clarity to management and investors. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for or superior to the GAAP financial measures presented in this press release and our financial statements and other publicly filed reports. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

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**FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or are proven incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements relating to: our ability to capture significant opportunities in the home furnishings industry; increase our market share; our ability to continue to improve performance; our focus on operational excellence; our ability to improve customers’ experience; our optimism about the future; our ability to maximize growth and maintain high profitability; our FY 2019 and long-term financial guidance; our stock repurchase program and dividend expectations; and our proposed store openings and closures.

The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include: continuing changes in general economic conditions, and the impact on consumer confidence and consumer spending; new interpretations of or changes to current accounting rules; our ability to anticipate consumer preferences and buying trends; dependence on timely introduction and customer acceptance of our merchandise; changes in consumer spending based on weather, political, competitive and other conditions beyond our control; delays in store openings; competition from companies with concepts or products similar to ours; timely and effective sourcing of merchandise from our foreign and domestic vendors and delivery of merchandise through our supply chain to our stores and customers; effective inventory management; our ability to manage customer returns; successful catalog management, including timing, sizing and merchandising; uncertainties in e-marketing, infrastructure and regulation; multi-channel and multi-brand complexities; our ability to introduce new brands and brand extensions; challenges associated with our increasing global presence; dependence on external funding sources for operating capital; disruptions in the financial markets; our ability to control employment, occupancy and other operating costs; our ability to improve our systems and processes; changes to our information technology infrastructure; general political, economic and market conditions and events, including war, conflict or acts of terrorism; the impact of current and potential future tariffs and our ability to mitigate impacts; and other risks and uncertainties described more fully in our public announcements, reports to stockholders and other documents filed with or furnished to the SEC, including our Annual Report on Form 10-K for the fiscal year ended February 3, 2019 and all subsequent quarterly reports on Form 10-Q and current reports on Form 8-K. All forward-looking statements in this press release are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

**ABOUT WILLIAMS-SONOMA, INC.**

Williams-Sonoma, Inc. is a specialty retailer of high-quality products for the home. These products, representing distinct merchandise strategies — Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, Pottery Barn Teen, Williams Sonoma Home, Rejuvenation, and Mark and Graham — are marketed through e-commerce websites, direct-mail catalogs and retail stores. These brands are also part of The Key Rewards, our free-to-join loyalty program that offers members exclusive benefits across the Williams-Sonoma family of brands. We operate in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, offer international shipping to customers worldwide, and have unaffiliated franchisees that operate stores in the Middle East, the Philippines, Mexico and South Korea, as well as e-commerce websites in certain locations. In 2017, we acquired Outward, Inc., a 3-D imaging and augmented reality platform for the home furnishings and décor industry.

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pottery barn kids

**PBteen**

west elm

WILLIAMS SONOMA

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## WILLIAMS-SONOMA, INC.

### Condensed Consolidated Statements of Earnings (unaudited)

| <i>In thousands, except per share amounts</i> | Thirteen Weeks Ended |               |                  |               | Twenty-six Weeks Ended |               |                  |               |
|---|----------------------|---------------|------------------|---------------|------------------------|---------------|------------------|---------------|
|   | August 4, 2019       |               | July 29, 2018    |               | August 4, 2019         |               | July 29, 2018    |               |
|   | \$                   | % of Revenues | \$               | % of Revenues | \$                     | % of Revenues | \$               | % of Revenues |
| <b>Net revenues</b>                           | <b>1,370,814</b>     | <b>100%</b>   | <b>1,275,174</b> | <b>100%</b>   | <b>2,611,946</b>       | <b>100%</b>   | <b>2,478,174</b> | <b>100%</b>   |
| Cost of goods sold                            | 886,953              | 64.7%         | 811,232          | 63.6%         | 1,683,754              | 64.5%         | 1,582,068        | 63.8%         |
| <b>Gross profit</b>                           | <b>483,861</b>       | <b>35.3%</b>  | <b>463,942</b>   | <b>36.4%</b>  | <b>928,192</b>         | <b>35.5%</b>  | <b>896,106</b>   | <b>36.2%</b>  |
| Selling, general and administrative expenses  | 397,696              | 29.0%         | 389,776          | 30.6%         | 767,895                | 29.4%         | 755,390          | 30.5%         |
| <b>Operating income</b>                       | <b>86,165</b>        | <b>6.3%</b>   | <b>74,166</b>    | <b>5.8%</b>   | <b>160,297</b>         | <b>6.1%</b>   | <b>140,716</b>   | <b>5.7%</b>   |
| Interest expense, net                         | 2,669                | 0.2%          | 1,584            | 0.1%          | 4,922                  | 0.2%          | 2,785            | 0.1%          |
| <b>Earnings before income taxes</b>           | <b>83,496</b>        | <b>6.1%</b>   | <b>72,582</b>    | <b>5.7%</b>   | <b>155,375</b>         | <b>5.9%</b>   | <b>137,931</b>   | <b>5.6%</b>   |
| Income taxes                                  | 20,848               | 1.5%          | 20,869           | 1.6%          | 40,071                 | 1.5%          | 41,050           | 1.7%          |
| <b>Net earnings</b>                           | <b>\$62,648</b>      | <b>4.6%</b>   | <b>\$51,713</b>  | <b>4.1%</b>   | <b>\$115,304</b>       | <b>4.4%</b>   | <b>\$96,881</b>  | <b>3.9%</b>   |
| <b>Earnings per share (EPS):</b>              |                      |               |                  |               |                        |               |                  |               |
| Basic   | \$0.80               |               | \$0.63           |               | \$1.47                 |               | \$1.17           |               |
| Diluted                                       | \$0.79               |               | \$0.62           |               | \$1.45                 |               | \$1.16           |               |
| <b>Shares used in calculation of EPS:</b>     |                      |               |                  |               |                        |               |                  |               |
| Basic   | 78,488               |               | 82,342           |               | 78,586                 |               | 82,867           |               |
| Diluted                                       | 79,470               |               | 83,167           |               | 79,633                 |               | 83,519           |               |

### 2<sup>nd</sup> Quarter Net Revenues and Comparable Brand Revenue Growth (Decline) by Concept\*

|                            | Net Revenues<br>(Millions) |                | Comparable Brand Revenue Growth<br>(Decline) |             |
|----------------------------|----------------------------|----------------|--|-------------|
|                            | Q2 19                      | Q2 18          | Q2 19  | Q2 18       |
| Pottery Barn               | \$525                      | \$506          | 4.2%   | 2.0%        |
| West Elm                   | \$358                      | \$301          | 17.5%  | 9.5%        |
| Williams Sonoma            | \$191                      | \$195          | (1.1%)                                       | 1.6%        |
| Pottery Barn Kids and Teen | \$228                      | \$214          | 3.7%   | 5.7%        |
| Other                      | \$69                       | \$59           | N/A  | N/A         |
| <b>Total</b>               | <b>\$1,371</b>             | <b>\$1,275</b> | <b>6.5%</b>                                  | <b>4.6%</b> |

\*See the Company's 10-K filing for the definition of comparable brand revenue, which is calculated on a 13-week to 13-week basis for Q2 2019.

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WILLIAMS-SONOMA, INC.

## Condensed Consolidated Balance Sheets (unaudited)

| <i>In thousands, except per share amounts</i>   | August 4,<br>2019 | February 3,<br>2019 | July 29,<br>2018 |
|---|-------------------|---------------------|------------------|
| <b>ASSETS</b>   |                   |                     |                  |
| Current assets  |                   |                     |                  |
| Cash and cash equivalents   | \$ 120,467        | \$ 338,954          | \$ 174,580       |
| Accounts receivable, net  | 111,114           | 107,102             | 106,322          |
| Merchandise inventories, net  | 1,187,728         | 1,124,992           | 1,099,888        |
| Prepaid expenses  | 117,017           | 101,356             | 74,811           |
| Other current assets  | 21,693            | 21,939              | 21,891           |
| Total current assets  | 1,558,019         | 1,694,343           | 1,477,492        |
| Property and equipment, net   | 913,059           | 929,635             | 919,689          |
| Operating lease right-of-use assets   | 1,208,528         | —                   | —                |
| Deferred income taxes, net  | 38,803            | 44,055              | 60,960           |
| Goodwill  | 85,348            | 85,382              | 85,673           |
| Other long-term assets, net   | 65,924            | 59,429              | 64,163           |
| Total assets  | \$3,869,681       | \$2,812,844         | \$2,607,977      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                     |                  |
| Current liabilities   |                   |                     |                  |
| Accounts payable  | \$ 404,337        | \$ 526,702          | \$ 466,903       |
| Accrued expenses  | 127,137           | 163,559             | 112,381          |
| Gift card and other deferred revenue  | 283,108           | 290,445             | 263,546          |
| Borrowings under revolving line of credit   | 60,000            | —                   | —                |
| Income taxes payable  | 13,065            | 21,461              | 35,529           |
| Operating lease liabilities   | 222,978           | —                   | —                |
| Other current liabilities   | 76,254            | 72,645              | 69,589           |
| Total current liabilities   | 1,186,879         | 1,074,812           | 947,948          |
| Deferred rent and lease incentives  | 28,618            | 201,374             | 207,190          |
| Long-term debt  | 299,719           | 299,620             | 299,521          |
| Long-term operating lease liabilities   | 1,148,031         | —                   | —                |
| Other long-term liabilities   | 84,831            | 81,324              | 72,330           |
| Total liabilities   | 2,748,078         | 1,657,130           | 1,526,989        |
| Stockholders' equity  |                   |                     |                  |
| Preferred stock: \$.01 par value; 7,500 shares authorized; none issued  | —                 | —                   | —                |
| Common stock: \$.01 par value; 253,125 shares authorized; 78,203, 78,813 and 80,988 shares issued and outstanding at August 4, 2019, February 3, 2019 and July 29, 2018, respectively | 783               | 789                 | 810              |
| Additional paid-in capital  | 584,828           | 581,900             | 561,810          |
| Retained earnings   | 552,454           | 584,333             | 528,368          |
| Accumulated other comprehensive loss  | (15,488)          | (11,073)            | (9,742)          |
| Treasury stock, at cost   | (974)             | (235)               | (258)            |
| Total stockholders' equity  | 1,121,603         | 1,155,714           | 1,080,988        |
| Total liabilities and stockholders' equity  | \$3,869,681       | \$2,812,844         | \$2,607,977      |

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WILLIAMS-SONOMA, INC.

## Condensed Consolidated Statements of Cash Flows (unaudited)

|  | Twenty-six<br>Weeks Ended |                   |
|--|---------------------------|-------------------|
| <i>In thousands</i>  | August 4,<br>2019         | July 29,<br>2018  |
| <b>Cash flows from operating activities:</b>   |                           |                   |
| Net earnings   | \$ 115,304                | \$ 96,881         |
| <b>Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:</b> |                           |                   |
| Depreciation and amortization  | 93,744                    | 93,809            |
| (Gain) loss on disposal/impairment of assets   | (6)                       | 4,466             |
| Amortization of deferred lease incentives  | (4,228)                   | (13,210)          |
| Non-cash lease expense   | 105,437                   | —                 |
| Deferred income taxes  | (8,428)                   | (4,415)           |
| Tax benefit related to stock-based awards  | 14,110                    | 9,711             |
| Stock-based compensation expense   | 35,401                    | 26,526            |
| Other  | 92                        | 166               |
| <b>Changes in:</b>   |                           |                   |
| Accounts receivable  | (4,430)                   | (13,567)          |
| Merchandise inventories  | (63,576)                  | (45,159)          |
| Prepaid expenses and other assets  | (24,506)                  | (29,217)          |
| Accounts payable   | (127,511)                 | (1,735)           |
| Accrued expenses and other liabilities   | (30,677)                  | (12,209)          |
| Gift card and other deferred revenue   | (7,173)                   | 11,927            |
| Deferred rent and lease incentives   | —                         | 18,861            |
| Operating lease liabilities  | (111,782)                 | —                 |
| Income taxes payable   | (8,407)                   | (22,712)          |
| <b>Net cash (used in) provided by operating activities</b>   | <b>(26,636)</b>           | <b>120,123</b>    |
| <b>Cash flows from investing activities:</b>   |                           |                   |
| Purchases of property and equipment  | (77,189)                  | (80,021)          |
| Other  | 470                       | 513               |
| <b>Net cash used in investing activities</b>   | <b>(76,719)</b>           | <b>(79,508)</b>   |
| <b>Cash flows from financing activities:</b>   |                           |                   |
| Payment of dividends   | (75,453)                  | (70,331)          |
| Repurchases of common stock  | (72,131)                  | (174,818)         |
| Borrowings under revolving line of credit  | 60,000                    | —                 |
| Tax withholdings related to stock-based awards   | (25,887)                  | (12,335)          |
| <b>Net cash used in financing activities</b>   | <b>(113,471)</b>          | <b>(257,484)</b>  |
| Effect of exchange rates on cash and cash equivalents  | (1,661)                   | 1,313             |
| Net decrease in cash and cash equivalents  | (218,487)                 | (215,556)         |
| Cash and cash equivalents at beginning of period   | 338,954                   | 390,136           |
| <b>Cash and cash equivalents at end of period</b>  | <b>\$ 120,467</b>         | <b>\$ 174,580</b> |

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WILLIAMS-SONOMA, INC.

## Retail Store Data (unaudited)

|                   | May 5, 2019 | Openings | Closings | August 4, 2019 | July 29, 2018 |
|-------------------|-------------|----------|----------|----------------|---------------|
| Williams Sonoma   | 219         | —        | (1)      | 218            | 226           |
| Pottery Barn      | 205         | 2        | (2)      | 205            | 205           |
| West Elm          | 113         | —        | (1)      | 112            | 109           |
| Pottery Barn Kids | 78          | —        | —        | 78             | 84            |
| Rejuvenation      | 10          | —        | —        | 10             | 8             |
| Total             | 625         | 2        | (4)      | 623            | 632           |

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## WILLIAMS-SONOMA, INC.

**Exhibit 1**  
**GAAP to Non-GAAP Reconciliation (unaudited)**  
*(Dollars in thousands, except per share data)*

|   | Thirteen Weeks Ended |                  | Thirteen Weeks Ended |                  | Twenty-six Weeks Ended |                  | Twenty-six Weeks Ended |                  |
|---|----------------------|------------------|----------------------|------------------|------------------------|------------------|------------------------|------------------|
|   | August 4, 2019       |                  | July 29, 2018        |                  | August 4, 2019         |                  | July 29, 2018          |                  |
|   | \$                   | % of<br>revenues | \$                   | % of<br>revenues | \$                     | % of<br>revenues | \$                     | % of<br>revenues |
| Gross profit  | \$ 483,861           | 35.3%            | \$ 463,942           | 36.4%            | \$ 928,192             | 35.5%            | \$ 896,106             | 36.2%            |
| Outward-related <sup>1</sup>                          | 879                  |                  | 269                  |                  | 1,414                  |                  | 851                    |                  |
| Employment-related expense <sup>2</sup>               |                      |                  |                      |                  | 30                     |                  |                        |                  |
| Impairment and early termination charges <sup>3</sup> |                      |                  | 719                  |                  |                        |                  | 719                    |                  |
| Non-GAAP gross profit                                 | \$ 484,740           | 35.4%            | \$ 464,930           | 36.5%            | \$ 929,636             | 35.6%            | \$ 897,676             | 36.2%            |
| Selling, general and administrative expenses          | \$ 397,696           | 29.0%            | \$ 389,776           | 30.6%            | \$ 767,895             | 29.4%            | \$ 755,390             | 30.5%            |
| Outward-related <sup>1</sup>                          | (6,351)              |                  | (4,720)              |                  | (12,228)               |                  | (11,064)               |                  |
| Employment-related expense <sup>2</sup>               | (623)                |                  | (1,874)              |                  | (7,119)                |                  | (3,576)                |                  |
| Impairment and early termination charges <sup>3</sup> |                      |                  | (4,578)              |                  |                        |                  | (4,578)                |                  |
| Non-GAAP selling, general and administrative expenses | \$ 390,722           | 28.5%            | \$ 378,604           | 29.7%            | \$ 748,548             | 28.7%            | \$ 736,172             | 29.7%            |
| Operating income                                      | \$ 86,165            | 6.3%             | \$ 74,166            | 5.8%             | \$ 160,297             | 6.1%             | \$ 140,716             | 5.7%             |
| Outward-related <sup>1</sup>                          | 7,230                |                  | 4,989                |                  | 13,642                 |                  | 11,915                 |                  |
| Employment-related expense <sup>2</sup>               | 623                  |                  | 1,874                |                  | 7,149                  |                  | 3,576                  |                  |
| Impairment and early termination charges <sup>3</sup> |                      |                  | 5,297                |                  |                        |                  | 5,297                  |                  |
| Non-GAAP operating income                             | \$ 94,018            | 6.9%             | \$ 86,326            | 6.8%             | \$ 181,088             | 6.9%             | \$ 161,504             | 6.5%             |
| Income taxes  | \$ 20,848            | 25.0%            | \$ 20,869            | 28.8%            | \$ 40,071              | 25.8%            | \$ 41,050              | 29.8%            |
| Outward-related <sup>1</sup>                          | 1,536                |                  | 1,055                |                  | 2,964                  |                  | 2,522                  |                  |
| Employment-related expense <sup>2</sup>               | (493)                |                  | 468                  |                  | (782)                  |                  | 870                    |                  |
| Impairment and early termination charges <sup>3</sup> |                      |                  | 1,289                |                  |                        |                  | 1,289                  |                  |
| Tax legislation <sup>4</sup>                          |                      |                  | (2,888)              |                  |                        |                  | (6,186)                |                  |
| Impact of equity accounting rules <sup>5</sup>        |                      |                  |                      |                  |                        |                  | (1,146)                |                  |
| Non-GAAP income taxes                                 | \$ 21,891            | 24.0%            | \$ 20,793            | 24.5%            | \$ 42,253              | 24.0%            | \$ 38,399              | 24.2%            |
| Diluted EPS   | \$ 0.79              |                  | \$ 0.62              |                  | \$ 1.45                |                  | \$ 1.16                |                  |
| Outward-related <sup>1</sup>                          | 0.07                 |                  | 0.05                 |                  | 0.13                   |                  | 0.11                   |                  |
| Employment-related expense <sup>2</sup>               | 0.01                 |                  | 0.02                 |                  | 0.10                   |                  | 0.03                   |                  |
| Impairment and early termination charges <sup>3</sup> |                      |                  | 0.05                 |                  |                        |                  | 0.05                   |                  |
| Tax legislation <sup>4</sup>                          |                      |                  | 0.03                 |                  |                        |                  | 0.07                   |                  |
| Impact of equity accounting rules <sup>5</sup>        |                      |                  |                      |                  |                        |                  | 0.01                   |                  |
| Non-GAAP Diluted EPS*                                 | \$ 0.87              |                  | \$ 0.77              |                  | \$ 1.68                |                  | \$ 1.44                |                  |

\* Per share amounts may not sum due to rounding to the nearest cent per diluted share

## SEC Regulation G – Non-GAAP Information

These tables include non-GAAP gross profit, gross margin, selling, general and administrative expense, operating income, operating margin, income taxes, effective tax rate and diluted EPS. We believe that these non-GAAP financial measures provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful evaluation of our quarterly actual results on a comparable basis with prior periods. Our management uses these non-GAAP financial measures in order to have comparable financial results to analyze changes in our underlying business from quarter to quarter. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

### Notes to Exhibit 1:

- 1 During Q2 and year-to-date 2019, we incurred approximately \$7.2 million and \$13.6 million, respectively, of expense, which includes acquisition-related compensation expense and amortization of intangible assets, as well as the operations of Outward, Inc., of which \$6.4 million and \$12.2 million, respectively, were recorded within selling, general and administrative expenses. During Q2 and year-to-date 2018, we incurred approximately \$5.0 million and \$11.9 million, respectively, of expense, of which \$4.7 million and \$11.1 million, respectively, were recorded within selling, general and administrative expenses.
- 2 During Q2 and year-to-date 2019, we incurred approximately \$0.6 million and \$7.1 million, respectively, of employment-related expense, recorded within selling, general and administrative expenses. In Q1 19, the expense was primarily associated with severance-related reorganization expenses. During Q2 and year-to-date 2018, we incurred approximately \$1.9 million and \$3.6 million, respectively, of employment-related expense, recorded within selling, general and administrative expenses.
- 3 During Q2 18, we incurred approximately \$5.3 million of expense, primarily associated with impairment and early lease termination charges.
- 4 During Q2 and year-to-date 2018, we recorded income tax expense of approximately \$2.9 million and \$6.2 million, respectively, associated with tax legislation changes.
- 5 During Q1 18, we recorded income tax expense of approximately \$1.1 million associated with the adoption of accounting rules related to stock-based compensation.