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PIR - Q4 2019 Pier 1 Imports Inc Earnings Call

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OVERVIEW:

PIR reported 4Q19 net sales of \$413m and net loss of \$69m or \$0.85 per share.



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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Pier 1 Imports Fourth Quarter and Full Year Fiscal 2019 Earnings Call. At the request of Pier 1 Imports, today's conference call is being recorded. (Operator Instructions) I would now like to introduce Christine Greany of The Blueshirt Group.

Christine Greany - The Blueshirt Group, LLC - MD

Thank you, and good afternoon, everyone. Today after market close, we issued our earnings press release, which included the financial results for the fourth quarter and full year of fiscal 2019.

Before we begin, I need to remind you that any statements made today regarding our business may be deemed to include forward-looking statements that are based on current estimates or expectations of future events or future results and 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. Any forward-looking statements made today are as of the date of this call, and the company does not assume any obligation to update or revise any such forward-looking statements.

The company will also discuss non-GAAP financial measures on this conference call. Pursuant to the requirements of Regulation G and Item 10e of Regulation S-K, the company has provided a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures in our earnings press release that was issued this afternoon and is available on our Investor Relations website at investors.pier1.com.

Now, I'd like to turn the call over to Cheryl Bachelder, interim Chief Executive Officer. Cheryl?

Cheryl A. Bachelder - Pier 1 Imports, Inc. - Interim CEO & Director

Thank you, Christine, and good afternoon, everyone. I'm pleased to begin the call this afternoon by sharing that Deborah Rieger-Paganis of AlixPartners will be serving as our Pier 1 interim Chief Financial Officer.



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Deb has been working closely with our leadership team in a consulting capacity in recent months. And I'm confident that her more than 30 years of experience leading and improving retail finance organizations and business operations will be a valuable asset to Pier 1.

On behalf of our board and management team, I would also like to thank Nancy Walsh for her numerous contributions to Pier 1.

For the purposes of today's call, I will handle the prepared remarks and Darla Ramirez, our Principal Accounting Officer, Vice President and Controller, will join me for the Q&A portion.

My comments will primarily focus on our fiscal 2020 plan to reset our operating model and rebuild our business. As such, I'll provide just a brief high-level overview of our fourth quarter financial results, which are explained in greater detail in our earnings press release.

We reported fiscal fourth quarter net sales of \$413 million, with the comparables sales decrease of 13.7% compared to the 13-week period of fiscal 2018. We reported a net loss of \$69 million or \$0.85 per share.

In terms of our balance sheet, at fiscal year-end, we had \$55 million in cash and short-term investments, \$191 million outstanding under our term loan, \$50 million of borrowings under our FILO tranche and an undrawn revolver facility. Fiscal year-end inventory was \$348 million, which is flat to the close of fiscal 2018.

With that, I'd now like to focus my time reviewing what we've accomplished over the past 4 months and outline our priorities and action plans to recover net income and EBITDA in fiscal 2020.

When I last spoke to you in December, it was my first day on the ground as interim CEO. During my initial weeks here, we fully assessed the issues at hand and went through an intense analysis to pinpoint what went wrong and understand what we needed to do in the immediate term to get back on track. There were some key findings from our work that gave us conviction that Pier 1 can prosper once again.

First, we did a deep dive of the sector and confirmed that the home decor enthusiasts are shopping both in bricks and mortar and online and she continues to be looking for new and special finds for her home.

Second, our analysis confirmed that our wounds were predominantly self-inflicted. Decision-making of our critical areas of the business was poor, and costs were not managed to match the performance. We also lost focus on our core customer. These are things within our power to correct. In fact, our core customer continued to shop our stores in the second half of last year, but we didn't have the Pier 1 treasures that she came for. This year, we'll be returning to the basics of our brand and bringing back the special find that she wants from us.

Over the past 4 months, our team has worked with a sense of urgency to get Pier 1 back on track. We've been focusing on a plan to reset our operating model and rebuild our business from there.

Specifically, we're implementing an action plan designed to deliver benefits of approximately \$100 million to \$110 million in fiscal 2020 by resetting our gross margin and our cost structure. Approximately 1/3 of the benefits are expected to be realized in gross margin and the remaining 2/3 are coming from cost reduction. We will be reinvesting a portion of these savings to reset our assortment strategy, build core capabilities and drive long-term efficiencies.

The bottom line is that we believe we'll be positioned to recapture approximately \$30 million to \$40 million of net income and \$45 million to \$55 million of EBITDA in fiscal year 2020.

Before I walk you through our plans to reset and rebuild, let me briefly tell you what we've accomplished thus far. First, we executed strategic buys for spring and summer, doing as much as possible within the confines of long lead time to improve the look and feel of our stores for the current season. We also cleared through some legacy inventory.

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After that, we built in and rebuilt the assortments for fall, harvest and holiday. Beginning in August, our customers will see a discernible improvement in the mix, quality and style of our merchandise. We've done a lot of consumer homework. And aided by CRM analysis, we found that our core customer is continuing to shop, she still loves Pier 1. And that means we have the opportunity to win back her spend this fall.

Second, we took immediate action around the store experience and marketing. In developing our spring merchandising, we emphasized design details and color stories to ensure we deliver a more sensory experience that inspires our customers. This improvement in the in-store experience has been complemented by the strength of our store associates who are known for their passion for delighting our customers. They are most certainly one of Pier 1's greatest assets and one of the distinguishing factors that sets us apart.

In addition, we designed a spring marketing campaign to focus messaging on our customer, bringing inspiration to key merchandise categories like dining and Easter. Customers are seeing a clear focus in our stores and a noticeable change in our marketing message across all media channels from our mailers to our on-air presence, including our new TV campaign that launched mid-March.

A third area where we took action was in our org structure, working to ensure we have the right capabilities and team to stabilize and turn around the business. As we announced last month, we implemented an organizational redesign of our corporate workforce to better align with our long-term strategy and improve the company's ability to be agile, reduce cost and reinvest around core competencies.

A fourth action was to engage best-in-class consultants to help us look at our business holistically and reengineer our processes. They have helped us identify top line growth and margin improvement opportunities, ways to strengthen the composition of our inventory and multiple areas where we can reduce cost. Importantly, they're helping us execute more quickly as we focus on turning the business, while also building the internal capabilities for the future.

In addition, as we previously communicated, the board engaged Credit Suisse to evaluate strategic alternatives to enhance shareholder value. This work is ongoing and no formal conclusions have yet been drawn.

Since December, we've assembled a strong group of senior leaders to accomplish our goal, and Deb's addition as interim CFO rounds out this team. Our new Chief Customer Officer, Donna Colaco, is driving a bold new view of our brand, merchandise and marketing. William Savage is challenging our sourcing and supply chain to become a strong competency for the future. And our new CIO, Lance Wills, is crafting our customer-facing capability that builds relationship and loyalty with our customer.

We have named one of our consultants as transformation program leader, and he is responsible for driving execution and accountability each month to our plan. Our home office teams and finance, human resources and legal are set up to support our future success.

With the foundation I've just described firmly in place, our teams are all hands on deck to execute and restore the health and promise of the business. We've developed an action plan designed to drive improvement and capture efficiencies in 5 areas: revenue and margins, marketing and promotional effectiveness, sourcing and supply chain, cost cutting and store optimization.

First, to speak to revenue and margin. We conducted a top to bottom review of our merchandise and strengthened our assortments. Beginning this fall, we are renewing our emphasis on the best-selling categories that we believe will drive sales and margin improvement.

For perspective, one of the primary drivers of our negative comps last fall was the dramatic decline in average order value, which is primarily attributable to changes in the company's merchandise mix as well as decreased store traffic. That said, visits from our core Pier 1 customer remains constant, though spend was lower. So we have already begun expanding and emphasizing her favorite Pier 1 categories. For example, we are adding back a substantial amount of furnishings to our assortments in the second half. We know our customer loves Pier 1 furniture and it's a high AOV, high-margin category for us. Similarly, we're also bolstering our housewares category, a growing and profitable part of the business that received less emphasis last year.

A second area of focus is marketing and promotions. We've identified opportunities to optimize our marketing mix and deploy our spend in a much more targeted way. We expect to generate greater impact from our spend as we take a more scientific approach to our media mix planning based



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on channel and targeted customer segmentation. Further, we've made our Pier 1 message more compelling and distinct, and we're delivering that message consistently in all of our channels.

The company's promotional cadence in recent years has been prolific, but not as effective as we needed it to be. Our mandate is to return to proactive planning that contemplates all the elements of the process from concept to customer. And as we deploy well-planned pricing and promotions, we expect to reduce markdowns and clearance activity, while limiting any impact to sales and reinvesting promotional dollars to drive traffic and conversion.

A third area of great opportunity for us is sourcing and supply chain. Our relationships with our vendor partners have always been core to our strategy of providing the unique and inspirational products that Pier 1 is known for. We recently conducted meetings in Hong Kong to establish our go-forward approach with our Asian community, which will now be followed in May by meetings with the majority of our vendor partners. We see many opportunities to advance our sourcing and supply chain through innovation, cost reset and smarter practices. And we look forward to working on these matters with an exceptional group of partners that are excited to be part of Pier 1's future.

On the supply chain side, we've scrutinized our cost structure and conducted a rigorous analysis of our network efficiencies across inbound freight, outbound shipments and our distribution centers. As a result of this work, we're well along in the implementation of multiple initiatives designed to reduce cost, increase speed and better serve our customers.

Turning now to the fourth area, cost reduction. We told you last quarter that we would seek to take upwards of \$35 million of SG&A out of the business on an annual run rate basis. After methodically identifying cost areas and beginning the cuts and consolidations necessary to reset our cost structure, we now expect to achieve nearly triple of those estimated savings. Importantly, these are not employee or customer-facing costs. For fiscal 2020, we've identified approximately \$70 million to \$80 million of SG&A savings opportunity, which includes reductions in marketing and indirect spend throughout the organization. Specifically, we've taken a hard look at all third-party G&A expenses and are eliminating nonessential spend in IT, store operations, supply chain, facilities management and human resources. Where this spend is critical to our business, we're renegotiating contracts to lower our cost basis. These savings are expected to be predominantly realized in the second half of the year and represent approximately \$95 million to \$105 million of expected SG&A savings on an annual run rate basis.

With this opportunity, I want to touch on store optimization, which we believe represents a significant area of leverage for us going forward. It's important to understand that our stores are a vital customer touch point that can be traced to approximately 85% of all Pier 1 transactions. We're committed to having a substantial brick-and-mortar presence as a cornerstone of our go-forward strategy. That said, we know it's imperative to optimize the fleet size over time, and we're taking a critical lens to the portfolio to ensure we're in the right place with stores that have the right economics.

In fiscal 2019, we closed 30 Pier 1 locations at their natural lease expirations. For perspective, approximately 15% to 20% of our leases are up for renewal each year, and we are considering closing up to 45 stores in fiscal 2020 at their natural lease expirations. We're continuing to conduct a review to better understand our bricks and mortar and overall performance. We see opportunities to improve our economics through merchandising and customer experience strategies that are expected to drive top line sales and merchandise margin as well as looking to reduce occupancy and other costs to improve overall store contribution.

We've engaged A&G Realty to assist us and working with our landlords to address rent expense and determine the ideal footprint going forward. If we are unable to achieve our performance goals, our top line sales targets and reductions in occupancies and other costs, we could close up to 15% of our portfolio.

As we look at fiscal 2020, we have a clearly defined set of priorities and believe we have the resources in place to deliver significantly improved financial performance. Let's take a look at how the year is expected to unfold.

The plan we've articulated to drive improvement in our gross margin and cost structure does not contemplate a vast top line recovery. We've done as much as possible to impact the spring and summer seasons, but we expect that comp sales trends will continue to be soft and margins will



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remain under pressure in the first and second fiscal quarters. We anticipate that second half trends will improve as the full impact of our assortment and marketing changes becomes evident to the customer this fall.

In summary, we feel good about how we're positioned today relative to where we were just 4 months ago. We've moved quickly to assess the state of the business, and we have a clearly defined action plan that's based on rigorous analysis. We're restoring core capability across the organization, and we are intensely focused on moving this brand to positive sales. We have a clear line of sight to margin improvement and cost reduction opportunities.

Equally important, we believe the margin and cost initiatives I've described and our available liquidity will give us the runway we need to achieve our goals. I am incredibly grateful to the senior leadership team and our associates for doing their part to help us achieve these objectives. And I look forward to keeping all of you updated on our priorities, our progress and our path forward.

Now, Darla and I will be happy to open the line and answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Steve Forbes of Guggenheim Securities.

Steven Paul Forbes - Guggenheim Securities, LLC, Research Division - Analyst

So you mentioned that your most loyal customers are still shopping with you, but you also noted, right, their lower spending trends. So can you expand on that, just sort of like, I guess, either the magnitude of the decline in the spend? And do you have the capabilities internally to see where that share is shifting to, both from a competitive standpoint or channel perspective and/or the categories in which you're losing share? Really, any color on sort of visibility into what is transpiring within your core customer.

Cheryl A. Bachelder - Pier 1 Imports, Inc. - Interim CEO & Director

Yes, I think the thing that's interesting about our results is that they largely reflect what we offered her in our stores as opposed to a change in competitive condition. I mentioned, as an example, we removed a substantial amount of high-volume, high-turn furniture that as you would expect would be at higher prices and higher margins in the back half of last year. So she came looking for her normal purchases and did not find the assortment she expected and she left spending less. She also did not find the normal level of what I call exclusively a Pier 1 unique find that inspires her to pick up and add to her basket. And so I believe the restoration of our assortment this fall, the things we know sell and move for our guests and more exclusively Pier 1 news items, will largely restore her enthusiasm for buying at Pier 1 and returning to her spend levels.

Steven Paul Forbes - Guggenheim Securities, LLC, Research Division - Analyst

And then as a follow-up, you noted during the call, right, I guess, the number of store closures for next year would sort of be dependent upon performance goals and other factors. I mean, is there any color you can provide? I mean, what's sort of a dipping point? Is it a mixture of getting those occupancy savings and right sort of seeing some level or improvement of comps at the store level? Or what are those are sort of thresholds that would result in a greater level of closures?



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Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

So to reiterate, I mentioned 45 closures in the fiscal plan and that we were looking to improve both top line, margin and cost structures so that our store contribution margin would improve. So, much as you said, it's a combination of all of those factors that will improve our store unit economics. And then I gave you the perspective that if we are unsuccessful improving those factors, we would be willing to close up to 15%. So I think that gives you -- since we want to be very thoughtful in this review, we want to put our plans into place and watch those stores perform. And we want to aggressively pursue the cost side to improve their margin, so a holistic approach.

Operator

Our next question comes from the line of Budd Bugatch of Raymond James.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

I guess, my first question is, I want to make sure I understand the road map and what are the reasonable targets for fiscal 2020. What do we look like to get to in terms of adjusted EBITDA for the year? I know it's second half-weighted, but maybe you can help me. We started with \$137 million loss this year. Where do we get to for -- what's the right target for 2020?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

Thanks for your questions. We're not providing financial guidance for 2020. So the information I gave you on the cost and how they pull through to net income and EBITDA is the full degree of impacts that I shared today. So \$45 million to \$55 million in EBITDA improvement and -- sorry, I've got to turn to the page.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

So that's what confuses me. We're looking at \$100 million of improvement, \$100 million to \$110 million for cost cutting and margin gain. What's the whole that explains the delta?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

Yes, the difference, as I explained in my comments, is that we are reinvesting a portion of the savings back in the business, Budd. So the full, it does not -- the full amount does not flow through. So I gave you the specific flow-through impact.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

And we're investing that into what? I mean, marketing was 4.5% of sales. So you're not going to -- are you investing more in marketing percentage or -- and other store expenses. At least in the year, it looked like they got -- in the fourth quarter, they got really out of whack for where the cadence had been. So I'm trying to understand where on the P&L that investment shows up.

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

Yes, the reinvestment is in our assortment strategy, our talent and capability and efficiencies and things to drive efficiency in the plan. So we are reinvesting a portion of that \$110 million to -- \$100 million to \$110 million and pulling through \$30 million to \$40 million at net income and \$45 million to \$55 million in EBITDA.



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Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

Okay. Well, then that leads you to the next question, Cheryl, is do we have the liquidity to get us to the end game here? How do we get there? What's the liquidity profile right now? I know you have nothing drawn on the revolver. How much left do you have to draw on the FILO? And what other potential sources of liquidity do we have?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

Yes, I -- the answer to your question is we believe the execution of this plan gives us the necessary runway for fiscal 2020. We had at the end of the fiscal, \$55 million in cash, \$50 million in the FILO tranche on our balance sheet and an undrawn revolver facility. That's where we ended up in the year.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

What's the availability on the revolver? How clean is the inventory? What's the availability? Do they give you -- what's the release on the inventory?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

I've not provided guidance on that other than to tell you, our inventory is about where it was a year ago.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

I understand that. And you've already told us that the inventory has got some challenges in terms of -- or at least as to what the assortment was going into the fourth quarter, which I totally agree with. And I feel for you on that score. But what are we looking at in terms of inventory now in terms of the assortment?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

So what I've cited about inventory was around the fourth quarter performance and that we had taken action to reduce some legacy inventory that we did not want to move forward with into the next season. So that was the reference to fourth quarter inventory adjustments.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

Okay. Well, the margin was down, I think, 760 basis points in gross margin. And we don't know today -- we used to get some information about merchandise margin and other expenses that went into the calculation of cost of goods. We (inaudible) on that now. Is the delta primarily clearance that you gave? Is that the reason for the delta? Or how would you characterize that?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

The delta is both merchandise margin and clearance.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

Sure. Merchandise margin falls into clearance. I understand that. I mean, clearance falls under merchandise margin. So I would understand that. Just -- okay. Maybe we get better to ask another time.



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Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

You'll get a little bit more visibility of that in the K, Budd. I think that might help you with your calculations.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

I appreciate that. That would be great. The impact of 482 on next year. Pier 1's got a significant number of leases, even though you're reducing them with 970 stores. Do we have a number so far, an early number of what the present value of [our length of use] obligation looks like on the balance sheet for the first quarter of this year, which is where we'll see it?

Darla D. Ramirez - *Pier 1 Imports, Inc. - Principal Accounting Officer*

This is Darla. And we do not have that number ready to share with you today. It'll definitely, of course, be on the first quarter financial statements. Again, it is a material impact to our balance sheet, but it's really not expected to have a material impact on any of our other financial statements.

Beryl Bugatch - *Raymond James & Associates, Inc., Research Division - MD & Director of Furnishings Research*

And last question, I know you have an NYSE issue, Cheryl. What can you tell us about how you're addressing that?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

As I mentioned, when we received the letter, we have a 6-month period following the date of notification and we have a number of options to regain compliance. We're working in consultation with our advisers to address that, and those things are underway.

Operator

Our next question comes from Chuck Grom of Gordon Haskett.

Andrew James Minora - *Gordon Haskett Research Advisors - Research Associate of Retail*

This is Andrew on for Chuck. I've a question on the store closings. So the 45, I assume that's just a net -- I don't think you guys are opening any. But just to confirm that, that's the case. And then can you give us any sense of the cadence of the closings throughout the year?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

It is 45 net and we've not given guidance on the timing other than to say they will be at the end of their lease expiration.

Andrew James Minora - *Gordon Haskett Research Advisors - Research Associate of Retail*

Okay, understood. And then, I guess, just -- I know, again, you guys aren't going to give a whole lot of extra guidance there, but can you give us any sense of how those 45 stores have been performing, just to kind of help us in our model a little bit? I mean, have they -- like anything from a top line or store-level EBITDA perspective just to guide us or hold our hand a little bit there?



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Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

No, Andrew, we're not providing that level of detail.

Operator

Our next question comes from Anthony Chukumba of Loop Capital Markets.

Anthony Chinonye Chukumba - *Loop Capital Markets LLC, Research Division - SVP*

I know that you said that a lot of the recent ills have been self-inflicted. But I guess, my question was -- I mean, do you think at least some portion of this has to do with the fact that you are facing more competition, including from Wayfair and @home and HomeGoods and Home Sort and so forth and so on? I would just have to think that even if it wasn't necessary, the customer going directly to those retailers, she is not finding what she wants at Pier 1, as she has a lot of other choices that probably doesn't help either.

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

I personally think a healthy sector called home decor and our shopper who's out and about every day looking for exciting finds for her home is a plus for Pier 1. We simply have to get our news and our assortment right for her so that she spends more dollars in our stores. And I consider that our job is to create the plan that attracts her there. Of course, our category is competitive, but it's a healthy sector in retail. It's growing in stores. She's shopping in bricks and mortar. 85% of her purchases come from a store online, her online purchases. So I just think it's a really healthy sector that if we provide our great brand, our unique take on home decor, that our customer will be back and spending her fair share of wallet at Pier 1.

Operator

Our next question comes from Brad Thomas with KeyBanc Capital Markets.

Unidentified Analyst

This is Andrew on for Brad Thomas. So far, we are about halfway through 1Q. Can you give us any color on how comps are trending quarter-to-date in 2019?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

Andrew, we don't typically talk about business trends within the quarter that we're in.

Unidentified Analyst

Okay. Fair enough. And then regarding the balance sheet, what do you see inventory levels being at the end of the first half and at the end of the year?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

We're not providing guidance on inventory levels either.



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Unidentified Analyst

Okay. Fair enough. And then do you mind sharing a little bit more on any negotiations with lenders you might be having at this current moment?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

No. I'm not going to comment on that topic either.

Operator

Thank you, again. (Operator Instructions) Our next question comes from the line of Jeremy Skrezyna of Southpaw.

Jeremy S. Skrezyna - *Southpaw Asset Management, LP - Senior Research Analyst*

I guess, just kind of big picture here. You guys clearly have a challenging path going forward. The commentary about getting \$50 million or so of EBITDA back from a negative \$137 million still implies pretty negative EBITDA for this coming fiscal year, at which point your term loan is going to become current. And then a few quarters after that, you're going to have the term loan maturity reserve kick in, which is going to significantly impair your revolver availability. I'm wondering if you could walk me through the rationale of why you don't just file a Chapter 11 with this business now and try to restructure the balance sheet at the same time you restructure the operations and do this out of the scrutiny of the public markets. It just seems like a lot easier option and also gives you a lot more leverage on dealing with landlords and leases and all those types of things. So can you just talk about the thought process there?

Cheryl A. Bachelder - *Pier 1 Imports, Inc. - Interim CEO & Director*

I think, Jeremy, I've made clear that we have developed an action plan that we think is compelling and we think it provides sufficient liquidity runway to turn around the company. And I've aimed to give you a fair amount of detail on that plan today on how we plan to accomplish it. Every line item has been scrutinized from top to bottom of the P&L, including our store economics. And we're announcing to you today a plan that we believe will secure the future of the business. So I thank you for your question, but I am confident and secure that we brought forward the plan we need to provide to you and to all of our employees and stakeholders.

So with that, I think we'll wrap up today's call. I thank everyone for making the time for us and listening carefully and asking your questions. We truly support -- we truly appreciate the support you have given to Pier 1, and we look forward to updating you on our progress against the plan we announced today. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation, and have a wonderful day. You may disconnect your lines at this time.



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