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PIR - Q4 2015 Pier 1 Imports Inc Earnings Call

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OVERVIEW:

Co. reported 4Q15 total sales of $544m and net income of $33.1m or $0.37 per share. Expects FY16 EPS to be $0.83-0.87 and 1Q16 EPS to be $0.07-0.08.

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Pier 1 Imports' fourth-quarter fiscal 2015 earnings call. At the request of Pier 1 Imports, today's conference call is being recorded. All lines will be on a listen-only mode until the question-and-answer period, at which time instructions will follow.

I would now like to introduce Bryan Hanley, Director of investor Relations for Pier 1 Imports.

Bryan Hanley *- Pier 1 Imports, Inc. - Director of IR*

Thank you, and good afternoon, everyone. Today, after market close, we issued a press release, which included the detailed financial results for the fourth-quarter and fiscal year ended February 28, 2015, our fiscal year 2015.

In just a few moments, we will hear comments from Alex and Laura about the fourth-quarter and full-year financial results; the Company's fiscal 2016 outlook; and the Company's transformation under our omnichannel strategy, 1 Pier 1. This will be followed by a question-and-answer period.

Before we begin, I need to remind you that certain comments made during this call may be deemed to include forward-looking statements that are based on management's current estimates or expectations of future results or future events. These statements are not historical in nature and can generally be identified by such words as believe, expect, estimate, anticipate, plan, may, will, intend, and similar expressions.

Management's expectations and assumptions regarding future results are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements made during this call. These risks and uncertainties include, but are not limited to, consumer spending patterns; inventory levels and values; the Company's ability to implement planned cost control measures; expected benefits from the real estate optimization initiative, including cost savings and increases in efficiency; and changes in foreign currency values relative to the US dollar.

These and other factors that could cause results to differ materially from those described in the forward-looking statements made during this call can be found on the Company's Annual Report on Form 10-K and in other filings with the SEC. Refer to the Company's most recent SEC filings for any updates concerning these and other risks and uncertainties that may affect the Company's operations and performance.

Undue reliance should not be placed on forward-looking statements, which are only current as of the date they are made. The Company assumes no obligation to update or revise its 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 10(e) 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 website at www.pier1.com.

Now I'd like to turn the call over to Alex Smith, Pier 1 Imports' President and Chief Executive Officer. Alex?

Alex Smith *- Pier 1 Imports, Inc. - President and CEO*

Thanks, Bryan, and good afternoon, everyone. Joining me on the call today is Laura Coffey, who was appointed Executive Vice President and Interim Chief Financial Officer in February of this year. Laura is new to many of you, but she's been an important member of the Pier 1 Imports' leadership team for many years.

She brings both financial and operational experience to the Interim CFO role, and has already proven to be a tremendous asset in her return to our finance organization. Her skills were especially apparent as we went through our planning and forecasting process in recent weeks.

I'll just ask Laura to introduce herself before I continue with my prepared remarks. Laura?

Laura Coffey *- Pier 1 Imports, Inc. - EVP and Interim CFO*

Good afternoon, everyone, and thank you for joining us today. I'm very excited about taking on this role and have literally hit the ground running. My primary focus over the past several weeks has been closing out last year and building the fiscal 2016 plan.

With that behind us, I am focusing on the future and continuing to work with Alex, the management team, our associates, and our stakeholders, to exploit the tremendous value potential that we see for our Company. I look forward to having the opportunity to talk with many of you in the coming weeks.

And now I'd like to turn things back over to Alex to continue.

Alex Smith *- Pier 1 Imports, Inc. - President and CEO*

Thanks, Laura. In today's highly competitive home furnishings environment, the Pier 1 Imports brand is in a much stronger position than two years ago. Customers are very happy with our omnichannel capabilities. Our database contains nearly three times more omnichannel shoppers than a year ago. Sales to our rewards card customers outpace Company sales. And our total active customer database grew very nicely.

(technical difficulty) teams continued to raise the bar in their ability to create unique special and trend-right products, which are well-priced and resonate with our customers. Our evolved marketing position, with a great emphasis on inspirational storytelling, is generating a very positive response.

Over the past year particularly, our financial performance against our self-stated objectives and guidance has been poor, which has been very frustrating for all of us. The new Pier 1 Imports model -- business model is different. The way our customers behave is very different. So, going forward, we intend to give you a greater clarity around the new business model and discuss the various levers which create improved profitability.

We know that we have work to do in the back of house, particularly in our distribution centers and SG&A costs, to get back to satisfactory turns. This is all doable. The important thing remains -- we have great products, great marketing and selling vehicles; we now need to get our lean infrastructure back.

During the last two years, we have created an operating and growth platform with seamless integration across stores, desktop, and mobile. We strengthened our bench strength; we strengthened our bench with new talents in merchandising, marketing, eCommerce, information technology, and finance. We broadened our product assortments and introduced new categories. We sharpened our merchandising, marketing and promotional strategies. And we added fulfillment capacity to support the momentum in eCommerce sales for the foreseeable future.

Today, we are uniquely positioned to serve our customers through our national retail footprint, online experience, and multiple delivery options. Importantly, all of this paves the way for us to extend our reach through new categories, Pier 1 Imports brand extensions, and potential new brands.

With this heavy investments period in the Pier 1 Imports brand behind us, coming into fiscal 2016, we are entering a new phase. We need to ratchet up our profitability by leveraging the investments we've made in people, systems, and physical infrastructure.

We are focusing on maintaining a healthy topline trend; moderating our capital expenditures; reducing our occupancy costs through the optimization of our real estate portfolio; and lowering store operational expenses, specifically compensation for operations. We believe these actions will pave the way for strong profit growth well into the future.

You will also see in our earnings release today that we have included contribution from operations in our non-GAAP reconciliation table. We view this metric as highly relevant to measuring the health of our business.

The recurring question has been posed to us -- at what point will eCommerce enhance our profitability rather than pull it down? When does this all inflect? The answer is that eComm already enhances at the contribution from operations level.

You don't see it as a percentage of total sales in the press release table because we only generated modest leverage on occupancy costs. However, in our fiscal year 2015 just completed, fulfilled sales generated a higher rate of contribution from operations than store sales. In fiscal 2016, as our fulfillment and in-home delivery businesses grow, the contribution from operations on fulfilled sales will continue to increase.

And as we look forward, there is a tremendous amount of potential to roll the higher contribution margins being achieved online down to the bottom line. This is contingent upon executing the operating levers we outlined in our press release -- reducing store occupancy and store payroll, and gaining efficiency on the cost of fulfilled sales.

So, there is no finite inflection point, per se; rather, an improving profitability curve, as we execute against the six guideposts we introduced in September of last year. As a reminder, they are -- brand traffic conversion and average ticket; store sales and customer experience centers; merchandise margin and gross profit; fulfillment in-home delivery; SG&A expense; and capital allocation.

First, brand traffic conversion and average tickets. In fiscal 2015, we saw improvement across all three of these metrics. Average ticket was up, and we achieved increases in conversion more so in line where our investment in the optimization of tablet mobile are bearing fruit. Also driving conversion is the more sophisticated merchandising of the site and the myriad improvements we've made to our customers' shopping experience.

Going forward, we will continue to drive these metrics in-store and online through effective merchandising, marketing, and pricing strategies. Our merchants have consistently delivered fabulous assortments that our customers love. This year, we will further increase our online-only merchandise offerings by 35% to over 3,000 SKUs.

The largest increases will be seen in textiles, housewares, home furnishings, and outdoor furniture. We will also have a greater number of SKUs in our express request business, which continues to grow at a healthy rate.

Turning now to marketing. We have a number of initiatives in place for fiscal 2016. First, our creative teams are delivering well against our evolved brand positioning, which is resonating with our customers. During the second half of fiscal 2015, we saw the result in significantly higher ROIs on our direct mail activity. Our merchants have increased their focus on cohesive trends in storytelling, which will allow us to evolve our creative fervor, differentiating the Pier 1 Imports brand from our competitors even more.

Second, we are making significant adjustments to our media spend in fiscal 2016, shifting from TV to our highly productive direct mail and digital marketing campaigns. Our catalog circulation and page counts will both increase by approximately 25% this year, which we believe will drive traffic to both stores and the site. We are also building a stronger social media platform for the Pier 1 Imports brand, which will include purpose-driven content created for each social platform.

Third, we are dedicating substantial resources towards our new Customer Data Excellence Program, which involves rebuilding our customers' data management, developing new segmentation tools, and creating form more personalized communication capabilities. This initiative has multiple components that will go live through fiscal 2016 and 2017, and allow us to become more effective, efficient, and relevant in terms of how we engage our customers.

Our first initiatives will become actionable beginning in the second half of this year, when we implement the more sophisticated level of segmentation for our direct mail and email campaigns. We are very excited about this initiative, and see this as a significant opportunity to derive much more productivity from our growing database.

Moving now to our second guidepost, stores as sales and customer experience centers. Approximately 60% of our eCommerce sales touch a store. Our national footprint is a critical component of our omnichannel platform, and will remain an important driver of growth and profitability over the long-term. But, as we have insinuated before, we don't need all the stores we have today.

As we look at our new omnichannel financial model, it is clear that lowering our occupancy costs will be a key lever that enables the Company to ultimately return to a double-digit operating margin. In anticipation of continued and significant eCommerce growth, we've taken a critical look at our store network, and determined that this is the right time to begin optimizing the portfolio.

You know that our real estate is highly flexible, with approximately 60% of our leases coming due in the next three to four years. This provides us with tremendous agility, as we make determinations about individual stores and markets in order to maximize market share and optimize profitability.

We have identified up to 100 locations which will be closed, primarily through natural lease expirations and relocations over the next three years. The majority of these are low-volume stores in small markets where there is an opportunity for the transfer of sales to our eCommerce site and nearby locations. Most of these stores have occupancy costs as a percentage of sales in excess of the Company average.

As eCommerce becomes a larger contributor to our omnichannel model, we can generate significantly higher returns from our sales by tactically deleveraging the real estate footprints. More detail on this from Laura a little later in the call.

Next, I'll turn to merchandise margin. The merchants are doing a great job improving our import margins, and reducing the combined impact of markdowns, sales pricing, and coupons. In FY16, we expect to be well on the way to reaching peak pricing efficiency.

Preventing us from growing our merchandise margin as fast as we would like are the incremental distribution costs caused by our excess inventory. Excluding these costs, our distribution network is still not quite the level of efficiency we know it capable of, but the investments of the past few years into our distribution center network will continue to bear fruit, and enable us to generate further improvement in merchandise margin dollars going forward.

Our fourth guidepost is fulfillment and home delivery. We are very pleased with the improving efficiency of our fulfillment centers, which, in FY16, will leverage meaningfully. In fact, our fulfillment and delivery costs as a percent of fulfilled sales started to leverage in fiscal 2015.

Looking at SG&A expenses, our investments in talent and marketing [grow] significant dollars in fiscal 2015. We are exercising careful cost controls across all areas of the organization, and in fiscal 2016, expect to achieve flat to slight leverage on SG&A as a percentage of sales. Additionally, our marketing spend will return to our historical level of just under 5% of sales. You'll hear more on this from Laura, along with added perspective on fixed versus variable costs, and the levers we can pull to drive efficiency.

The sixth guidepost I'll speak to is capital allocation. In fiscal 2015, we utilized capital to extend our bandwidth in areas that were critical to our omnichannel transformation -- technology, stores, supply chain upgrades, and a new fulfillment center. We've already told you that spending would moderate in fiscal 2016. This year, our plans for total -- our plans call for total capital expenditures of approximately $60 million. That's 27% down from $82 million in fiscal 2015.

As always, we will carefully balance our dollars in order to invest in growing in the business, while delivering on our long-term commitment to return value to the Company's shareholders through share purchases and cash dividends. And on that note, I am pleased to point out that we just announced a 17% increase in our quarterly dividend to $0.07 a share.

As we look forward, we are focused on accelerating growth and improving profitability. Our customers love what we do. They love our exclusive products, high service culture, and the fact that we are giving them more reasons to shop both online and in-store. The issue that impacted our fourth-quarter results are transitory and have no bearing on the underlying strength of the Pier 1 Imports brand, nor our potential to drive organic growth and pursue new growth opportunities.

Thus far in the spring selling season, trends have remained healthy, with strong sellthroughs across our Easter assortments. For fiscal 2016, our merchandising strategies include aggressive plans for our key growth categories and top collections, as well as entries into new categories. We will be offering a broader selection of outdoor furniture and textiles, increasing the breadth and depth of our holiday assortments, and placing greater emphasis on harvest tabletop and decor.

We also have initiatives in place to help drive incremental growth in our top-performing collections across furniture, textiles, seasonal, and decor. We have identified two new furniture segments that we will be pursuing in fiscal 2016. And lastly, as I mentioned earlier, we are enhancing our merchandising presentation through our new trend process online, in stores, and in our marketing.

We have great confidence in our ability to deliver against the near-term financial guidance and profitability goals that we have laid out today. Pier 1 Imports' brand traffic is strong, eCommerce sales are on a rapid growth trajectory, our store portfolio is highly profitable, and our new omnichannel platform provides us with numerous opportunities and vehicles to drive growth both on the top and bottom-line.

The changes that have occurred as we've executed our 1 Pier 1 strategy and made the transition to omnichannel have truly energized our organization. I am grateful to our associates for their long-standing commitment to working hard and having fun, their enthusiasm for all things Pier 1 Imports, and dedication to putting the customer at the forefront of everything we do.

Before I turn the call back to Laura, I'd like to impart one final takeaway from the messages we are delivering today. Our front-of-house is in great shape. We have tremendous brand equity, great merchandising and marketing, and effective selling vehicles. And, of course, we will keep our focus on all of this. Back-of-house, there are improvements to be made and efficiencies to gain. It's blocking and tackling, which our team is well-equipped to handle.

Laura?

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Thank you, Alex. Total sales in the fourth-quarter were up 5.4% to $544 million, and the Company comparable store sales increased 5.7%. On a constant currency basis, total sales were up 6.1% and the Company comps were up 6.4%.

The strength of our eCommerce sales continued in the fourth quarter, with sales penetration reaching 12.6%. That's up from 5% a year ago. On a full-year basis, eCommerce accounted for 11% of total sales, up substantially from 4% in fiscal 2014. Our eCommerce momentum has remained strong in the early weeks of fiscal 2016.

As each quarter goes by, we are seeing the power of our omnichannel model play out in multiple ways. For the full-year, approximately 60% of our 2015 eCommerce sales touched our store, whether originating on an in-store device or being picked up in a store.

Now turning to merchandise margin. On a dollar basis, we were up slightly year-over-year in the fourth quarter to $302 million, while merchandise margins deleveraged by 100 basis points to 55.6% of sales. We incurred unplanned supply chain expenses that impacted merchandise margins by approximately $6 million in the fourth quarter. Excluding these incremental $6 million of expense, merchandise margin would have been $308 million or 56.7% of sales, a 10 basis point improvement over last year.

As we previously announced, the majority of these expenses can be traced to incremental costs within our distribution centers, which resulted from higher than normal inventory levels. As a result of the shortfall to our sales plan, we had elevated inventory levels, which resulted in much higher processing costs that we did not adequately forecast.

I want to be clear, as there has been some confusion about these incremental costs. These costs are solely related to our six distribution centers, not the fulfillment centers that support our eCommerce fulfilled sales. I also want to point out that these costs have continued into the first quarter of fiscal 2016, and will impact the results for the first half of the year.

We estimate an additional expense of approximately $3 million in quarter-one and $3 million in quarter-two on a pretax basis. This translates to a negative earnings-per-share impact of $0.02 in each of those quarters, and it's reflected in the first-quarter and full-year guidance that we are providing today.

In the fourth quarter, we leveraged our occupancy costs by 30 basis points, coming in at $75 million or 13.9% of total sales. As we work towards returning to our peak profitability level, reducing our store occupancy costs will become an increasingly important lever, particularly as eCommerce sales penetration grows. I'll speak to this further when I discuss our real estate optimization initiative in just a few moments.

We are now providing a breakout of our delivery and fulfillment costs, which you can find in the reconciliation tables contained in today's press release. As you can see, delivery and fulfillment costs increased in both dollars and as a percentage of sales, reflecting the strong growth of eCommerce. As a percentage of total sales, delivery and fulfillment expense was 2.3% in the fourth quarter and 1.8% for the full year of fiscal 2015. While these costs are largely variable, they will leverage as a percentage of fulfilled sales, as our eCommerce volume continues to build.

Now it's important to note a particular dynamic with respect to these fulfillment costs. As a percentage of total sales, we expect them to increase in the foreseeable future. But as a percentage of the fulfilled sales, we have already seen leverage of these costs and expect that to continue.

Now turning to SG&A. As you saw in our press release earlier today, we have included a table which details the breakdown of SG&A expenses for both the quarter and full year. For the quarter, SG&A expenses were $149 million or 27.4% of sales compared to $134 million or 26% of sales for the same period last year. Variable expenses include compensation for operations, marketing, and a portion of operational expenses, and totaled $102 million or 18.7% of the sales for the fourth quarter compared to $94 million or 18.2% of sales in the fourth quarter last year.

The increase in these expenses during the quarter was attributable to both high store payroll, primarily resulting from lower-than-planned sales, and increased medical costs. Fixed expenses for the quarter were $47 million or 8.7% of sales versus $40 million or 7.8% of sales the same period last year. This was primarily attributable to planned growth in headcount and associated costs to expand our organizational capabilities in support of 1 Pier 1, as well as retirement-related expenses.

As Alex stated earlier, in fiscal 2016, our priority is to firmly control SG&A expenses as we begin leveraging the investments we've made in our omnichannel business. More specifically, we expect to slightly leverage both store payroll, store occupancy, and overall corporate headquarters expense through cost-containment initiatives.

We generated $67.6 million of EBITDA in the fourth quarter, which compares to $80.8 million a year ago. Depreciation for the period increased to $12.3 million from $10.4 million last year. Fourth-quarter operating income was $53 million compared to $70 million in the fourth quarter of fiscal 2014, while operating margin came in at 9.8% versus 13.6% last year. The year-over-year decline reflects a few key factors -- unplanned distribution center costs as a result of increased inventory levels; minimal leverage of store occupancy costs; and the deleveraging of our store payroll.

Net income in the fourth quarter was $33.1 million or $0.37 per share. Excluding the related -- excluding costs related to the retirement of our former CFO, adjusted net income was $35.1 million or $0.39 per share.

Moving back to the balance sheet, inventory at year-end was up 27%. The increase primarily reflects an aggressive post-holiday sales forecast, as well as a sizable portion of goods that were shipped ahead of Chinese New Year's. Importantly, the complexion of our current inventories level is healthy, and does not pose a significant immediate markdown risk. Approximately half of our inventory is comprised of new and seasonal SKUs, including outdoor, while the remaining 50% is comprised of long-standing collections of our products that do well for us day in and day out.

This is a finite issue that we expect to work through quickly. It's also important to note that we have the flexibility to moderate some of our purchasing through the remainder of the year. Additionally, for seven out of the past eight years, we have managed inventory growth more or less in line with sales, and expect to return to that cadence again going forward.

Capital expenditures totaled $20.4 million in the fourth quarter and $81.9 million for the full year. During the year, approximately 40% of the capital expenditures were invested in new and relocated stores, 25% in supply chain, and 35% in technology initiatives.

After making significant and profitable investments to build our eCommerce business and omnichannel platform in recent years, we are well-positioned to moderate our spending for the foreseeable future. In fiscal 2016, we expect to reduce our capital expenditures to approximately $60 million, with the following breakdowns -- 50% towards technology and infrastructure; 30% towards stores; and 20% towards supply chain.

As we ended fiscal 2015 with 1,065 stores, and view the strength of our portfolio critical to the Company's ongoing success, at this juncture in our omnichannel transition, there is an obvious and compelling opportunity to optimize our real estate portfolio. Under our three-year initiative, we plan to close approximately 20 stores this year, 50 to 60 stores in fiscal 2017, and 20 stores in fiscal 2018. We anticipate these particular store closures will generate savings of approximately $20 million to $25 million of occupancy costs on an annualized basis once the store closures are complete.

We are planning a more modest new store opening and relocation program, only where we see the potential to generate a contribution well above the chain's average. In fiscal 2015, we reduced our store count for the first time in several years. We had 19 full closures and 18 relocation closures, partially offset by 16 new store openings and 14 relocations. This resulted in seven net closures. In 2016, our plan calls for 18 full closures, nine relocation closures, partially offset by five new store openings and 12 locations, resulting in a total of 10 net closures for this year.

We anticipate that our three-year initiative will be modestly accretive to EBITDA in one year and more significantly accretive in subsequent years. As eCommerce sales penetration continues to increase and fulfillment costs move up accordingly, the ability to bring down our occupancy costs -- and hand-in-hand with that, our store payroll costs -- will be an important lever we plan to utilize to drive more dollars to the bottom line.

Now I'll turn to our financial outlook. In addition to introducing guidance for the first quarter and full year of 2016, we are also providing some insight into our fiscal 2017. We hope this will provide you with a better understanding of the potential we see in our omnichannel model. Keep in mind that all of these metrics we are providing are inclusive of the store closures we announced today.

Let's start with fiscal year 2016. We expect to maintain Company comp store sales growth in mid-single digits. Merchandise margins in fiscal 2016 are expected to be in the range of 58% to 58.2%, with subsequent improvement in 2017.

Selling, general, and administrative expense as a percentage of sales flat to slightly leveraged, reflecting our emphasis on controlling costs, particularly offset by the fact that we are analyzing the headcount investments of last year, and planning for the first time in three years to potentially realize some incentive pay. For the first time in fiscal 2016, we expect to see a year-over-year improvement in contribution from operations as a percentage of total sales, reflecting the leverage we can begin to achieve on fulfillment, as well as store occupancy and payroll costs, as the eCommerce volume continues to build.

A further benefit will come from increased efficiency in our fulfillment centers. As I mentioned earlier, fulfillment costs have relatively small fixed components. On a year-over-year basis in fiscal 2016, we expect to see improvement in the contribution from operation margins of approximately 50 to 100 basis points.

EBITDA margin is expected to be comparable to fiscal 2015. Depreciation will be higher versus fiscal 2015, in the range of $50 million to $55 million. Operating margin is expected to come in comparable to fiscal 2015, and we are guiding to earnings-per-share in the range of $0.83 to $0.87.

For modeling purposes, it's important to point out that our net interest expense will be up year-over-year in fiscal 2016, and in the range of $12 million to $12.5 million, as we have a full 12 months of interest payable under the term loan this year, and we'll be without the unexpected investment gain we booked in fiscal 2015 fourth-quarter. In addition, we are forecasting a full-year effective tax rate to be approximately 39.4%.

Lastly, as we spoke earlier, we are planning to spend $60 million of capital expenditures during fiscal 2016. For the first quarter of fiscal 2016, we expect the Company's comparable store sales growth of approximately 4% and EPS in the range of $0.07 to $0.08.

Looking a little further out, we believe total sales growth in 2017 will have a slight headwind, reflecting the impact of 50 to 60 store closures, but will still be at least in the range of low to mid-single digits. At that time, we expect eCommerce to continue ramping and achieving sales penetration of nearly 20% of sales.

Assuming some continual improvement in merchandise margins and our ability to execute against our cost leverage points; lowering store expenses, primarily occupancy and store payroll; leveraging and fulfillment expenses on fulfilled sales; and leveraging other SG&A, the result will be a strong year-over-year improvement in EBITDA, operating income, and EPS.

With that, I'll ask Melissa to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brian Nagel, Oppenheimer.

Bryan Hanley - *Pier 1 Imports, Inc. - Director of IR*

Hey, Brian.

Operator

Brian Nagel, you may be on mute.

Your next question comes from the line of Jessica Mace with Nomura Securities. Your line is open.

Jessica Mace - *omura Securities - Analyst*

My first question is about the real estate optimization plan. And your assumption for modest EBITDA accretion, what kind of -- or your plan for that -- what kind of assumptions do you bake in on recouping the sales from those closed stores, either at other stores or online?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Nice question. Well, it's -- the answer is it's a case-by-case basis. So, speaking to picking up the sales in other stores, in single store markets, which are isolated, we make assumptions that none of those stores' sales will go to other stores, but that we will pick up sales online.

In stores that we are closing in markets where we have multiple stores, depending on the proximity, we make assumptions about how many of those sales will go to the stores that are remaining. So we really do do it store-by-store, case-by-case, to build our plan.

And the second part of the question, Jessica, was about the -- how it flows through to EBITDA -- was that the question?

Jessica Mace - *omura Securities - Analyst*

Yes. Just how it flows through to EBITDA accretion.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, so, in a couple of ways -- firstly, we obviously -- we save the -- it affects the ratio on the dollars. Firstly, we save the rental -- that's -- and the other store costs. Then, of course, what happens over time is we save the costs that are required to support those store sales. So we get savings there.

And I think lastly what I would say on that -- most of the stores that we are planning to close have occupancy costs as a percentage of sales that are significantly above the chain average. So when those stores and those numbers go away, what happens is the contribution from operations as a percentage goes up.

Do you have anything to add to that, Laura?

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Yes. The other thing that you'll see is, with the stores that are in markets where sales will shift, the other stores in that market will pick up some sales and become higher contribution to operations to those individual stores, and sales that will shift to eCommerce, which we know is a more profitable model for us, will pick up as well.

So there's many factors. It's not one individual factor, as Alex pointed out; it's many different ways that we see the accretion happening.

Jessica Mace - *omura Securities - Analyst*

Understood. Thank you. And then just a follow-up to that, if you could go into a little bit more detail -- I think you -- I believe you said fulfillment costs would leverage on fulfilled sales, but go up as a percentage of sales on total sales? If you could just talk about what's driving that increase in the fulfillment cost faster than total sales growth.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, if you think about it, if our fulfilled sales are going to grow faster than our total rate of sales, which they absolutely are, then the fulfillment center cost to service those sales are going to go up as a percent of our total sales. And that's just the basic, basic math.

The second point we wanted to make about all of that, if you just look at the cost of fulfilling those fulfilled sales as a percent of the fulfilled sales, then that ratio is leveraging. It went down a little bit in FY15 and it will continue to go down in FY16.

So there's a double benefit in the model. The fulfilled sales are more profitable; so, as they grow, contribution from operations increases. And then you get a sort of second ancillary benefit, which is, as the fulfillment centers themselves become more efficient, that ratio actually decreases. So it's a -- I don't think it's a simultaneous equation, but it's something like that.

Jessica Mace - *omura Securities - Analyst*

Understood. Thanks very much.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

You're welcome.

Operator

Seth Basham, Wedbush Securities.

Seth Basham - *Wedbush Securities - Analyst*

Just a clarification first. On fulfilled sales, are you referring to eCommerce sales entirely? Or eCommerce sales only delivered to homes?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

No -- your second sentence was right. So fulfilled sales are those sales that we delivered to customers' homes either through the UPS Parcel Service or through the MXD in-home delivery service, those two components. And that is approximately 60% of our total eComm business.

Seth Basham - *Wedbush Securities - Analyst*

Got you. And the breakdown between those sales are fulfilled through Parcel versus MXD is what?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

I don't think we've broken those out for you, Seth.

Seth Basham - *Wedbush Securities - Analyst*

Okay. No problem. And just to get a sense of the leverage opportunity in fiscal 2017 that you referred to, is there any magnitude that you can provide on any of the key line items there?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Can you be more specific? I'm not sure I quite understand what you --?

Seth Basham - *Wedbush Securities - Analyst*

Yes. Do you expect strong improvement in EBITDA and operating income in 2017?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Oh, I see what you mean. No, no. We don't want to give any specific numbers on 2017 just yet.

Seth Basham - *Wedbush Securities - Analyst*

Okay. All right. I'll turn it over. Thank you.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Okay. Thanks.

Operator

Aram Rubinson, Wolfe Research.

Aram Rubinson - *Wolfe Research - Analyst*

Thanks for taking the question. I wanted to ask about the $6 million in incremental distribution costs. And I want to make sure we have a proper visual.

So I know that there are merchants buying online-only SKUs, and there are, of course, your typical merchants buying for the stores. Can you just give us a little bit of a visual of kind of where things kind of went off-track for those costs and where we are today? I understand in dollar terms, but -- and what are we doing to kind of change the flow of merchandise to make sure that, as you kind of ebb and flow the receipts, that that doesn't occur again?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Okay. I think we covered this really thoroughly in our press release that we put out, but I'll rattle through it just very, very quickly.

So the incremental costs that we had not forecasted were costs relating to the handling of the merchandise through our fixed distribution centers. So we threw an awful lot of product at them, and it just cost a lot more to process than we had anticipated earlier in the year.

So, going forward, I mean, I think we talked to our inventory in the prepared remarks. We have done a very good job historically of keeping growth of inventory in line with sales growth. This one year we did a bad job of that, and we are going to get back to doing a good job of it.

And the way we will do that first of all is in fiscal 2016, our purchases will be less than our sales. So that you will see, as we move through the year, our inventories will moderate. And by the year-end, we expect to be around 5% down on a year-for-year basis.

Aram Rubinson - *Wolfe Research - Analyst*

And so it wasn't product that was flowing into your eCommerce centers? You mentioned it was those flowing into the DCs. And was it that there just wasn't space for it or belts for it? I'm just trying to understand, kind of from an operational standpoint, how --?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Yes. You know, because we've sort of walked through every one for the [very cap on this]. And if you would like to call us afterwards, we can spend as long as you like going through that detail. But honestly I don't want to take up the rest of the call on that topic. So --.

Aram Rubinson - *Wolfe Research - Analyst*

No problem. Let me ask one other -- just on the closures -- I appreciate closing about 100 stores; that sounds like a good strategy. Curious, though, just in general on rents, which are high at about $28 a square foot. What do we think kind of the ongoing rent per square foot for the format? What's the correct rent per foot? And why are they so much higher than other companies we might be looking at?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, I don't know what you're -- I mean, who you are comparing us with, quite frankly. I mean, we are -- we pay strip center rents. Our rents per square foot are significantly lower than the mall-based operators. But if you are comparing us with big-box operators, I mean, they will pay far less per square foot than we do in sort of 8,500 square feet to 9,500 square feet. Now having said all that, what I would also say is you pay more in the good centers and less in the poor centers.

Aram Rubinson - *Wolfe Research - Analyst*

I'm sorry for getting technical with you. Thank you for answering the questions and have a good night.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Thank you.

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Thank you.

Operator

Matt Nemer, Wells Fargo.

Matt Nemer - *Wells Fargo Securities - Analyst*

So my first question is on the store distribution centers. As the volume shifts to online and the fulfillment centers, and you're closing stores, is there a way to take cost out of the store distribution network? Or is that sort of relatively fixed?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, I think that's a very nice question. So, I mean, clearly, there is a big fixed cost component in the DCs. But I would say this -- DCs operate at their most efficient and their most cost-effective when they are not working at full capacity. So, if over time, we can just take a little bit of pressure off those buildings, their productivity will increase. That's for sure.

Matt Nemer - *Wells Fargo Securities - Analyst*

Okay. And then secondly, you alluded to an opportunity to lower store experiences -- I think you mentioned compensation. Can you provide a little more color on what the initiative there is? Is it hours? Or -- it seems like we are going to be entering a -- more of an inflationary environment for retail labor.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

No. I think we've got very sophisticated labor modeling that we put in over the last few years, and the teams get better and better at operating those models, Matt. And they are very, very focused on making sure we don't waste any labor hours.

Matt Nemer - *Wells Fargo Securities - Analyst*

Okay. Understood. Thanks so much.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Okay. You're welcome.

Operator

Seth Sigman, Credit Suisse.

Seth Sigman - *Credit Suisse - Analyst*

I wanted to follow up on the store closures. As you look across the store base, beyond the 100 stores that you announced, is there still a large number of stores that overlap with each other that could be candidates to close over time? -- i.e., what is really the ultimate opportunity here as maybe some of those leases come up?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, we've looked three years into the future, and we think we've got a good plan here to take out the 100 stores that we've talked about. I mean, over time, if you are looking now sort of four, five and six years out, I think the answer to that question depends somewhat on where eCommerce settles as a percent of our total business. And that ultimately will determine the size of the chain.

But your point is a good one. And I think we've spoken on the calls before about how we are looking at multi-store models -- and this really is separate and aside from the income conversation; this is just about the efficiency of our store portfolio generally. So we are looking at multi-store markets, and we are looking at where there is too much overlap. And then, if we have an opportunity over time to go from four stores in a market to three stores, we will.

And we are working, for example, very aggressively on Chicago at the moment. And I think we've got some great things happening there in the next 12 months.

The point I would make about that, though, is repositioning total markets is a lot more complex, obviously, than just closing single stores. Because often in a multi-store market, if you close one or two, you still have big gaps. In other words, you need to reposition the whole market like we are doing in Chicago.

Does that make sense to you?

Seth Sigman - *Credit Suisse - Analyst*

You know, that's helpful. When you look at the those 100 stores, I mean, how many of them are single-market stores today?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Oh, a good portion. I don't have the number off the top of my head, but it's a significant number.

Seth Sigman - *Credit Suisse - Analyst*

Got it. Okay. And just on a totally separate topic, any more insight into the merchandise margins before fulfillment costs? It looked like if you adjusted, it was actually up a little bit. You know, a lot of talk about the promotional strategy through last year. Can you talk a little bit about the evolution of the strategy? Where are you with your pricing and promotions today? And how should we be thinking about that for 2015? Thanks.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, first of all, I would refer you to the table that we put in the press release. So now we are talking about merchandise margin in the good old-fashioned way before any sort of impacts of fulfillment, et cetera. So you can see the merchandise margin there.

And what I mentioned in my prepared remarks was that the merchants have done a great job in terms of maximizing the input margin, and really getting a firm grip on the discounts to margin that we take for markdowns, sale pricing and coupons. And we're getting very -- by the end of this year, we will be getting very close to the best we've ever been, in terms of our pricing.

The drag on merchandise margin that is stopping us from getting back to where we want to be, is these incremental DC costs and DC efficiency. Because, as you know, that all goes into the cost of goods.

Seth Sigman - *Credit Suisse - Analyst*

Okay. Thanks.

Operator

Cristina Fernandez, Telsey.

Cristina Fernandez - *Telsey Advisory Group - Analyst*

I wanted to talk about depreciation and amortization expenses. So that's been a big pressure point over the last few years. With the CapEx being reduced this year, how long would it take for that benefit to flow through the financial statement?

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Well, yes. We will continue to see depreciation behind the next couple of years between this upcoming fiscal 2016 and 2017; in 2018, it will max out. And then by fiscal 2019, we will start to see the impacts of cutting back on the capital expenditures that we are doing this year.

And you have to remember that a lot of the capital expenditures that we've spent in the past several years -- roughly around $80 million a year the last three years -- have long lives, because they were geared toward stores, and fulfillment centers and the distribution centers. So they have a little bit longer life than a shorter life.

Cristina Fernandez - *Telsey Advisory Group - Analyst*

Okay. And then on a separate topic, I wanted to ask about two initiatives you talked about last -- on the last conference call. One was the more aspirational advertising -- we saw some of that in the fourth quarter. Did that work? And then second, one item you didn't talk about today, but on the last call, you referred to a non-tendered loyalty program maybe being rolled out later this year. Is that still in the works?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Okay. Two good questions. The non-tendered loyalty -- I can answer that first. We are continuing this year to do all the preparatory work that we need to do in terms of systems development and so on. But we've decided -- and we might pilot something in the back end of the year, but we've decided to postpone non-tendered loyalty until FY 2017.

And the first part -- the aspirational marketing -- well, yes, I mean, we measure everything as you know. And when we look at the performance of the books that we've been sending out since we embarked on this enhancements, we've seen really very good improvements in the response rates that we are getting. And although we are kind of not reporting on that particularly, we are seeing that as we move into this fiscal year. So we are extremely bullish about the way the customer is responding.

Cristina Fernandez - *Telsey Advisory Group - Analyst*

And then one last thing -- with the increased catalog circulation, is that mostly going to new consumers? Or is -- it's a greater frequency for existing customers?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, it's -- first of all, don't forget our database is growing, so we've got more customers to send things to. And that's an important piece of it. But then the answer to your question is yes and yes. So, I mean, our best customers will get more pages and new customers will see books that we didn't previously circulate. So in other words, we will go deeper into our database.

Operator

Kristine Koerber, Barrington Research Associates.

Kristine Koerber - *Barrington Research Associates - Analyst*

A couple of questions -- first, you said in the press release that you now have a platform to develop new growth vehicles and brands. Can you elaborate on that? Are you planning to launch any brands in the future?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

I think we've consistently said that once we feel that we've really got our arms around the Pier 1 brand as omnichannel, that we will be looking at new brands. And so, yes. I mean that's something we are actively looking at. We have a small team -- merchant team working on it. And we are not ready to announce anything yet. But yes, it will be an important part of our growth going forward.

Kristine Koerber - *Barrington Research Associates - Analyst*

Okay. And then are you -- you've mentioned in the past that you plan to start shipping furniture from all six of your DCs this year. Is that still on plan? And can you maybe talk about potential risks?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, we -- I think we were talking about this sort of anywhere to anywhere. We ship from all -- we ship furniture from all DCs today. I mean, that's part of our process that we have. I think what we were alluding to and what you were referring to is our ability to ship from one side of the country to another outside a store's natural DC area. And like with the non-tendered loyalty, we've pushed that off into next year.

Kristine Koerber - *Barrington Research Associates - Analyst*

Okay. Great. And then just lastly, can you just comment on the eCommerce traffic? What are you seeing? Is most of it existing customers? The new customers? Kind of give us some idea of what the (multiple speakers) --

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Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, that's, again, a nice question. So, every week, we look at the complexion of our eCommerce bookings and we look at how they came into us. And we look at how many of them are new and how many of them are repeat. And I think one of the great things that we see is -- yes, we see a good bunch of repeat customers. Their conversion rate is higher and their ticket is higher. But we are getting a lot of new customers into the file every week. So, again, as I alluded to in the prepared remarks, we are very pleased that the growth we are seeing in our customer database.

Kristine Koerber - *Barrington Research Associates - Analyst*

All right. Thank you.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

You're welcome.

Operator

Adam Sindler, Deutsche Bank.

Adam Sindler - *Deutsche Bank - Analyst*

One quick -- just to make sure I got this right -- during the prepared remarks, when you were talking about fiscal 2017, did you say 20% of revenue is eCommerce by that point?

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Yes, that was our projections -- that's what we were planning in our 2017 outward-looking years.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. So my question there is that, initially, you had provided guidance of $400 million of eCommerce sales for fiscal 2016. That would be 20%. So I'm wondering if you are not going to hit $400 million for 2016 -- it's looking more like $450 million, whatever it is, with 2017? Or if you are just being a little bit conservative there?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, I think we've sort of -- we've walked back that $400 million a little bit, Adam. And here's why. I mean, when we talked about that number, to achieve that $400 million, we would have to have continued with our foot on the gas in terms of investments in systems and in people. So, for example, the non-tendered loyalty would've had to sort of be sort of coming in now.

And so we decided, based on all the things that had happened and all the feedback that we had gotten from our investors, that the best thing to do was to really spend this year and into next year really sort of leveraging the investments we have already made, concentrate on the profitability of the combined business rather than sort of just chasing a specific number. So, yes, we have walked that number back.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. And so I guess my follow-up there is that, initially, you had talked about not hitting whatever -- you know, profitability, however that was defined, from eCommerce in 2016. But now with -- as a percent of sales, you are not getting to that 20% until the year out. I'm just wondering what the changes -- as you look to improve profitability, if it's not just volume, what changes that helps drive improved profitability from the overall chain, given that it's going to be pushed out a little bit?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, I think it's all the things we've been talking about on the call today. So that those multiple leverage points. So, I think we've explained that even today, a fulfilled sale is more profitable at the contributions from operations line than a store sale. That was the case in 2015. It's -- and we are going to see improved profitability in 2017, as those fulfillment centers become more effective.

So then the other levers are the ones we've talked about. So for the profitability really to flow right through, we have to get a grip on the store occupancy and those other store costs that we've been talking to you about.

Adam Sindler - *Deutsche Bank - Analyst*

Okay.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

But again, I want to make the point that I made in the prepared remarks. The notion that there was this kind of magic trigger point, when suddenly eComm became profitable, actually is not the case. It is profitable today. And what you are going to see is it -- is the profitability just growing over time, as we just get better and better at this.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. And then turning to the stores -- thank you for that -- yes, about sort of 10 net closings this year, five openings, some reloads and some closings. Is five openings a decent number to you as going forward relative to the guidance you provided? And then if you could, maybe just give a little more color on the 55 in 20 stores for 2017 and 2018, how many will be outright closings versus relocations?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Well, those numbers -- that 100 is an outright closing number. So that number is a kind of standalone number. The five that you will us moderate are even more our store opening program and our relocation program as we go into 2017 and 2018. I mean, don't forget we have a very long lead-time on all of this. So there were a number of things in the works that we were already committed to for this fiscal year.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. Excellent. And then one more, if I may. So clearly, some good response here from the more aspirational books you mailed out. Is that what is driving the decision to switch marketing dollars for 2016?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

That's a big piece of it. We think we can communicate the message more effectively. Another piece of it is, just frankly, the return on investment that we think we can get on the books versus the TV. And I think the last piece of this is that there has been, we have slightly shifted our emphasis towards retention and frequency rather than acquisition of new customers.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. Okay. That's helpful. Thank you so much. I appreciate it.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

You're welcome.

Operator

Simeon Gutman, Morgan Stanley.

Simeon Gutman - *Morgan Stanley - Analyst*

First question -- actually related to that last point, the idea of dialing back a little bit on the growth in the eCommerce side, because I think that's a pretty logical and prudent strategy. My question is on sales growth between the two channels -- realizing they are intertwined. But how should we think about the relative sales growth between them?

In other words, if you were going to grow eCommerce next year, let's just say 75%, how do you -- what do you model for the store side? And I realize, over time, I guess this won't matter, but today, it still matters because you still have the physical cost of the store.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Yes. So the way -- so, obviously, we analyze the sales in multiple ways. The way we look at the stores, they have a number -- they have their POS sales, you know, the traditional store sales; then they have the sales that they are booking for our eComm business, so that's 30% of our eComm sales. And that's adding 5%, 6% to the store sales.

And then, of course, they act as little mini-fulfillment centers because we have all that pickup in-store. So when we think about store volume, we think about all of that. So, we need to make sure that we've got enough stores in our network to drive the eComm sales, but at the same time, maintain a decent level of cash-and-carry products and what have you.

But I think the other thing you are getting at is, the actual POS business we expect to be moderately flat to slightly down, if that makes -- if that sort of makes sense to you. And that the -- most of the growth then will come through the various parts of the eComm business.

Simeon Gutman - *Morgan Stanley - Analyst*

Yes, that makes sense. And then on occupancy costs, I don't know if this was said, so my apologies if it was, but of course embedded in the gross margin guidance. But can you help us think about occupancy costs? I guess the growth rate in even this fiscal year? And then could you look to see if you can slow down the occupancy growth even in stores you are planning to stick with over time?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Yes. Well, so what you are seeing in terms of year-over-year occupancy growth without this initiative is the new stores that we bought on over the last few years, we bought -- you know, we've done a lot of new stores and relo's. And they are at a higher rental than some of our older stores.

So that has driven it up, and we are very conscious of that. But, yes, we absolutely do think that we have an opportunity -- I wouldn't like to quantify it at this stage and it's certainly not in any of our numbers, but we do believe there is an opportunity to moderate the occupancy costs on the stores that we already have, and that we are not planning to close.

Simeon Gutman - *Morgan Stanley - Analyst*

Okay. And then just lastly -- and this is more of a short-term question -- the $3 million for Q1 and Q2, if you sell through inventory -- meaning is that attached to inventory to be sold? And in other words, if you sell through that inventory quicker, could that accelerate and/or if you sell it slower, could it prolong some of those impacts to the P&L?

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Well, in theory, yes, that's an accurate assessment, but that doesn't happen with our product the way it flows through our P&L. So we're pretty -- we feel very comfortable with what we've given you for the $3 million in both Q1 and Q2 of where it's attached -- the inventory that it's attached to.

Simeon Gutman - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

Your last question comes from the line of Brian Nagel with Oppenheimer. Your line is open.

Brian Nagel - *Oppenheimer & Co. - Analyst*

Thanks for all the detail. The question I have, with all the discussion around fulfillment costs, and I listened to what you are saying today. You are basically saying that the infrastructure is now built and it's a matter of driving eCommerce from here. Is there much -- are you thinking about free shipping offers or how you go to market with your shipping offers differently now as you are looking potentially through -- at eCommerce through a different lens?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

I don't think -- I mean we are constantly reviewing all our sort of promotional vehicles, Brian, and certainly free shipping is one of them. I don't think there's any sort of sea-change in our thinking as we've come out of last year and going into this year. I think it's just like a lot of things we do -- we just want to kind of finesse it and refine it. And clearly, in a perfect world, there would be zero free shipping, but we don't live in a perfect world. So I mean, always we are going to be trying to contain it, and where we can link it to higher spend and all those things that you see us and our competitors doing.

Brian Nagel - *Oppenheimer & Co. - Analyst*

Okay. And then just a final short question. A number of other chains and being the home fashion or versions sector have mentioned disruptions in the West Coast ports is an issue for sales. Is that anything we should be thinking about here with Pier 1?

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Really not. I mean, don't forget we bring in product on both coasts through multiple points of entry. Honestly, with all the noise that was in our numbers with the inventory problems that we've had, any impact of the West Coast would have -- frankly, have just got lost. And as of now, I think we're -- I'm just looking at Michael -- I think we are in decent shape, aren't we? Yes. So for us it's -- because we had other issues, this one wasn't one.

Brian Nagel - *Oppenheimer & Co. - Analyst*

Okay. Well, thank you.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Okay. All right. Well, thank you for all your questions today, everybody. Laura and I will be around for the next little while if anybody wants a follow-up question. And we will be available tomorrow as well. If we don't hear from you, we will talk to you on the next call. Thank you.

Laura Coffey - *Pier 1 Imports, Inc. - EVP and Interim CFO*

Thank you.

Alex Smith - *Pier 1 Imports, Inc. - President and CEO*

Thank you, Melissa.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.
