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PIR - Q2 2015 Pier 1 Imports Inc Earnings Call

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OVERVIEW:

PIR reported 2Q15 sales of $419m and net income of $9.2m or $0.10 per share. Expects FY15 EPS to be $0.95-1.05.

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CORPORATE PARTICIPANTS

Bryan Hanley *Pier 1 Imports Inc - Director IR*

Alex Smith *Pier 1 Imports Inc - President & CEO*

Cary Turner *Pier 1 Imports Inc - Senior EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Budd Bugatch *Raymond James & Associates, Inc. - Analyst*

Brian Nagel *Oppenheimer & Co. - Analyst*

Jessica Mace *Nomura - Analyst*

Simeon Gutman *Morgan Stanley - Analyst*

Adam Sindler *Deutsche Bank - Analyst*

Alan Rifkin *Barclays Capital - Analyst*

Cristina Fernandez *UBS - Analyst*

Matt Nemer *Wells Fargo Securities, LLC - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Pier 1 Imports Second-Quarter Fiscal 2015 Earnings Call. At the request of Pier 1 Imports, today's conference call is being recorded.

(Operator Instructions)

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

Bryan Hanley - *Pier 1 Imports Inc - Director IR*

Thank you, and good afternoon, everyone. Today after market close, we issued a press release which included the detailed financial results for the second-quarter ended August 30, 2014. In just a few moments, we will hear comments from Alex and Cary about the second-quarter and year-to-date financial results, the Company's full FY15 outlook, and the evolution of the Company's operational and financial model under our omni channel strategy 1 Pier 1.

This will be followed by a question-and-answer period. In conjunction with this call, Alex and Cary will be using a slide presentation to complement their remarks, which you can view by going to our Investor Relations section of Pier1.com.

Before we begin, I need to remind you that certain comments made during this call may contain forward-looking projections or statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21 E of the Securities Exchange Act of 1934. And can be identified by the use of words such as may, will, anticipates, believes, expects, estimates, intends, plans, projects, and other similar words and phrases.

Our actual results and the future financial condition may differ materially from those expressed in any such forward-looking projections or statements, as a result of many factors that may be outside of our control. Please refer to our SEC filings, including our annual report on Form 10-K, for a complete discussion of the major risks and uncertainties that may affect our business. The forward-looking projections or statements made today are as of the date of this call, and we do not undertake any obligation to update our forward-looking projections or statements.

The Company will also discuss the non-GAAP financial measure 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 measure to the most directly comparable GAAP financial measure in our earnings press release that was issued this afternoon.

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 & CEO*

Thanks, Brian, and good afternoon, everyone. And we hope you prefer the new timing for our earnings calls. Joining me on the call today, of course, is Cary Turner, our Senior Executive Vice President and Chief Financial Officer, and also with us in the room are members of my senior executive team.

We're excited to talk today about our rapid transformation towards omni channel. What the road map will look like over the next couple of years, and how that translates to the income statement. We'll also address the short-term pressures on our profitability, and a disappointing second-quarter.

As you can see from our press release, we've got a lot of ground to cover, so I'll get right to it. When we first set out to develop a Pier 1 Imports omni channel business, we told you our approach was to crawl, walk, run.

We anticipated that the transformation from our highly profitable retail store format to an equally compelling omni channel business, which we call 1 Pier 1, would be gradual. But, things are playing out better and differently than we expected, with e-commerce accelerating rapidly.

We've grown from our launch in July of 2012 to 4% of sales last year, to nearly 10% of sales through the first half of this year. We expect to end this year with more than $200 million of e-commerce sales, and we believe that we will exceed $400 million next year.

It's a much faster pace than we anticipated. Which means we've had to act very quickly to support this growth, give our customers what they want, and prepare for our future as a leading multi-billion dollar omni channel retailer.

But before I move into greater detail about our transformation, I'd like to talk about our second-quarter and year-to-date results. And more specifically, what we're seeing in terms of the retail landscape and customer shopping patterns.

In both the first- and second-quarters, Pier 1 Imports brand traffic remained healthy, but comp store traffic was down slightly. We believe that the decline is reflective of a general malaise, as well as a shift in purchasing behavior from stores to the internet. Total brand traffic was up in the first half of the year, and importantly, in-store and online conversion and average ticket were also up.

Our omni channel strategy is being embraced by our customers. We're giving them multiple ways to shop, and they love it.

As we've talked about previously, roughly one-quarter of e-commerce sales are placed from our in-store PCs, while approximately one-third of all orders placed online are being picked up in our stores. The concept of our stores being a separate operation now seems like ancient history. Like other omni channel retailers, our stores are becoming sales and customer experience centers.

And from a high-level perspective, even if we experience softness in-store traffic and point-of-sale purchasing, our omni channel business model will enable us to continue delivering top line growth. That said, we've developed several strategies, some of which are already in place, to help drive brand traffic and sales. And I'll an elaborate on these a little later in my remarks.

In the second-quarter, subdued store traffic resulted in sales below our expectations. At the same time, our profitability was impacted, yes of course, by the planned investment in 1 Pier 1. We consider this a good thing.

But more than increased costs, our profitability was impacted by a decline in merchandise margin. Which is certainly not a good thing. And let me expand on these thoughts.

First, promotional levels were higher than we anticipated. I believe you all know, we've generated strong merchandise margins of around 58% to 60% in recent years. But when things got tough last Fall, we joined the pack and started promoting differently and more heavily than we had in recent years.

We've tried this approach for over three quarters now. And we've proved once more that for Pier 1 Imports, coupons do not generate incremental merchandise margin dollars. Neither do coupons do anything for our brand. So, beginning with the third quarter, you will see a modified strategy that returns us to a more balanced mix of regular versus promotional pricing.

With the benefit of hindsight, I wish we had not followed the pack. And stuck with what works with for us. Our beautiful, unique and fashioned right products are well priced, we do not need across-the-board discounts.

Secondly, as e-commerce sales become a bigger part of the sales mix, it is pressuring gross profit as a percentage of sales in the near-term. More on that topic during the call from both Cary and me.

And third, we're incurring higher fulfillment costs and increased corporate expenses, both related to the growth of e-commerce. First, to be clear, increased promotional discounts were a bigger drag on our profitability than the effects of the channel mix. Once we have restored our base merchandise margins, that's merchandise margins before fulfillment costs, and reached scale on e-commerce, the new 1 Pier 1 omni channel business model will drive strong profit growth.

So, from a sales and margin standpoint, the first half did not unfold as we anticipated. And our profitability was further eroded because of the investments we made to ensure that we're prepared for the growth that lies ahead. Most notably, we moved up our plans for a second e-commerce fulfillment center by two years, and increased our expenditures on headcounts and marketing.

Many of you have heard me say it's an exciting time to be in retail. Never before has our industry been so fast-paced. The way the customer reacts, the speed at which goods are brought to market, and the products reads made.

The growth opportunities for a well-executed omni channel business are limitless. And Pier 1 Imports is one of those businesses.

Which brings me to the central theme of today's call, to walk you through the roadmap. Which we've laid out to fully and successfully transform our business, as e-commerce becomes a bigger and bigger percentage of our revenues. I'll paint the operational picture for you, and Cary will discuss the financial model that ties to our omni channel ramp up.

The primary message we want to convey is that we have every expectation that we'll return the business to its historical operating ratios over time. Indeed, we expect to begin scaling e-commerce as we approach $400 million in sales.

As you can see in our press release, we've laid out six key guideposts to help set out the operation and financial models supporting our omni channel evolution. I will be discussing the following: brand traffic conversion and average tickets, stores of sales and customer experience centers, merchandise margin and gross profit, fulfillments and home delivery, SG&A expense, and capital allocation.

I'll begin with brand traffic conversion and average ticket. Brand traffic, which reflects our store and web visits combined, grew 8.5% in the second-quarter and 9.9% for the first half. Although store traffic was soft, web traffic growth was significant, and our conversion rates improved both in-store and online. And average ticket is strong, again, both in-store and online.

Of particular note, the average transaction value for an in-home delivery, a steadily increasing percentage of our e-commerce sales, is running at $1,100. And generally speaking, average ticket of an e-commerce sale is higher than a POS sale.

I mentioned earlier that we're implementing new strategies designed to drive traffic, and further improve our conversion rates and average ticket. As we move into the back half of this year, we have four major initiatives that we expect to take shape and bear fruit quickly.

First, we're offering broader assortments, both in-store and online. We've expanded our online-only SKUs fourfold to over 1,600, and increased the offerings available through our Express Request program. The additional breath of our assortments has met with positive customer response.

For example, our new modular home office and sectional sofa assortments have been well received. As have our expanded selection of wreaths and garlands. The increased selection of pillows and cushions has also resonated with our customers.

And we're looking forward to our online-only assortment of holiday going up on the site soon. You may already have seen the holiday sneak peak.

Currently, online-only and Express Request SKUs online account for approximately 40% of sales through Pier1.com. We expect this number to increase as our assortments expand.

Second, we're providing our store associates with additional tools to help them engage with our customers even more effectively. On the heels of the great success with our original cash wrap PCs, we made the decision to add a second PC, and are adding tablets to 600 stores next month. All this will make the shopping experience more effortless and convenient for our in-store customers.

Another new feature we're particularly excited about is our Pier 1 Imports swatch stations. These were introduced in stores in August, in order to showcase approximately 300 fabric and finish options. Representing more than 2000 SKUs, principally in our fast-growing furniture and rug departments, and customers can also purchase their own swatches online.

The swatch program will not only support our already flourishing Express Request program in-store, it would also bolster the online at home purchases of the same SKU base. Express Request sales represent about 20% of our revenue, up 58% versus the first half of last year.

A third and critical area of focus is marketing. Earlier this year, we conducted some fairly extensive customer research that tells us that we have an opportunity to capture incremental market share from an important sub-segment or existing customer base.

This group of Pier 1 Imports' customers has a higher income level, and spends four times more annually on their home versus our inner core of Pier 1 Imports' customers. However, their directing a portion of that discretionary spend to other retailers. Our opportunity is to give these customers more reasons to spend a higher percentage of their home furnishing dollars at Pier 1 Imports.

From our research, we know that these customers are motivated by seeing in our marketing how their homes can look in-store and online. And how our endless possibilities can inspire them, and make them feel proud of their decorating skills.

To this end, we are evolving our creative approach with the help of our new creative director, Nancy Binger. We're also finessing our in-store floor sets.

We've just launched a new television campaign, Complements, with new messaging that's more aspirational. In addition to the new creative, there will be a little more air time this year in the third-quarter.

Outside of television, for the third-quarter, we're dedicating an increasing amount of attention and spending towards digital initiatives. Including: an increased emphasis on search engine optimization, more sophisticated e-mail programs, and a new affiliate program, to name just a few. Of course, we see digital marketing as a great way to drive online traffic and conversion, as we move towards the holidays, especially given both the improvements to Pier1.com now in place, and our expanded online assortments.

We're also leveraging the success of our direct mail program by increasing the circulation of our mailers and catalogs. And hopefully, some of you've seen our 52 page Fall indoor book, Inspired Spaces.

Another important dimension of our marketing effort is the initiation of a new project, our customer data excellence program, which we're extremely excited about. We've begun to work on it, with benefits starting to flow next year.

The program is really comprised of multiple projects. But at the core is the rebuilding and exponential enhancement of our cost to data management. Today, our marketing team does a great job at working our database. But with system limitations, they are somewhat constrained.

Once complete, we will have an advance data warehouse. Which will allow us to do a much better job of segmenting our customer file into actionable subgroups, and tailoring our message and customer communications accordingly.

We have a great deal of information about our customer's patterns and buying behaviors, that today, is not all in the right place. This new project will ensure that we're leveraging that data insight to the fullest.

Further down the line, we will use the database through our call center to maximize all customer touch points into 1 Pier 1 into Pier 1 Imports. Once substantially complete, our understanding of our customer and our ability to talk to her personally will be best in class.

The fourth area of focus for driving traffic conversion and ticket is of course Pier1.com. We have a program of rolling enhancements in place. Some small tweaks to the user experience, some major. The most important ones starting to impact our business during the Fall are mobile redesign, online recommendations, and improved site curation.

Over 50% of our Pier1.com traffic is via tablets and phones. But this traffic under converts compared to desktop users. Our solution is cutting-edge technology, which will upload, optimize, and customize content for each device, giving us faster load times and a streamlined checkout.

Online recommendations, which will go live this Fall, is a tried and tested enhancer of conversion. We're starting with the product detail pages and checkouts, and we'll be using both POS and Pier1.com data to derive the recommendations, in line with our 1 Pier 1 strategy.

The third very significant change to Pier1.com is an increased focus on curation and inspiration. A big need on our site has been to better show customers how to use our wonderful products, and how to build the looks they love on their own. And starting with holiday, you will see a significant change in the online photography, showing products in a more curated way.

Additionally, there will be more Shop the Look and editorial pages. These enhancements will also help our store associates show our store customers the full beauty of our expanded assortments.

Moving now to the second guidepost, which is the adaptation of our stores into sales and customer service centers. I believe we've made it clear over the past several quarters that our stores and our website are inextricably linked. We've said it in many ways. They're gateways to one another. They're inseparable. They're complimentary.

It's all true. Today, over 50% of all e-commerce transactions touch the store. In fact, our stores have an increasing responsibility for all aspects of our business. Traditional cash and carry, Express Request, parcel service to home, order online pickup in store, and home delivery.

We're neutral about how our customers choose to shop with us. In-store or online, we just want them to purchase from us more and more frequently.

The acceleration of our investments in 1 Pier 1 will take us further down the road more quickly. At the same time, with approximately 60% of our leases coming due within the next three to four years, we can carefully evaluate our real estate needs and adjust the size of our store portfolio accordingly. We will review each store and each market, and determine the appropriate number of stores to maximize market share and optimize our profitability.

Turning now to guidepost number three, which is merchandise margin and gross profit. This is a critical area of focus for us, as we return the Company towards its historical gross profit levels measured as a percentage of sales. A few things are occurring at this juncture.

First, we think we can deliver gradual improvements in merchandise margins over the next several quarters by reevaluating the input margins on our proprietary products, and by adjusting our promotional strategy. We believe that an opportunity to drive some additional value from our private label collection, especially those products which are truly unique to the market.

And, I've already discussed this topic. But to repeat, we are moving back to a promotional strategy based on markdowns, category and SKU-based promotions, and incentives for our reward card customers. There will be fewer across the Company coupons.

Second, the rapid growth in e-commerce sales is impacting our margins as we incur increased fulfillment costs. However, as we gain efficiencies of scale on fulfillment and continue to make improvements to our supply chain, the channel mix degradation of gross profit will diminish and subside. And lastly, we expect to continue to leverage store occupancy under 1 Pier 1.

The fourth guidepost I'll cover today is fulfillment and home delivery. When our e-commerce sales started to really take off, we made the decision to fast-track our plans for a second fulfillment center by two years. Our new facility in Columbus opened in August, affording us ample time to be fully up and running well in advance of holiday.

Now, we're developing the capability to pull furniture and other large products from our six distribution centers. Once the transition of those six DCs is complete and when combined with the capacity of our two fulfillment centers, we will have the ability to service $600 million to $700 million of e-commerce sales.

Shipping large items from nearer to customer's homes will reduce shipping cost, and help us reach that leverage point. Also, we will reduce potential out of stocks and increased inventory efficiency.

Now, turning to the important guidepost of selling, general, and administrative expenses. We are investing in two key areas this year in support of 1 Pier 1. These investments are driving significant SG&A growth.

First, our marketing initiatives, which I spoke to earlier, are anticipated to drive an incremental $12 million of expense over last year. This will bring our marketing spend slightly above our traditional 5% rate for the full year of 2015, with investments most heavily weighed to the second- and third-quarters, leading up to our most critical shopping periods. We expect to return to our historical marketing investments of 5% of total sales next year.

Second, additional headcount in our merchandising and marketing e-commerce and IT departments has armed us with the talent we need to continue building our omni channel business. But, is resulting in higher corporate admin expenses of approximately $10 million this year. We expect this dollar growth to moderate in FY16, but it will continue to pressure profits until 2017.

Lastly, I'll speak to our capital allocation plans. Pier 1 Imports has long been a strong generator of cash flow. Over the past five years, we've utilized those dollars wisely to drive growth within the business, and also to return value to our shareholders. Both strong priorities in their own rights. We fully expect to continue that path.

Today, we're deploying capital to areas that are critical to supporting the rapid growth of our 1 Pier 1 strategy, including e-commerce. These include technology, stores, and our newly opened fulfillment center.

We have made significant investments in recent years. Now, we have the ability to scale back our level of spending beginning next year.

In FY16, capital expenditure will moderate by 20% to 25% to a range of $60 million to $70 million. We also remain committed to returning capital to our shareholders through our cash dividend and share repurchase program.

I'd like to conclude by saying that we are confident that our new omni channel business model will deliver exceptional growth once we reach scale. I have tremendous conviction in our strategies, and couldn't be more proud of the quality of our execution and the work being done by our wonderfully talented and dedicated associates.

We have more to do; however, principally returning our merchandise margins before the impact of e-commerce to historical levels, which we will. We also have to make sure that the size of our store base is appropriate for the new business model. And we'll do this too.

Now, I'll ask Cary to review our second-quarter financial results and fiscal year guidance, and then he'll provide some color on the intermediate financial model we included in today's press release. Cary?

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

Thank you, Alex, and good afternoon, everyone.

While we continue to be pleased with the rapid sales growth being driven through Pier1.com and our 1 Pier 1 strategy, both the top and the bottom line underperformed in the second-quarter. Total sales were impacted by soft store traffic, while a higher e-commerce sales contribution coupled with elevated emotional levels and increased distribution costs pressured gross profit more than anticipated.

At the same time, we fast-tracked certain investments in headcount and marketing to keep pace with the growth of e-commerce. This led to increased expenses that further weighed on our earnings results.

Given the accelerating rate of growth in e-commerce, our financial model was being affected by channel mix and investments until we approach $400 million of e-commerce sales. We expect that to occur by the end of next year.

So today, you've heard a great deal from Alex about the guideposts for evaluating and measuring our operational and financial performance. Now, I'll take a few minutes to review the second-quarter results and our updated guidance for the full year. Then, I'll discuss the two year financial goals we outlined in the press release.

Total sales in the second-quarter rose 5.8% to $419 million, while Company comparable sales increased 4.5%. The delta between total sales and Company comp sales growth is primarily attributable to sales from our new and intermediate stores. The majority of which are relocations.

Our e-commerce sales, including both direct to customer and pickup in-store, accounted for 9.7% of total sales in the quarter, up sequentially from 8.9% in the first-quarter of this year. In the second-quarter last year, e-commerce sales were just 3.7% of total sales.

As Alex discussed, e-commerce and the stores are mutually supportive. The original decision to install PCs in-store and the recent addition of the second PC and tablets in many of our stores is proving to be invaluable.

In the second-quarter, we saw 27% of our e-commerce orders originate in the store. We see this figure moving to 30% over time. In addition, we continued to see a little more than a third of our e-commerce orders picked up in-store, providing our store associates with another opportunity to drive conversion.

On the trailing 12 month basis at the end of the quarter, sales per retail square foot were $207, up from $202 at the end of last year's second-quarter. Sales on the Pier 1 rewards card grew again in the second-quarter, accounting for 31.7% of US store sales on a trailing 12 month basis. This program continues to be an important part of our business, and remains a key driver of growth.

Moving down the income statement, second-quarter gross profit was $163 million compared to $161 million last year. As a percentage of sales, gross profit declined 190 basis points to 38.9%. 100 basis points of the decline was attributable to the shift in our channel mix, including fulfillment costs, which more than doubled versus a year ago.

Increased promotional activity accounted for another 130 basis points of the decline. We leveraged store occupancy costs by 40 basis points, which came in at $75.1 million or 17.9% of sales, compared to $72.3 million or 18.3% of sales last year.

Our fixed and variable fulfillment costs have grown significantly in the past year, with the expansion of e-comm sales and also the construction of our second fulfillment center. This is clearly reflected in the contraction of our gross profit as a percentage of sales.

But if you go a step further and compare contribution from operations, our gross profit less store compensation and operational expenses, sales through our direct channel are more profitable on a percentage basis. As we move forward, we expect to gain efficiencies in fulfillment costs. As we near $400 million of e-commerce sales, that leverage will start to show through at the gross profit level.

Looking at expenses, as we discussed at length on our first-quarter earnings call, we continued to pull forward projects and invest in people in support of the growth of 1 Pier 1 in the second-quarter. SG&A for the second-quarter came in at $135 million or 32.2% of sales. That compares to $123 million or 31.0% of sales for the same period last year.

Variable expenses were $95.1 million or 22.7% of sales, compared to $87.4 million or 22.1% of sales last year. The 60 basis point increase was primarily related to the incremental marketing spend Alex discussed earlier. We are planning marketing dollars in the third quarter to be approximately 7% of sales, similar to last year, and expect that full-year marketing spend will be slightly greater than 5% of sales.

Fixed expenses during the quarter were $40 million or 9.5% of sales, compared to $35 million or 8.9% of sales last year. The dollar increase is primarily attributable to planned growth and headcount, to scale e-commerce, and expand our organizational capabilities in support of 1 Pier 1.

Second-quarter EBITDA was $28.1 million, compared to $38.8 million last year. Depreciation increased to $11.3 million, up from $9.6 million a year ago. For the full year, we continue to expect depreciation and amortization to be approximately $47 million.

Operating income was $16.5 million, versus $29.1 million in the same period last year. For the second-quarter, interest expense totaled $2 million, compared to $300,000 last year. The increase is primarily attributable to the Company's $200 million senior secured term loan, which closed in this year's first-quarter.

Taxes for the second quarter were $6 million, representing a rate of 37.8%. Net income for the second-quarter was $9.2 million or $0.10 per share, which compares to $17.8 million or $0.17 per share last year.

Moving to the balance sheet, inventory at the end of the second-quarter totaled $514 million, up about 15% versus a year ago. This is in line with our expectation, and reflects our expanded SKU count in support of Express Request, our new Columbus fulfillment center, and the receipt of merchandise a little bit earlier this year. We anticipate inventories to be up approximately 15% to 20% year-over-year at the end of this FY15, with a little over a quarter of that increase attributable to earlier shipments around Chinese New Year.

The Company paid $5.4 million in cash dividends during the quarter, and utilized $37.2 million to repurchase 2.4 million shares of common stock. Since the end of the quarter, we have repurchased an additional 220,000 shares at a cost of $3.4 million.

Under the April 2014 $200 million share repurchase program, $148 million remains available for future repurchases. Currently, there are approximately 91.8 million shares of common stock outstanding.

Capital expenditures in the second-quarter totaled $27.2 million. Of that amount, $12.4 million was utilized for technology and infrastructure initiatives, including e-commerce and the completion of the buildout of our new fulfillment center in Columbus. The remaining $14.8 million was deployed towards the opening of new and relocated Pier 1 Imports stores, new merchandise fixtures and lightings for existing stores, and other leasehold improvements. For the first six months, capital expenditures totaled $42.6 million, and we expect capital expenditures for the year to be approximately $80 million.

During the second-quarter, we opened eight stores and closed two. We ended the period with 1,073 Pier 1 Imports stores, including 992 locations in the US and 81 in Canada, for a total of 8.5 million retail square feet.

Our real estate strategy continues to be focused on quality versus quantity. As brand traffic patterns evolve, the fact that approximately 15% of our lease portfolio turns over each year provides us with the ability to take decisive action when our real estate needs change.

As we noted in our press release earlier today, we are revising our full-year financial guidance. Our financial guidance for FY15 is now as follows. Company comparable sales growth, which includes e-commerce in the mid to high single-digit range. Gross profit as a percentage of total sales of 40.5% to 41.5%. SG&A expense relatively flat as a percentage of sales compared to FY14. EBITDA as a percentage of total sales of approximately 11%. Net interest expense of approximately $10 million, and earnings-per-share in the range of $0.95 to $1.05, utilizing a fully-diluted share count of 93 million shares, compared to previous guidance of $1.14 to $1.22. Additionally, for modeling purposes, you should continue to assume an effective annual tax rate of 39%.

As you think about the cadence of earnings this year, there are a number of factors influencing the third and fourth quarters. First, we believe the initiatives we put into place earlier in the year will help drive sales, particularly during our peak holiday season. We anticipate that e-commerce will continue to accelerate, with the most significant opportunity coming in the fourth-quarter when sales penetration reaches into the teens.

In the third-quarter, we expect to drive improvement in merchandise margin dollars from our refined pricing and promotional strategy. However, we'll continue to see gross profit pressure of about 100 basis points, due to the higher percentage of sales coming from e-commerce.

At the same time, marketing and corporate administrative expenses will be up slightly year-over-year, on both a dollar basis and as a percentage of sales. So total SG&A will be about $12 million to $14 million more in the third quarter versus last year.

Additionally, depreciation and amortization will be a little bit more than $1 million higher than the second-quarter. As a result, we expect earnings-per-share to be down versus the third-quarter last year. And lastly, we are up against easier sales comparison in the fourth-quarter, as we lap the disruptive weather and more aggressive promotional cadence of last year.

The early operational success of our 1 Pier 1 strategy and the increased levels of capital and headcount investment made over the last several quarters to drive it, have pressured our financial performance. As highlighted on today's call, we believe that we have reached the point where in future years we will be able to moderate our investment levels and begin to leverage the business. We expect to achieve progressive improvement across all of our financial metrics over the next two years on an annual basis, beginning with FY16.

Total sales growth is expected to be in the mid to high single digits, reflecting continuing acceleration of e-commerce and modest growth at the store level. We expect to achieve increases in gross profit as a percentage of sales, driven by a combination of improvements in initial markup and fulfillment costs, as well as the optimization of store occupancy expense.

We anticipate that SG&A expense will leverage moderately, as we scale back our spending levels following the heavy investments of FY14 and FY15. We're reducing our capital expenditures to a range of $60 million to $70 million annually. After deploying more substantial levels of capital in recent years, the business is now positioned so that we can begin to lower our spending.

Lastly, we expect earnings-per-share growth of at least 10%, based on a fully diluted share count of roughly 91 million shares. We recognize that this transformation comes at a cost in the near-term, but we know the Company is on the right course. We have a compelling opportunity to deliver sustainable long-term growth and value creation, and we are prudently investing our resources toward this endeavor.

We believe the guideposts and financial goals we laid out today will help you follow and measure our progress. Alex and I appreciate your continued support, and look forward to keeping you updated on the success of our transformation.

Now, I would like to turn the call open for questions. Melissa?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Budd Bugatch with Raymond James. Your line is open.

Budd Bugatch - *Raymond James & Associates, Inc. - Analyst*

Good evening, gentlemen. This is David Vargas on Budd. How are you?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Hey, David. How are you doing?

Budd Bugatch - *Raymond James & Associates, Inc. - Analyst*

Good. I know that you talked about a little -- a few of the reasons for the decline in gross profit. But in terms of the merchandising margin, would you be able to parse out some of that? What's driven that fall in margin, and how you expect to recover it going forward?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

I think it's pretty much as we said in our prepared remarks, David. It was basically, we held steady or slightly increased on our initial margin, our buyers margin.

And then we spent more than we have done historically a little bit on markdowns but predominantly on promotional activity, of which the big difference was the across-the-board couponing that we've been doing for the last three quarters. So what we're doing is moving back from that strategy to a more controlled strategy of mark downs by SKU, sorry, promotions by SKU category, and then incentives for our Pier 1 rewards cardholders.

Budd Bugatch - *Raymond James & Associates, Inc. - Analyst*

Got it, okay. And in terms of a breakdown of sales, what was the total of direct to the consumer during the quarter? I know you parse out e-commerce a little bit, but what was the percentage that was ordered in-store and ship-to-home, placed in-store and then shipped to the home?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

If you break it out, so 10% of our revenues were e-comm. And of that, sort of roundabout for the 35% of those are picked up in store. Ordered predominantly from home.

And then if you slice the information another way, 35% of our sales were actually booked through the store through the cash wrap PC, again, those were predominantly delivered to the home. So you can slice and dice the information in multiple ways.

Budd Bugatch - *Raymond James & Associates, Inc. - Analyst*

Okay, thank you very much.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Okay, you're welcome.

Operator

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

Brian Nagel - *Oppenheimer & Co. - Analyst*

Hello, good afternoon.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Hey, Brian.

Brian Nagel - *Oppenheimer & Co. - Analyst*

So a bigger picture question. As I dig through the results today and listen to your commentary, it seems to me that there's two big factors here. One is, the heightened promotional activity for this sector, and that Pier 1 (inaudible) becomes susceptible to. And then there's the now stepped up investments online.

So the first question is, should we really think about or should we look at the results today and think about the trajectory in business over the next several quarters, should we think about those as two distinct events? Or to a certain extent, are they happening to you currently, or is there some link between the two?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

No, that's a great question, Brian. And what we tried to today is to pull those things apart, because I think when we talked to you on the first in Q1, we kind of muddied the water somewhat by talking about everything in the same bucket. But there's two distinct things going on here.

First of all, there is the investments in people and infrastructure to support the acceleration of our 1 Pier 1 omni channel strategy. And although that has a depressing impact on earnings, we consider that a good thing. Short-term pain, but it brings a rosier future sooner.

Completely separate from that is, what's going on in the marketplace and what's going on with our consumer. And that is what has driven those not very good deteriorations in our merchandise margin. And we think that we have over reacted.

And in terms of chasing everybody down the plug hole, in terms of promotional activity, we're going to go back to what made us great. And what made us great was that we had a very orderly approach to our promotional cadence.

We took very careful promotion activity at a SKU level or the category level, as I've said. And we did very little about across-the-board discounting, and so we can't stop doing it overnight.

Unfortunately, you can start doing these things very quickly and it takes longer to stop doing them. But we are going to move through the third and fourth quarters back towards what we're really good at.

Brian Nagel - *Oppenheimer & Co. - Analyst*

Okay. Then so as a follow-up to that, that's helpful Alex. I guess two questions. First off, if you look across the competitive landscape right now, and there's been some new entries from online-only companies.

But who is really leading -- or is there a leader that [blatantly] used their promotional activity? And then second follow-up I have is, and I agree with the move to pull back on these broad-based promotions. But do you run the risk now of having trained your customer to look for them, and as you pull back you may even mark, you may even lose the lion's share of these customers?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

In terms of who's leading, I think it's just -- honestly, I think it's just become retail habit. And I think that most retailers, us frankly included up until today, have just got into the habit of assuming that that's absolutely what you have to do. And I think we have to break ranks with that piece of group think.

Having said that, I don't think the situation has changed very much in the last six months. I don't think there is any more promotional pressure driving prices down. But on the other hand, I don't think there's any upward promotional -- lack of promotional pressure driving things upward.

In terms of your second part of the question, which have we trained our customers. I think not yet. But I think if we'd continue doing this for many more quarters, then we certainly would have trained them.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

And, Brian, remember, when we were generating that 58% to 60% merchandise margin, 50% of our sales were promotional or clearance and the other 50% was regular price. So now, it's more of a finessing to get back to that.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

I think that Cary makes a great point there, Brain. We're still going to be emphasizing value to our customers.

We're just going to be, frankly, smarter about it. We've been sort of in the dumb camp for the last little while.

Brian Nagel - *Oppenheimer & Co. - Analyst*

Thanks for all the color. Best of luck as we head into the second half here.

Operator

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

Jessica Mace - *Nomura - Analyst*

Hello, good afternoon.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Hey, Jessica.

Jessica Mace - *Nomura - Analyst*

I'm just wondering, on the guidance for the year of the mid to high single digits comparable Company sales growth, if there's anything that you assume changes in the current environment? As far as either store traffic trends, or what else gets us from the mid-single-digit that we saw in this quarter to the high single digit or mid to high in the back half?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

All I can say to you, Jessica, is for many many years, we were a [beaten] raised stock, and I think we did a very nice job. For the last three quarters, we've been on a mission to take down stock, and that doesn't feel very good. So we are putting what we think is very prudent and cautious assumptions into our guidance range.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

And I tried to spell that out with the third-quarter. We definitely have more of an opportunity in the fourth-quarter as we anniversary some of that disruptive weather.

Jessica Mace - *Nomura - Analyst*

Understood. And then on the strategy you mentioned where you look to take a little bit of a higher percentage with the higher end customer, of their home furnishing spend, will that have any implication to the pricing strategies? And does that show up in the talks about merchandise margin going forward?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

No. Nice thoughts there. No, it doesn't.

On those higher-end customers, we have those guys already. They already shop with us, and they shop with us more than once a year.

Is just that we know from the research that they're also shopping with a lot of other folks more than once a year. And if we can just get one or two more visits out of those customers, we'll do very well from that. But we're not going to -- the comments about making sure our assortment is priced appropriately to reflect the value of our design and the uniqueness, those two thoughts are not connected.

Jessica Mace - *Nomura - Analyst*

Great. Thanks so much for taking the questions.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

You're welcome.

Operator

Your next question comes reline of Simeon Gutman with Morgan Stanley. Your line is open

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Simeon Gutman - *Morgan Stanley - Analyst*

Thanks, good afternoon. Can did we spent a bit more time on the mechanics of adjusting the promotions? You mentioned you're getting rid of the some of the coupons, but then how else -- what are the other processes that we're going to see?

Are you going -- are some initial markups be raised so that you take promotions, but they're still a value to the customer? Can you just talk about how the adjustments work?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

First of all, we're absolutely not playing the high low game. When we price our product, we price it to sell at the original ticket price. And that's always been our mantra, and we're absolutely not changing that.

Really what we're talking about is, for example, we did it throughout last Fall. We would just offer a blanket 20% off across the entire store for a limited period. And it's that type of activity that we're going to be scaling back as we move through the back half of this year.

Simeon Gutman - *Morgan Stanley - Analyst*

And last quarter, I think you mentioned that you weren't willing to lose market share. Today, unless I missed it, within a year of those comments. And it sounds like you might be more willing to do that just to preserve the gross margin? Is that fair?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Well yes, we've thought about that. But here's the thing -- when we look at the -- so yes and no. I hate giving a yes and no answer, but here's a -- when I first started in retail, they used to teach us on day one that sales were vanity and profit sanity. And although that is a simplistic view of the world, there's an element of truth to it.

And of course, we are concerned about over time building our market share. But, when you look at the impact of the relatively aggressive couponing and you look at the sales wave that it creates in the days you have the events, and then if you look at the sales hit you take after the days after the event, when everybody has got a hangover. It actually doesn't create very many more sales.

So I think the impact from sales is, I'm not saying it's zero, but it's a lot smaller than you might think. But the upside to our merchandise margin we think will be significant.

Simeon Gutman - *Morgan Stanley - Analyst*

Okay. And then, just one last one for Cary. The share buyback, you spent a fair amount this quarter.

How should we think about it going forward? Is it going to be done on a regular basis, or now you're going to be more opportunistic until the margin picture stabilizes?

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

Well I think you've seen us over the years. We are a bit more opportunistic at lower prices, but I think you'll see it. And the thought with the Board continues to evolve, but I think you'll see a balanced capital allocation as we go forward.

Simeon Gutman - *Morgan Stanley - Analyst*

Okay, thank you.

Operator

Your next question comes reline of Adam Sindler with Deutsche Bank. Your line is open

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Adam Sindler - *Deutsche Bank - Analyst*

Yes, thank you. Good afternoon, everyone. A couple questions to follow up on Simeon's question a little bit.

So I was going back to gross margins. So basically what you're saying is that after you've done some of these promotions, and I saw some of these hit my e-mail box like the free white glove delivery, things like that. So what you've found is that there is not much impact to your sales.

I'm wondering why you think that would be the case? What have you found that might be relative to other retailers who often make pretty heavy cuts across the board? It does tend to drive results from time to time.

But here, it seems like you're almost giving up not only gross margin but actual top line dollars, which you could be leveraging your expenses a little bit more. And why you might think that might be the case here, just given your extensive background in retail?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Well I think it's just what I've said. Is that when you your neck is all out, I don't believe that it does do much to your sale. And by the way, I don't think it does much for anybody else's sales either. They would all prefer to be selling at a higher margin.

And particularly, when you look at other spaces not particularly but the home space, a lot of that discounting is driven by the need to liquidate inventory. And of course, we don't have anything like those pressures, because such a relatively small percentage of our purchases are in merchandise which has a short shelf life. So, I just don't think frankly it does anything for us.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

I think the other thing to remember is, this whole effort is really to drive more merchandise margin dollars. And the result is the merchandise margin rate. So, it's the merchandise margin dollars that are paying the bills.

Adam Sindler - *Deutsche Bank - Analyst*

Right, okay. That makes sense. And just a follow up, if you don't mind.

So you did discuss investing more in some PCs, obviously that's having a nice result. Driving a good amount of the e-commerce orders, and the tablets. But at the same time, though, you discussed declining in-store traffic.

So I'm wondering how those two play against each other. Because those really wouldn't drive traffic to the store, that's more of a conversion tool. So I'm wondering how you see that going forward?

And then, the broader picture, you talked about a lot of stores coming off lease over the next several years. And one of the guidelines you discussed was turning your stores into a customer extreme center. Those all seem to be you're investing in the stores, yet you could be closing some stores.

THOMSON REUTERS

Store traffic is down, yet you're investing pretty heavily in store level technology. If you could just discuss how those moving pieces fit together?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

It's complex, isn't it? So in terms of traffic, well the traffic is not zero. The traffic is down a couple of percent.

And as we said in our prepared remarks when we were talking about our guideposts, improving conversion is a big part of what we need to do. So the whole issue of PCs and tablets is all about building conversion and average ticket.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

And in addition, the swatch stations.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

And indeed, the swatch station. Yes, but I don't want you to think that we've given up on traffic. We haven't. That's why we've invested incremental dollars in marketing to try to make sure that we give driving traffic our best shot.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

And don't forget, one of the things that we have going for us is the internet business that's being picked up in the store. Over a third of that internet business is being picked up in the store, and there's our opportunity to drive conversion even more.

Adam Sindler - *Deutsche Bank - Analyst*

Okay. (multiple speakers)

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Let me just give you one more thought on that, which I think is important. It's about the type of the customer as well. So, what we know is that in terms of in terms of the spend, our most profitable customers are our multi-channel customers.

And so, part of the reason that we're investing so much in the conversion and using the technology to get the online sale is if we can convert a store-only customer into a multi-channel customer. That immediately makes that customer more valuable to us.

And so, all this is designed to is to make sure that we can build as many multi-channel customers as we can. Because ultimately, they're going to be the best, the most frequent and the highest spending customers.

Adam Sindler - *Deutsche Bank - Analyst*

Okay, that makes sense.

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

And if I may, just on the real estate question. We're looking at the real estate very strategically to determine the optimal number of stores in a market.

But as an example, in a certain market, we're opening one new store and we'll be closing two. But we know that we're going to be picking up market share, and again, optimizing that real estate cost.

So those are the things we're going to be really looking at. But to be honest, I think we'll wait till after Christmas and assess how successful the swatch stations are and the tablets and the additional PC, et cetera.

Adam Sindler - *Deutsche Bank - Analyst*

Very good. I appreciate it. Thank you so much.

Operator

Your next question comes the line of Alan Rifkin with Barclays. Your line is open.

Alan Rifkin - *Barclays Capital - Analyst*

Thank you very much. A question or two first on the revenues. So in this quarter, e-commerce revenues grew by 80 basis points sequentially, and in the first-quarter they grew by 390 basis points sequentially.

In order for you guys to get to the $400 million, that would mark a pretty significant acceleration in the sequential growth. I guess my question, Alex, is what gives you the confidence that the new level going forward isn't perhaps a 100 basis point gain sequentially, but rather something greater -- significantly greater than that?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

I can't deal in the basis points. All I can tell you is that we went from zero, as we said in our remarks. We've been doing this since July of 2012, and I think it's astonishing that we got to 4% of our sales to last year at full fiscal year 10% in the first half.

We think we're going to do $200 million or so this year, Alan, and then we're targeting $400 million next year. And I think with -- it was everything we've been talking about today in terms of our focus on 1 Pier 1.

So we're focused on driving traffic. We're focused on driving conversion through improved foot functionality, improved curation, improved user experience. That's kind of where our heads are at the moment.

Alan Rifkin - *Barclays Capital - Analyst*

Okay. I guess what I'm trying to ask is if we assume similar rate of growth as what you just experienced, you may fall short of the $400 million. And is it a concern that perhaps you're investing in e-commerce during a time when the sequential gains aren't as great as what you think they may be?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Well, in my math last year we did -- we've gone from $40 million to $200 million, that's whatever that is. And then we're going from $200 million to $400 million. That, to me, is a smaller increase as a percentage. But no, we are 100% confident about our strategy, and we're 100% confident in our ability to execute it.

Alan Rifkin - *Barclays Capital - Analyst*

Okay. One more question if I may. So the stores comped in Q1, I believe, Cary, you said 4% in the first-quarter and now they're running negative. Can you maybe just provide a little bit more color at the store level as to what exactly you are seeing that is causing your revenues to go down despite heightened promotions?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

We've spent a lot of time discussing the comp stores, and on the last call as well. And I'd really don't want to get too bogged down in that. What we're focused on is the comp branding brand increase, because we think that's a much more important metric.

No doubts, we said there no question that the store traffic has been soft. And there's no doubt that POS sales have been soft. But we're focusing on strategies to drive our total brand traffic, total sales, and total Company comps.

And we're back to that conversation about building the strong base of multi-channel shoppers. And I think those are really the important metrics that we need to focus on.

Alan Rifkin - *Barclays Capital - Analyst*

Okay. Thank you very much, and good luck in the upcoming holiday season.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Thank you very much

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

Thank you

Operator

Your next question comes the line of Cristina Fernandez with Telsey Advisory. Your line is open

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Cristina Fernandez - *UBS - Analyst*

Hello, good afternoon.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Hey, Cristina.

Cristina Fernandez - *UBS - Analyst*

Hello. So I wanted to ask also on as we look at the stores in fourth-quarter and we try to wean the consumer away from your promotional strategy, is there anything that you're doing different? Other than marketing more and doing more digital, and paid search to drive traffic, for example, anything with the Pier 1 rewards program, or anything else you can share with us?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

I thought we'd shared a lot with you today, and really everything that we've talked about has been focused on how we're going to drive the business. But as you zoomed in on that specific question, the Pier 1 rewards card holder, our Pier 1 reward credit card customers are an amazing loyal part of our customer base. The percentage of our revenues that we drive on on the card continue to increase.

You can be assured that we're going to look after those customers extremely carefully. I think what I would also add is that once we get our new database up and running, which you heard us talk about a lot, that's going to give us other opportunities to have a loyalty program which is not based on a credit card. I think that's a very exciting prospect for us as well.

Cristina Fernandez - *UBS - Analyst*

Okay. And then one for Cary. On the inventory, you mentioned today of 15%, 20% at the end of the year. If I recall correctly, previously, you had said in line with sales or up high single digits. What's changed over the last quarter?

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

I said it's primary the timing of Chinese New Year that's causing probably about 25% of that increase. Just so we have the product in time for the Spring season.

Cristina Fernandez - *UBS - Analyst*

So there's no impact there from the change in your promotional strategy on the inventory increase?

Cary Turner - *Pier 1 Imports Inc - Senior EVP & CFO*

No.

Cristina Fernandez - *UBS - Analyst*

Okay, thank you.

Operator

Your last question country line of Matt Nemer with Wells Fargo Securities. Your line is open

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

Thanks so much. Good afternoon, everyone

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Hello.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

So, Alex, I wanted to ask you about the treasure hunt shopping experience that takes place in stores. And if you think that the shift to online can replicate the frequency and the attachment rate of that treasure hunt that a lot of your customers are looking for?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Well, how can I best answer? Here's what I would say to you is, I think the short answer is yes. But you deserve better than that. We're spending an increased amount of effort and time as we try to get better at this, as you can imagine, on the curation of our site. And you've heard us talk about that, and us trying to be much more data-driven in terms of how we merchandise the site.

Having said all that, it constantly surprises me how customers are able to find even if it was on the third or fourth product page of a particular category, a brand-new SKU. And if they like it, they will find it, and it will check out. So I think the answer to your question is, is our customers a love the treasure hunt just as much online as they love it in store.

Having said that, you've always heard me say that we've got to be really careful in the store that we don't overdo the treasure hunts, and the treasure becomes the garage sale. Which it can be, if we have too many SKUs, and the store gets messy and cluttered.

And I think the same applies online. We have to make sure that we keep it effective and well merchandised, and make that treasure hunt as easy as we can for our customers.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

I guess just to bat at that a slightly different way. Is there any evidence that the broad couponing that you've done over the last few quarters not only hits the merch margin, but maybe traded a handful of store browsing visits for one targeted online visit? Did the coupon maybe change behavior, where somebody would go and go to a store every other week and browse, and then instead they only need to visit once and they're very targeted in their shopping list?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

I don't think that's -- I think your premise is correct, but it's not to do particularly with couponing. We know that from our research, that over 50% of the customers who come into the store have interacted with Pier1.com. Not necessarily on the same day, but in the recent past before their visit.

And I've seen some external published research that says that, that number for the industry is going to go up to over 70%. So there is no doubt that pre-shopping is taking place. And you have to assume, we can't quantify it, but we have to assume that some of those online visits are substitutes for pre-shopping visits to the store.

And that's another reason why we are so focused on this whole question of conversion. Because as you can imagine, if more people who come into the store have a propensity to buy, then we should start to see higher conversion rates. And as you heard us say in our prepared remarks, we are in fact seeing our conversion rates improve, which is great.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

That's helpful. I'd like to squeeze in one more if I could. You mentioned that your Express Request business is 20% of revenue, and it was up about 60%. So if that's a 12% contribution to 6% revenue growth, how should we think about what's driving the declines in non-Express Request? Are there certain categories that are driving the bulk of that?

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Great question. It's not so much a change in categories, it's more a question in how we fulfill. Because we used to -- before we had Express Request, we used to keep very substantial inventories in our back rooms, so that we could -- customers could do what we call grab and go. So we always had the inventory in store for them.

What we've been able to do over the years, and the teams have done an outstanding job at this, our store inventories are actually lower than they were a little while ago. Because more and more customers are saying, well I like that, but I'll have one fresh in a box and pick it up in 10 days or less. So that's a part of it.

And the other part of it is, just customers really appreciate and I think it's vital in today's market, the expanded choice which Express Request gives them. Either in terms of size options, or finish options, in terms of furniture or fabric options in terms of upholstery. So I think it's been a great initiative for us, and we're really proud of it.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

Makes sense. Okay, thanks so much.

Alex Smith - *Pier 1 Imports Inc - President & CEO*

Okay. All right, everybody. Well thank you for your questions and attention today, and Cary and I will be available to take further questions for the rest of today, what's left of it, and tomorrow. See you next quarter. Thank you.

Operator

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