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Welcome & Agenda

Strategic Overview

Maker Strategy
- Pillar 1: Strengthen our RETAIL FOUNDATION
- Pillar 2: Modernize the OMNI-CHANNEL EXPERIENCE for all Makers
- Pillar 3: Re-establish our position as THE EXPERT brand for Makers

New Growth Opportunities & Our Vision to Serve Unmet Maker Needs
- Expanded Maker Needs, Expanded Market Definition
- Vision to Meet Unmet Maker needs

Financial Discussion

Closing & Investment Thesis

Q&A
Made by you.
Remember our passionate customers

Our Core Makers

Def: Core Maker — (n.) DIY arts & crafts enthusiast passionate about making. Must make a new project at least quarterly, though most are making monthly or even weekly.

“Crafter”

“Creator”

“Dabbler-of”

“Designer”

“Lovers of creativity”

“Core maker”
Core Makers ≈ 66%

~2/3rds of all A&C componentry spend
Michaels holds a leading position in the A&C componentry market with defensive characteristics.
Michaels holds a leading position in the A&C componentry market with defensive characteristics.

Enthusiastic, emotive customer base that "needs" to buy into the category.

Counter-cyclical strength in prior bear markets.
Michaels holds a leading position in the A&C componentry market with defensive characteristics.
A&C market considered a Specialty Category

Customers need expertise and inspiration to shop category

Michaels retail footprint and expert team members are differentiators
A&C market considered a Specialty Category

- As a specialty leader, we have headroom to grow; analog category killers hold ~20% market share

We have headroom to grow with Core Makers
Category killers across Specialty retail categories hold ~20% or more share

Industry leader’s market share (US %)

- Consumer electronics: 25%
- Book stores: 23%
- Home improvement: 21%
- Beauty: 21%
- Sporting goods: 20%
- Auto parts: 19%
- Arts & crafts: 14%
We’ve invested the time to better understand makers

Over the last 18 months,

Thousands of hours qualitatively interviewing Makers

>100,000 surveys completed to better understand our Makers

We’ve learned...

...what motivates
...& What they expect from us
Makers want to love our brand, unfortunately we’ve let them down.
“The idea of Michaels is exciting, but the reality leaves a lot to be desired. Beautiful things can be made from materials bought at Michaels but the experience of shopping is...”

Dingy  Low Quality product
Cheap  Products not refreshed
Antiquated supply chain  Nothing special

Challenging online experience
Over assorted, claustrophobic  Confusing
Stressful  Cramped  Chaotic marketing
Never in-stock  Hard to shop
Our Maker Strategy is how we will deliver growth for Michaels and evolve our business for the Maker.

1. Strengthen our RETAIL FOUNDATION & how we execute
2. Modernize the OMNI-EXPERIENCE for Makers
3. Re-establish our brand position as THE EXPERT for Makers
Early indicators our strategy is working

Strengthen our Retail Foundation
- Prioritized categories outperforming
- Team member hours spent with customers are up
- In-store satisfaction scores have increased

Modernize our Omni-channel experience:
- YTD sales comp >300%
- Top 20 retail domain
- Digital OSAT is up

Re-establish our brand position
- Leading brand indicators have all improved
- NPS has increased more than 500bps

Makers are noticing
Deep bench of best-in-class leadership and expertise
1. Strengthen our Retail Foundation & how we execute
We know we are first and foremost a retailer.

We have listened to Maker feedback and have been intensely focused on serving and connecting with customers better.

To win with Makers, we must execute our retail business with excellence.
Fixing our retail foundation is critically important to how we serve Makers and exceed their expectations.

**Improve Retail Execution**
- Right assortment, consistently in-stock

**Deliver a Stronger Customer Experience**
- Up-level team-member training & service, simplify pricing to restore trust

**Enhance the In-Store Environment**
- Focused departments, clean aisles, improved sightlines
To improve inventory availability, we are enhancing our supply chain and replenishment processes.
Executing a multi-year plan to improve our supply chain

**Distribution & Logistics**

Multi-year transformation to improve the speed & agility of our distribution network

**KEY CHANGES**

Expanded DC network
+50% faster store replenishment on core items
Smaller, more frequent shipments to each store

**Inventory planning & forecasting**

Right amount of product
Right store
Right time

**KEY CHANGES**

Space and SKU productivity planning improvements
Forecast model enhancements
Supplier support & compliance changes for fulfillment

**In-store replenishment**

Empower stores with more awareness of what's on-hand & can replenish faster

**KEY CHANGES**

Less store overstock inventory
Increased straight-to-shelf displays to speed replenishment
With these changes, we believe we can reduce cycle times for core items by over 50% and improve in-stock rate by 200 bps by FY22.
Focused on delivering the best assortment for our Makers

Five ‘Wow’ categories where we will win

- Technology
- Yarn
- Kids art & education
- Jewelry
- Fine arts
Leveraging robust customer research to meet and exceed Makers’ needs

360 go-to-market approach

Maker experience

- Digital Experience
- Marketing & Content
- Store Experience
- Community
- Value
- Inventory Availability
- Product

Leveraging robust customer research to meet and exceed Makers’ needs
Enhancing the customer experience
Enhancing the customer experience

Upskilling team members

- Focus on hiring Makers in-store and training non-Makers to provide an elevated, consultative level of expert service
Enhancing the customer experience

- Adjusting pack sizes, minimum presentation standards, and fit to minimize time spent stocking and restocking

- Shifting our mix to increase floor-ready merchandise so store employees can spend less time stocking and more time focused on our Makers

Increasing time spent on customer service
Enhancing the customer experience

Streamlining pricing and promotion

- Simplified pricing and value offerings so customers quickly understand the value they’re getting
- Streamlined the promotional calendar to improve reliability while improving margin
Improving the in-store shopping experience
Improving the in-store shopping experience

**FROM**
- Minimal and hard-to-see signage
- No screens in stores
- Deprioritized maker categories
- Lack of inventory availability

**TO**
- Larger, clearer signage to improve navigation
- Introducing omnichannel enablers
- Focus on “Wow” categories
- Updated minimum presentation standards

We have redesigned and reimagined the ideal Maker shopping experience to drive stronger customer engagement.
Strategic impact “proof points”
Our initiatives are beginning to take hold...

Strategic impact “proof points”

- Improved product in-stocks
- +300 bps In-store customer OSAT score increase
- Team member hours with customers is up

Source: Internal Michaels brand health metrics, pre vs. post COVID
Prioritized categories out-performing

All reset categories comping positive YoY

...and already showing strong results
Roadmap: Next 6 months

1. Improve retail execution Product availability
   - Launch of new in stock process
   - Increased Seasonal wave planning
   - Full rollout of new inventory management planning
   - Finish SKU warehousing project

2. Improve retail execution Assortment planning
   - Finalize assortment plans and sourcing for 2021
   - Prep for major resets in 2021

3. Deliver stronger customer experience
   - Expansion of Curbside
   - Pilot of Express checkout
   - Expanded pilot of Scan & Go
   - Continued expansion of new initiatives
   - Faster delivery cycle

4. Enhance in-store experience
   - Seven POG resets planned in key categories
   - Enhanced holiday and gift presentation
   - Begin 2021 resets, starting with Wow categories
2 Modernize the Omni-Experience for Makers
Building on our strong retail foundation to create a seamless omni-channel experience

To win in all sectors of the Creative Economy & support our Makers in each stage of growth...

...we need to deliver an omni-channel experience that connects with Makers when, where, and how they want

To do so, we have made a step change in our omni-channel strategy and capabilities
Building a frictionless experience across every touchpoint of the Maker’s omni-channel journey
Building a frictionless experience across every touchpoint of the Maker’s omni-channel journey

- Emphasis on agility, iteration and speed of MVP delivery
- ReWire our ways of working
- Improve the omni-channel experience
- Optimize omni-channel operations
- New capabilities grow both sales and Maker satisfaction
- Profitability improvements alongside growth
Our new philosophy is resulting in the rapid deployment of new capabilities.
Applying agile framework to ‘Convenience’ capability
Applying agile framework to ‘Convenience’ capability

- **OCT 2018**: BOPIS 1.0 launches with overall site conversion below 2%
- **FEB 2020**: Curbside Pickup
- **MAR 2020**: Same Day Delivery
- **APR 2020**: Shop & Scan
- **PILOT SEP 2020**: As customers return to stores, we continue addressing pain points with the launch of Shop & Scan
- **Rapid deployment of Curbside Pickup – in 4 DAYS!**
- **BOPIS V2.0 is redesigned to address customer friction points**

The evolution of our omni-channel capabilities highlights our newfound agility
The impact of our new framework is encouraging

Stronger channel performance

≥250 bps
increase in conversion rate

Better customer experience

≥300 bps
increase in digital OSAT

Source: Michaels Q2 YTD eCommerce performance; Internal Michaels brand health metrics, pre vs. post COVID
Customers responded to this safer option quickly

- Drove 50%+ BOPIS sales penetration, which increased profitability
- NPS up 800bps after launch
- OSAT up 200bps after launch

Source: Curbside/BOPIS surveys, May 2020 (N=2,533) and August 2020 (N=2,333)
Newest Delivery Option

SAME-DAY DELIVERY

Highest AOV Channel

Deep Dive: Same Day Delivery

Serving unmet customer need for safety & convenience in an attractive, profitable way.

Customer adoption increasing and will be a competitive differentiator during peak season.

Over 100,000 transactions since launch.
Deep Dive
Shop & Scan

Shop & Scan enables customers to scan products and pay in the app

Currently being piloted, targeting phased rollout ahead of holidays
Agility being applied to other capabilities

Capabilities developed in last 6-months, we are constantly refining and iterating

Core capabilities leading to improved convenience for Makers
Agility being applied to other capabilities

Capabilities developed in last 6-months, we are constantly refining and iterating

Experience + Optimization

- Redesigned Homepage and Landing pages
- A/B Testing
- Post-purchase improvements
- Faster site performance
- Checkout Optimization
- Convenience
- Personalization
- Content + Assortment

Agile approach is being applied to user experience and website performance products
Agility being applied to other capabilities

Capabilities developed in last 6-months, we are constantly refining and iterating

Focused on improving content and assortment
Agility being applied to other capabilities

Capabilities developed in last 6-months, we are constantly refining and iterating

Continue to build out web personalization capabilities
Core Makers who sell handmade products are nearly 2.0x more likely to buy A&C componentry in bulk.

We listened to Maker feedback...

- Expanded assortment of bulk-packed items
- Large quantities delivered at a consistent everyday low price
- Provides additional convenience to Makers who no longer need to wait for the right promotion to fulfill their purchasing needs with us
Recent proof points show our initiatives are working.

**Top 20**
US retail domain*

**+320%**
YTD online sales comp

**+200bps**
Digital customer OSAT score increase

Source: Comscore Media Matrix Reporting, Q2020; Michaels Q2 YTD eCommerce sales; Internal Michaels brand health metrics, pre vs. post COVID
Roadmap: Next 6 months

1. **Rewire ways of working**
   - Sep - Oct: Build out agile product team (UX, UI, digital optimization)
   - Nov - Dec: Product management development processes in place

2. **Improve Maker experience**
   - Sep - Oct: Shop & Scan, Self-service order management, Build-your-own Bundle
   - Nov - Dec: Pay-over-time POC, Web Personalization 2.0 based on 360 view of the customer
   - Jan - Feb: MichaelsPro 2.0 Expanded Assortment

3. **Optimize omni-channel operations**
   - Sep - Oct: Improving dropship profitability, Smarter promotional strategies
   - Jan - Feb: DC Optimization, Ship-from-store Optimization
Re-establish our brand position as The Expert for Makers
To win with Makers we need to effectively communicate how our brand has changed...

...We need to show how our brand can support, showcase, empower and connect Makers in a unique way.

If our purpose is to be “Here for the Makers,” then our brand needs to be “Made by Makers.” Introducing ‘Made by You.’

New marketing strategy establishes Michaels as the expert brand for Makers
Designing a customer centric brand that partners with Makers and connects through content, community and commerce

- **ELEVATE our brand**: Strategically positioned to be the expert brand for Makers
- **CONNECT Makers to the brand**: New content and community that engages Makers with each other like never before
- **DEEPEN the relationship between Michaels & Makers**: Lifetime customer management and data driven personalization
"Made By You" brand meaningfully shifts our marketing strategy

FROM

- Product Focused
- Promotional calls-to-action
- Broad customer base
- Mass communications
- Calendar driven

TO

- Customer obsessed
- Inspire & Educate as the expert
- Focused on the Core Maker
- Personalized messaging
- Customer journey based
Brand messaging is “Made” by Makers

We are building brand authenticity and connecting with Makers
New touchpoints solidify us as the creative experts

“This is amazing. So thankful for Michaels doing this. We loved the free craft on weekends, and this helps us get a similar experience, but safely.”
Hundreds of new and virtual/interactive classes

For the MAKERS

Take classes from your favorite brands and craft influencers — for FREE!

For the ‘MINI’-MAKERS

CREATIVE FUN FOR CRAFTY KIDS

KIDS ACTIVITIES AND FUN THINGS TO DO AT HOME

Bring on the happy campers!

Camp Creativity

Explore Our Weekly Camp Themes

Over 100,000 virtual class sign-ups and millions of post-class views since April
Content expansion is driving engagement

For the MAKERS

- Plan A Happy Life
- Colorful Modern Jewelry

For the ‘MINI’-MAKERS

- BUBBLE ART BONANZA!
- Welcome Back to School

Learn from home.
Find resources and supplies to help make learning fun whenever, wherever.
Building the Maker Community

How we LISTEN
Community of >1,000 Makers who provide insights on how Michaels can improve its go-to-market strategy.

How we CONNECT
Peer-to-peer community where Makers can connect with one another to help inspire, educate, and learn.
Deepening our Maker relationships

**WHAT**

- Understand our Maker
- Improve how we reward Makers
- Deliver personalized marketing

**HOW**

- August 2020 migration to new customer data platform
- 360-degree view of Customer Behavior
- August 2020 launch of new loyalty program >46M members
- Real-time personalization
- Triggered, journey-based marketing campaigns
- Improve paid targeting through personalization

Focused on managing customers through the Maker funnel
Our “Made by You” marketing strategy is working and gaining momentum.

**Strategic impact “proof points”**

**#1 NPS**
+500 bps*
20 percentage points higher than competition

**#1 Top-of-mind awareness**
+300 bps*
More than double the competition

**#1 Primary Retailer Share**
+250 bps*
13 percentage points higher than competition

*#1 Arts & Crafts.
Source: Internal brand health metrics, pre/post COVID
Roadmap: Next 6 months

1. Elevate our brand
   - Further integration of Makers across all advertising
   - Maker-centered holiday positioning
   - Create content ecosystem supporting Made-by-You expansion

2. Connect Makers to the brand
   - Expand Virtual Classes
   - Extend virtual classes back into the stores (as able)
   - Extend Community platform to All Makers

3. Deepen the relationship between Makers and the brand
   - Personalized promotions to increase perceived customer value
   - Web Personalization
   - Content personalization
New Opportunities & Our Vision to Serve Unmet Maker Needs
Creating a Maker ecosystem
to service unmet Maker needs

- Insights point to a larger Maker movement we can co-create and empower
- We have resized our addressable market and see opportunities for growth and expansion
- We can help solve for fragmentation in today’s market especially for Makers looking to sell their one-of-a-kind creations
- We are developing a tech-forward, Maker Ecosystem that will enable Michaels to 'connect the dots' for Makers
Evolving Needs
Expanding Markets
Our go-forward growth transformation uniquely centers around our Core Makers

“We are obsessed with our Core Maker customers...

To ensure our go-to-market initiatives and Maker Strategy addresses their needs, we have spent countless hours listening, analyzing and hearing what Makers need today.

We have an opportunity to serve Maker needs more comprehensively. We believe our brand is uniquely positioned to do this.”
Core Makers are connected to each other by a love of making and a desire to dream big.

Most Makers are aspiring to monetize their passion.
Rising entrepreneurism and consumer desire for personalized purchases are driving the Creative Economy,

Two major trends are increasing the rate at which Makers dream.

Rising entrepreneurism and consumer desire for personalized purchases are driving the Creative Economy.
“The Passion Economy is fueling a new model of internet powered entrepreneurship that is monetizing individuality”

Andreesen Horowitz, 10/8/19

Four unique core Maker groups are interlinked through a dynamic Creative Continuum.
Hannah

Connects with simple joys in life - making. Uses free time to rekindle an old love of making, to teach that love to others or to learn a new technique or skill.

Hobbyist

- ~40% Proportion of all Core Makers
- Wants to buy all craft supplies needed from a single store and for a low price.
- #1 Primary reason for making is to relax & escape
DREAMS OF A BUSINESS SELLING HER HANDMADE GOODS BUT ISN’T SURE HOW OR WHERE TO START OR IF SHE IS REALLY GOOD ENOUGH.

Aspiring Seller

40% Proportion of all Core Makers

In-stock products for competitive prices. Lynn knows what she should pay and wants it available

46% lean into social media to get inspiration, information and instruction.
As confidence, skills and sales increase, Steve looks for ways to connect with others and find new avenues to show and sell his handcrafted goods.

Proportion of all Core Makers

A retailer who understands his needs and the connection between its brand and his reputation. Quality components in the right amount needed

58% of supplies are bought in bulk. (nearly 2.0x more than ‘Hobbyist’)
Sarah has successfully scaled her handmade goods business and is in search of wider audiences. She seeks opportunity to further monetize her knowledge, experience and success as a creator.

Star Maker

- Proportion of all Core Makers: ~3%
- Wishes there were better volume-based discounts for the right products to support her needs
- Completes more than 80 projects a year, usually making each item in multiple quantities
Sellers are more valuable contributors to the Creative Economy

40% of Makers are Hobbyists and nearly 60% are Sellers or Aspiring Sellers
$100 BN Creative Economy is Michaels’ redefined addressable market, growing 3-4% annually

Boston Consulting Group independent analysis, August 2020
(sources include: Company 10Ks, expert interviews, Factiva, IBIS world reports)
Historically we have been a leader

~$53\text{bn} \quad \text{Finished Goods} + \quad \text{Componentry & Supplies}

\approx $25\text{bn}

\approx $78\text{bn} \quad \text{Market}

Boston Consulting Group independent analysis, August 2020
(sources include: Company 10Ks, expert interviews, Factiva, IBIS world reports)
We’re exploring the potential of this new market

$15\text{bn}$ Platform for handmade goods
$4\text{bn}$ Seller Solutions
$3\text{bn}$ Creative Learning & experiences

$22\text{bn}$ Market
Michaels is building an integrated ecosystem to meet the Makers’ needs
Helping Makers grow & upskill and build an ecosystem for them to connect
Increased retention of core Makers as they progress through the Creative Continuum will drive significant revenue.

Source: Michaels internal look-a-like modeling output and NPV impact of improved performance with Aspiring Sellers and Sellers we recognize on our customer file today.
As our core Makers mature, their needs evolve

- Affordable bulk components
- Promote their brand and products
- Virtual and In-person classes
- Inspirational content and experiences
Our Maker Ecosystem will authentically connect the dots between Makers, Content, Commerce and Community.
Our Maker Strategy is how we will deliver growth for Michaels and evolve our business for the Maker.

1. Strengthen our RETAIL FOUNDATION & how we execute
2. Modernize the OMNI-EXPERIENCE for Makers
3. Re-establish our brand position as THE EXPERT for Makers
Financial Discussion
Long-term Financial Algorithm:

1. Top-line Growth
   - Brick & Mortar Foundation
   - Growing Omnichannel Business

2. Operating Profit Growth

3. Balanced & Disciplined Capital Allocation Model

Targeting low double-digit EPS growth in FY2022 and beyond
Long-Term Financial Algorithm Assumes Contributions From Pillars 1-3

Maker Strategy Pillars

1. Strengthen our RETAIL FOUNDATION & how we execute
2. Modernize the OMNI-EXPERIENCE for Makers
3. Re-establish our brand position as THE EXPERT for Makers
We Expect our Maker Strategy to Deliver Sustainable Growth

Long Term Sales Growth Forecast\(^1,2\)

- 0.5% - 1.0%
- 1.0% - 1.75%
- 1.5% - 2.5%
- Total

Key Initiatives

**PILLAR 1**
- Product Newness
- Improved Product Flow
- Increased In-stocks
- Better Customer Experience

**PILLAR 2**
- Expanded Online Assortment
- Additional Access Points
- Frictionless Customer Experience

**PILLAR 3**
- Supporting the sales growth of P1 & P2
- Optimized Marketing Spend
- Expanded CRM & Loyalty Capabilities

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1. Base Year of FY 2019
2. Assumes no net new units post FY 2021
Omni-Channel Growth Key Contributor to Long Term Financial Algorithm

Evolution of E-commerce sales penetration

- **FY 2019**: BOPIS, Send From DC Dropship (~5%)
- **Current**: BOPIS 2.0, Curbside, In-App purchasing, Ship From Store, Same Day Delivery (~10%)
- **Future**: MichaelsPro 2.0, Shop & Scan, Web Personalization and more (~15%)

Year-to-date, All E-commerce Nodes Are Profitable
Initiatives in place to help offset likely dilution from rising E-commerce sales penetration
Driven by sustained sales and operating income growth as well as ongoing working capital management.

**Strong Free Cash Flow Generation**

<table>
<thead>
<tr>
<th>Category</th>
<th>FCF Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michaels</td>
<td>83.5%</td>
</tr>
<tr>
<td>Home improvement</td>
<td>79.2%</td>
</tr>
<tr>
<td>Other hardlines</td>
<td>77.1%</td>
</tr>
<tr>
<td>Business furniture</td>
<td>75.1%</td>
</tr>
<tr>
<td>Electronics</td>
<td>74.7%</td>
</tr>
<tr>
<td>Auto parts</td>
<td>73.9%</td>
</tr>
<tr>
<td>Home furniture</td>
<td>68.0%</td>
</tr>
</tbody>
</table>

Median: 75.1%

Source: FactSet; company information (all Mkt FY19 income statement items exclude Pat Catan’s, Darice, Prototype stores and one-time expenses related to CEO transition)

Note: All peer group figures represented are medians, peer groups include the following — Auto parts: Advance Auto Parts, Autozone, O’Reilly Automotive; Business furniture: Herman Miller, HNI Corp, Knoll, Steelcase; Electronics: Best Buy; Home furniture: At Home Group, Bed, Bath & Beyond, Ethan Allen Interiors, La-Z-Boy, The Container Store, Williams Sonoma; Home improvement: Floor & Decor, Home Depot, Lowe’s, Tractor Supply Company; Other hardlines: GNC Holdings, Office Depot, Party City

Free cash flow conversion is defined as last fiscal year (adjusted EBITDA – capex) / adjusted EBITDA

Recent refinancing provides increased financial flexibility and optionality during our growth transformation.
Balanced approach focuses on key growth initiatives while improving overall financial position

**Disciplined Capital Allocation Framework**

**MIK Key Priorities:**

1. Investments To Support Maker Strategy
2. De-lever Balance Sheet Through Debt Repayments
3. Share Repurchases
4. Opportunistic M&A aligned with growth opportunities
Transforming our Company and Creating Strong Shareholder Value

Long Term Financial Algorithm:

Top-line growth: 1.5% - 2.5%
Operating profit growth: Low Double Digit EPS Beginning FY 2022
Balanced and Disciplined capital allocation framework: Total Gross Debt / adj. EBITDA Below 3.0x
Our Maker Strategy is how we will deliver growth for Michaels and evolve our business for the Maker.

1. Strengthen our RETAIL FOUNDATION & how we execute
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3. Re-establish our brand position as THE EXPERT for Makers
Our Investment Thesis

- Market leading specialty retailer with strong omni-channel capabilities focused on serving the unmet needs of our Makers

- Participation in the Creative Economy represents an attractive long-term growth opportunity across an expanded addressable market

- Maker strategy creates a credible pathway to consistent growth and long-term shareholder value

- Innovative Maker ecosystem will allow us to deepen customer engagement and capture greater share of wallet

- Results-oriented, experienced leadership team in place to execute long-term strategic vision

- Considerable financial flexibility and disciplined capital allocation will support our strategy and maximize value creation

- Poised to deliver strong shareholder returns as we strengthen execution and capture and monetize the considerable opportunities ahead
Michaels®
Made by you™