

The Michaels Companies to Close Pat Catan's Arts & Craft Stores in Fourth Quarter of Fiscal 2018

Company Intends to Rebrand and Reopen Up to 12 Locations as Michaels Stores in Fiscal 2019

Management Updates 4Q Guidance, Excluding Impact from Pat Catan's Closures

IRVING, Texas--(BUSINESS WIRE)-- The Michaels Companies, Inc. (NASDAQ: MIK) today announced its decision to close all of its Pat Catan's stores in the fourth quarter of fiscal 2018. Pat Catan's is a 36-store retail supplier of arts and crafts in Ohio and surrounding states. The Company intends to rebrand up to 12 of the closed Pat Catan's stores and reopen them under the Michaels banner. The Company also updated guidance for the fourth quarter of fiscal 2018, excluding the impact of any restructuring charges related to the Pat Catan's store closures.

"We continue to make progress against our long-term strategy to increase market share and expand our leadership position within the arts and crafts industry. In support of this strategy, in 2016 we acquired Lamrite West, a privately-held company in Ohio with a wholesale division, a small sourcing office in China and a small retail chain called Pat Catan's Arts & Crafts Stores, which was operated as outlets for the wholesale business," said Chuck Rubin, Chairman and CEO of The Michaels Companies. "Over the last three years, we have delivered value through the significant expansion of our China-based sourcing team and the growth of our wholesale business. However, the Pat Catan's retail business has struggled in the face of industry headwinds."

"After a comprehensive review, we have decided to close all of the Pat Catan's retail stores. We expect to rebrand and reopen up to 12 stores as new Michaels stores in fiscal 2019, and we will continue to maintain a support center and distribution center in Strongsville, Ohio to support our growing wholesale business. We believe these changes will provide more value for customers and shareholders by enabling us to leverage a more consistent merchandise assortment and eliminate duplicative retail operating expenses," continued Rubin. "This was not an easy decision, and I am grateful for the contributions of our Pat Catan's Team Members. As we work through the closing process, we intend to provide employment opportunities or transition support for all Team Members."

Pat Catan's fiscal 2018 net sales are projected to be approximately \$111 million with no material impact on the consolidated Company's adjusted operating income, excluding the impact of any restructuring charges related to the Pat Catan's store closures. The Company expects the one-time after-tax cost of implementing these changes will be in the range of \$44 million to \$48 million, consisting primarily of costs associated with the termination of the remaining lease obligations, the write-off of fixed assets, costs

associated with liquidation, and employee-related expenses. The Company anticipates the vast majority of the costs will be recognized in the fourth quarter of fiscal 2018. The Company expects the one-time after-tax cash benefit of the changes will be in the range of \$20 million to \$25 million in fiscal 2019.

Fourth Quarter Outlook

Commenting on expectations for the fourth quarter, Rubin continued, "We are pleased with our performance this holiday season. For the nine-week fiscal period ending January 5, 2019, comparable store sales decreased 0.2%; on a calendar shifted basis, comparable store sales increased 2.3%. So far in January, we have seen more volatility in consumer shopping behavior than we initially expected. As a result, we now expect comparable store sales for the fourth quarter will be near the lower end of our previously provided guidance range of -0.5% to 0.5%, which includes an estimated 160-180 basis points of negative impact from the calendar shift, and adjusted diluted earnings per common share for the fourth quarter will be near the lower end of our previously provided guidance of \$1.42 and \$1.47, excluding any restructuring charges related to the Pat Catan's store closures."

The Company plans to report fourth quarter and fiscal 2018 earnings on March 19, 2019.

Non-GAAP Information

This press release includes expected diluted earnings per share excluding an estimated range for a restructuring charge related to the Pat Catan's store closures, net of related income taxes, ("Adjusted diluted earnings per share"), which is a non-GAAP measure. The Company does not provide an expected GAAP diluted earnings per share range or reconciliation of Adjusted diluted earnings per share range with a GAAP diluted earnings per share range because, without unreasonable effort, we are unable to predict with reasonable certainty the precise timing of the recognition of expenses associated with the closing activity. These items are uncertain, depend on various factors, and could have a material impact on GAAP EPS in future periods.

In evaluating these non-GAAP financial measures, investors should be aware that in the future the Company may incur expenses or be involved in transactions that are the same as or similar to some of the adjustments in this presentation. The Company's presentation of non-GAAP financial measures should not be construed to imply that its future results will be unaffected by any such adjustments. The Company has provided this information as a means to evaluate the results of its ongoing operations. Other companies in the Company's industry may calculate these items differently than it does. Each of these measures is not a measure of performance under GAAP and should not be considered as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

Forward-Looking Statements

This news release includes forward-looking statements, including those with respect to

comparable stores sales, adjusted diluted earnings per common share, the financial results of Pat Catan's stores, and the impact and benefit of the store closures, which reflect management's current views and estimates regarding the Company's industry, business strategy, and expectations concerning its market position, future operations, margins, profitability, capital expenditures, share repurchases, liquidity and capital resources, and other financial and operating information. The words "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "guidance," "imply," "intend," "may," "outlook," "plan," "potential," "predict," "project," and similar terms and phrases are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. The Company cannot assure investors that future developments affecting the Company will be those that it has anticipated. Actual results may differ materially from these expectations due to risks relating to the effect of economic uncertainty; substantial changes to fiscal and tax policies; our reliance on foreign suppliers; regulatory changes; the seasonality of our business; changes in customer demand; damage to the reputation of the Michaels brand or our private and exclusive brands; unexpected or unfavorable consumer responses to our promotional or merchandising programs; our failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information; increased competition including internet-based competition from other retailers; and other risks and uncertainties including those identified under the heading "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), which is available at www.sec.gov, and other filings that the Company may make with the SEC in the future. If one or more of these risks or uncertainties materialize, or if any of the Company's assumptions prove incorrect, the Company's actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by the Company in this news release speaks only as of the date on which the Company makes it. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

About The Michaels Companies, Inc.:

The Michaels Companies, Inc. is North America's largest specialty provider of arts, crafts, framing, floral, wall décor, and seasonal merchandise for Makers and do-it-yourself home decorators. The Company owns and operates more than 1,200 stores in 49 states and Canada under the brands Michaels, Aaron Brothers and Pat Catan's. Additionally, the Company serves customers through Michaels.com, consumercrafts.com and aaronbrothers.com. The Michaels Companies, Inc., also owns Artistree, a manufacturer of high quality custom and specialty framing merchandise, and Darice, a premier wholesale distributor in the craft, gift and decor industry. For a list of store locations or to shop online, visit www.michaels.com or download the [Michaels app](#).

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20190130005381/en/>

Investor Contact:

Kiley F. Rawlins, CFA

972.409.7404

Kiley.Rawlins@michaels.com

ICR, Inc.

Farah Soi

203.682.8200

Farah.Soi@icrinc.com

or

Financial Media Contact:

ICR, Inc.

Jessica Liddell/ Julia Young

203.682.8200

Michaels@icrinc.com

Source: The Michaels Companies, Inc.