The Michaels Companies

Q4 2019 Supplementary Slides

Great Place To Work® Certified JUL 2019–JUL 2020 USA

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THE MICHAELS COMPANIES

Forward-Looking Statements

This presentation contains forward-looking statements and are made pursuant to and within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended.

While these statements address plans or events which we expect will or may occur in the future, a number of factors could cause actual results to differ materially from our expectations. We refer you to and specifically incorporate the cautionary and risk statements contained in our press release issued March 17, 2020 and in our SEC filings. You are cautioned not to place undue reliance on these forward-looking statements which speak only as of March 17, 2020. We have no obligation to update or revise our forward-looking statements except as required by law, and you should not expect us to do so.

We also reference non-GAAP financial measures, including adjusted operating income, adjusted net income, adjusted diluted earnings per share, EBITDA and adjusted EBITDA. The Company has reconciled each measure to the most directly comparable GAAP measure in the fourth quarter and full year fiscal 2019 earnings release issued on March 17, 2020 and at the end of this presentation (appendix).

Contents

make people happy

do the right thing

keep it simple

have fun

give back

innovate and learn

spend smart

Q4 and FY19 Financial Performance Discussion

Q4 and Full Year 2019 Financial Performance

Key Financial Metrics	Q4 2019	Q4 2018	FY 2019	FY 2018
Net Sales	$1.72 billion	$1.79 billion	$5.07 billion	$5.27 billion
Comparable Store Sales	(2.4%)	(0.4%)	(1.9%)	+0.8%
Adjusted Operating Income*	$278.6 million	$333.2 million	$572.6 million	$671.7 million
Adjusted Diluted EPS*	$1.26	$1.44	$2.11	$2.35

*Please refer to appendix for reconciliation of non-GAAP financial measures to the respective GAAP measures.

Q4 and Full Year 2019 Performance

Strong early progress in implementing our Maker strategy during a challenging year

* Delivered Q4 and full year 2019 results in line with outlook provided on Q3 call
* Q4: Comparable store sales impacted by headwinds from underlying business trends and a shortened holiday selling period, which more than offset improved execution seen in December and January
* FY 2019: Sales impacted by Pat Catan's and Aaron Brothers stores closures, lower comparable store sales, and a decrease in wholesale revenue
* Strong, profitable ecommerce growth was supported by BOPIS, enhanced web capabilities and increased personalization
* Adjusted operating income negatively impacted by lower sales volumes, tariffs and promotional activity, partly offset by sourcing initiatives and lower performance-based compensation
* Strong balance sheet and attractive free cash flow generation continue to provide financial flexibility

Q4 Financial Performance

Metric	Q4 Fiscal 2019	Change vs. LY
Net Sales	$1,723M	(3.7%)
Gross Profit *Margin*	$646.0M *37.5%*	(9.6%) (250 bps)
SG&A	$370.8M	(2.7%)
Adjusted Operating Income* *Margin*	$278.6M *16.2%*	(16.4%) (240 bps)
Interest Expense	$37.8M	+0.6%
Effective Tax Rate	23.9%	+100 bps
Adjusted Net Income*	$185.1M	(18.5%)
Adjusted Diluted EPS*	$1.26	(12.5%)

*Please refer to appendix for reconciliation of non-GAAP financial measures to the respective GAAP measures.

- **Sales decline driven by:**
  - Comparable store sales decline
    - Underlying business trends and shorter holiday selling period (-)
    - Improved execution drove positive comp in December & January (+)
  - Pat Catan's store closures (-)
  - Decrease in wholesale revenue (-)
- **Gross Margin decline driven by:**
  - Increased promotional activity (-)
  - Tariffs and higher distribution related costs (-)
  - Sales mix shift towards technology and craft storage, which are lower margin than the box overall (-)
  - Deleveraged occupancy costs (-)
- **SG&A improvement driven by:**
  - Lower performance-based compensation/other payroll-related costs (+)
  - Pat Catan's store closures (+)
- **Effective Tax Rate higher due to** vesting/expiration of share-based compensation awards (-)

Fiscal 2019 Financial Performance

Metric	Fiscal 2019	Change vs. LY
Net Sales	$5,072.0M	(3.8%)
Gross Profit *Margin*	$1,872.3M *36.9%*	(7.5%) (150 bps)
SG&A	$1,304.3M	(3.5%)
Adjusted Operating Income* *Margin*	$572.6M *11.3%*	(14.7%) (140 bps)
Interest Expense	$154.1M	+4.8%
Effective Tax Rate	23.9%	+50 bps
Adjusted Net Income*	$323.8M	(19.9%)
Adjusted Diluted EPS*	$2.11	(10.2%)

*Please refer to appendix for reconciliation of non-GAAP financial measures to the respective GAAP measures.

- **Sales decline driven by:**
  - Pat Catan's and Aaron Brothers store closures (-)
  - Comparable store sales decline (-)
  - Decrease in wholesale revenue (-)
- **Gross Margin decline driven by:**
  - Increased promotional activity (-)
  - Tariffs and higher distribution related costs (-)
  - Sales mix shift technology and craft storage, which are lower margin than the box overall (-)
  - Deleveraged occupancy costs (-)
- **SG&A improvement driven by:**
  - Pat Catan's and Aaron Brothers store closures (+)
  - Lower performance-based compensation (+)
- **Interest Expense increase driven by:**
  - Higher interest rates associated with our 2027 senior notes (-)
  - Double interest during time between issuance of 2027 senior notes and redemption of senior subordinate notes (-)
  - Increase in settlement payments associated with interest rate swaps (-)
  - Partially offset by a decrease related to reduced borrowing on our revolving credit facility (+)
- **Effective Tax Rate higher due to** vesting/expiration of share-based compensation awards (-)

Balance Sheet/Cash Flow

Metric	Fiscal 2019	Change vs. LY
Cash	$410.0M	+$164.1M
Merchandise Inventory	$1.1B	-1.0%
Total Debt, Excluding Leases	$2.7B	-$36.5M
Total Debt, Including Leases	$4.3B	+$1.6B
TTM Total Debt/EBITDA	3.6x	3.2x
Interest Coverage LTM	3.7x	4.6x
Cash from Operating Activities	$493.2M	+$48.9M
Free Cash Flow	$373M	+$74.0M
FCF / Adj Net Income* Conversion Rate	1.2x	
Capital Expenditures	$120.5M	-$24.8

*Please refer to appendix for reconciliation of non-GAAP financial measures to the respective GAAP measures.

- Strong ending cash position of $410 million provides flexibility and liquidity cushion in uncertain times
- Cash from Operating Activities up 11% vs. fiscal 2018 driven by lower levels of working capital and lower tax payments
- Primary uses of cash in 2019:
  - Repurchased 11.6 million shares, or $105.1 million, under our share repurchase authorization
  - A.C. Moore transaction

Fiscal 2019 Progress Against Strategic Initiatives

Operational Progress

Foundation for everything is customer centricity

* **Build the business better**
  - Deployed all key assets to maximize the impact of planned events utilizing our digital, social media, marketing and store teams
  - Utilized weekly scripts during the quarter to markedly improve our "distribution center to shelf" process while laying the foundation for smoother transitions throughout 2020 and beyond
  - Drove strong growth in key Maker categories including Technology, Craft Storage and Fine Art

* **Leverage digital and data**
  - Fiscal 2019 E-commerce Revenue: $271M, 5% of total Revenue, up ~30% versus last year
    - In Q419, 45% of ecommerce sales through BOPIS
  - Recently launched e-commerce website in Canada drove strong results and customer satisfaction
  - Piloted an enhanced reward program that garnered positive customer feedback and drove low single-digit sales improvement in two test markets
  - On track to personalize 50% of customer emails by the end of 2020
  - Implemented order logic enhancements designed to reduce shipping costs through reduced split shipments and improved shipping efficiency

* **Reposition the business**
  - Opened Maker prototype store in McKinney, Texas
  - Designed to create an enhanced shopping experience for our Maker customer featuring a curated assortment, improved lay out and signage, enhanced services and a full complement of omnichannel capabilities

A.C. Moore Transaction Update

Our primary focus is to ensure successful sales transfer from closed A.C. Moore stores

- 19 A.C. Moore stores leased, 3 of which will be relocations of existing Michaels stores, resulting in a net store increase of 16. A majority of these stores will be re-opened under Michaels branding during fiscal second quarter of 2020.

- Select store teams focused on maximizing sales transfer from closed A.C. Moore locations - 80%+ of closing stores are within five miles of a Michaels store

- Expect the majority of the inventory liquidations to wrap up by end of fiscal first quarter after which, we believe we will start to see positive impact from the transaction

- Michaels has leased a distribution center in New Jersey in close proximity to Northeast stores and large portion of customers, expected to be up and running in early fiscal 2021

Looking Forward into FY 2020

Baseline Q1 2020 Outlook

	Q1 2020
Net Sales	$1.08B to $1.10B
Comparable Store Sales	-1.5% to 0.0%
Adjusted Operating Income*	$74M to $82M
Interest Expense	~$38M
Effective Tax Rate	23% to 24%

*Please refer to appendix for reconciliation of non-GAAP financial measures to the respective GAAP measures.

- Our first quarter outlook does not include any potential impact from coronavirus, which we are continuing to monitor closely.
- Currently, the Company anticipates no material supply chain disruption or shortages in Q1 2020.
- On the demand side, there has been some slowing of sales within a few specific categories over the past several days, but also signs of slightly increased ecommerce conversion.
- These are early observations and the Company will have more information as events unfold.

FY 2020 Drivers and Commentary

Given the rapidly changing potential impact of coronavirus, MIK is not providing Fiscal 2020 financial guidance

* Before the impact of the coronavirus, drivers for 2020 include:
  - the expected favorable impact of the A.C. Moore transition, particularly in the second half of the year; and
  - cost headwinds from a full year impact of tariffs and a return to normalized levels of performance-based compensation expense, of $45 million and $44 million, respectively

* Q2 adjusted operating income could be down as much as 50% when compared to adjusted operating income in the second quarter of 2019. The anticipated decline is primarily due to the benefit from higher margins ahead of the impact of tariffs in 2019, which the Company anticipates lapping by end of Q2 fiscal 2020

* As far as the cadence of the year, the Company currently expects the second half to be stronger than the first due to the completion of the A.C. Moore transition, anniversary of the majority of year-over-year impact of tariffs, and continued contributions from Maker Strategy initiatives

Appendix

Reconciliation of non-GAAP financial measures to the respective GAAP measures

Reconciliation of Adjusted EBITDA

	13 Weeks Ended		Fiscal Year Ended	
(in thousands)	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
Net cash provided by operating activities	$ 386,808	$ 418,442	$ 493,175	$ 444,256
Non-cash operating lease expense	(81,704)	—	(325,962)	—
Depreciation and amortization	(31,474)	(34,338)	(125,499)	(124,271)
Share-based compensation	(4,246)	(6,302)	(22,910)	(27,082)
Debt issuance costs amortization	(942)	(1,238)	(4,451)	(4,997)
Loss on write-off of investment	—	—	(5,036)	—
Accretion of long-term debt, net	(66)	133	129	518
Restructure and impairment charges	—	(59,960)	(48,332)	(104,238)
Deferred income taxes	(19,439)	(421)	(9,455)	(8,131)
Losses on early extinguishments of debt and refinancing costs	—	—	(1,316)	(1,835)
Changes in assets and liabilities	(67,286)	(134,913)	322,252	145,325
Net income	**181,651**	**181,403**	**272,595**	**319,545**
Interest expense	37,816	37,592	154,090	147,085
Income taxes	57,161	53,952	85,776	97,509
Depreciation and amortization	31,474	34,338	125,499	124,271
Interest income	(1,172)	(775)	(3,185)	(3,160)
EBITDA	**306,930**	**306,510**	**634,775**	**685,250**
Adjustments:				
Losses on early extinguishments of debt and refinancing costs	—	—	1,316	1,835
Share-based compensation	4,246	6,302	22,910	27,082
Restructure and impairment charges	—	59,960	48,332	104,238
Severance costs	431	—	5,607	902
Store pre-opening costs	238	423	4,608	4,417
Store remodel costs	94	74	337	5,153
Foreign currency transaction (gains) losses	(383)	672	276	(278)
Store closing costs	313	(187)	(156)	3,134
CEO transition costs [1]	3,668	—	9,236	—
Other [2]	2,173	880	6,661	2,916
Adjusted EBITDA	**$ 317,710**	**$ 374,634**	**$ 733,902**	**$ 834,649**

[1] CEO transition costs includes $5.6 million of severance paid to our previous CEO and a $3.7 million sign-on bonus for our new CEO.

[2] Other adjustments primarily relate to items such as moving and relocation expenses, franchise taxes, sign-on bonuses, directors fees and search costs.

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Reconciliation of non-GAAP financial measures to the respective GAAP measures

Reconciliation of GAAP basis to Adjusted operating income, Adjusted net income and Adjusted earnings per share

	13 Weeks Ended		Fiscal Year Ended	
(In thousands, except per share)	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
Operating income	**$ 274,957**	**$ 273,230**	**$ 515,037**	**$ 563,612**
Restructure and impairment charges and other (a)	—	59,960	48,332	103,935
Inventory write-down (b)	—	—	—	4,104
CEO sign-on bonus	3,668	—	3,668	—
CEO severance costs	—	—	5,569	—
Adjusted operating income	**$ 278,625**	**$ 333,190**	**$ 572,606**	**$ 671,651**
Net income	**$ 181,651**	**$ 181,403**	**$ 272,595**	**$ 319,545**
Restructure and impairment charges and other (a)	—	59,960	48,332	103,935
Inventory write-down (b)	—	—	—	4,104
CEO sign-on bonus	3,668	—	3,668	—
CEO severance costs	—	—	5,569	—
Write-off of investment (c)	—	—	5,036	—
Losses on early extinguishments of debt and refinancing costs	—	—	1,316	1,835
Interest on 2020 senior subordinated notes (d)	—	—	1,748	—
Tax adjustment for above items (e)	(257)	(14,245)	(14,489)	(26,224)
The Tax Act - adjustments for repatriation taxes and the revaluation of deferred tax assets (f)	—	—	—	987
Adjusted net income	**$ 185,062**	**$ 227,118**	**$ 323,775**	**$ 404,182**
Earnings per common share, diluted	**$ 1.24**	**$ 1.15**	**$ 1.78**	**$ 1.86**
Restructure and impairment charges and other (a)	—	0.38	0.32	0.60
Inventory write-down (b)	—	—	—	0.02
CEO sign-on bonus	0.02	—	0.02	—
CEO severance costs	—	—	0.04	—
Write-off of investment (c)	—	—	0.03	—
Losses on early extinguishments of debt and refinancing costs	—	—	0.01	0.01
Interest on 2020 senior subordinated notes (d)	—	—	0.01	—
Tax adjustment for above items (e)	(0.00)	(0.09)	(0.09)	(0.15)
The Tax Act - adjustments for repatriation taxes and the revaluation of deferred tax assets (f)	—	—	—	0.01
Adjusted earnings per common share, diluted	**$ 1.26**	**$ 1.44**	**$ 2.11**	**$ 2.35**

(a) Fiscal 2019 excludes charges related to the closure of our Pat Catan's stores and impairment charges recorded as a result of lower than expected operating performance in our wholesale business. Fiscal 2018 excludes charges related to the closure of our Pat Catan's and Aaron Brothers stores and $0.3 million of operating income from the operation of Aaron Brothers (prior to closing).

(b) Excludes an inventory write-down related to a product purchased from a third-party which did not meet the Company's quality standards.

(c) Excludes the write-off of an investment in a liquidated business.

(d) Excludes interest paid on our 2020 Senior Subordinated Notes during the period between the issuance of our 2027 Senior Notes and the redemption of our 2020 Senior Subordinated Notes.

(e) Adjusts for the tax impact of the restructure and impairment charges, the inventory write-down, the CEO sign-on bonus, severance charges related to the departure of the Company's former CEO, the write-off of an investment in a liquidated business, losses on early extinguishments of debt and refinancing costs and interest on a portion of our 2020 Senior Subordinated Notes.

(f) Excludes adjustments related to repatriation taxes for accumulated earnings of foreign subsidiaries and the revaluation of deferred tax assets resulting from the enactment of the Tax Cuts and Jobs Act of 2017.