ascena RETAIL GROUP INC.

Q3 FY17 Earnings Release Supplemental Material
June 8, 2017

dressbarn maurices Justice LANE BRYANT CATHERINES ANN TAYLOR LOFT LOU & GREY

Safe Harbor Statement

ascena
RETAIL GROUP INC.

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate, "estimate," "expect," "project," "plan," "we believe," "will," "would," "guidance," and similar words or phrases, and involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements.

Detailed information concerning those risks and uncertainties are readily available in the Company's filings with the U.S. Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Where indicated, certain financial information herein has been presented on a non-GAAP basis. This basis adjusts for non-recurring items that management believes are not indicative of the Company's underlying operating performance. These measures may not be directly comparable to similar measures used by other companies and should not be considered a substitute for performance measures in accordance with GAAP such as operating income and net income. Additionally, a reconciliation of the projected non-GAAP EPS, which are forward-looking non-GAAP financial measures, to the most directly comparable GAAP financial measures, is not provided because the Company is unable to provide such reconciliation without unreasonable effort. The inability to provide a reconciliation is due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. These GAAP measures may include the impact of such items as restructuring charges, acquisition and integration related expenses, asset impairments and the tax effect of all such items. As previously stated, the Company has historically excluded these items from non-GAAP financial measures. The Company currently expects to continue to exclude these items in future disclosures of non-GAAP financial measures and may also exclude other items that may arise (collectively, "non-GAAP adjustments"). The decisions and events that typically lead to the recognition of non-GAAP adjustments, such as actions under the Company's Change for Growth program, or acquisition and integration expenses, are inherently unpredictable as to if or when they may occur. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results. Reference should be made to today's earnings release for the nature of such adjustments and for a reconciliation of such non-GAAP measures to the Company's financial results prepared in accordance with GAAP.

Q3 FY17
Earnings Highlights

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	GAAP		Non-GAAP [a]	
	Q3 FY17	Q3 FY16	Q3 FY17	Q3 FY16
Comp Sales			(8%)	(4%)
Gross Margin	60.6%	60.9%	60.6%	60.9%
BD&O	20.0%	19.5%	19.9%	19.4%
SG&A	32.3%	32.1%	32.2%	32.0%
EPS	($5.29)	$0.08	$0.05	$0.15

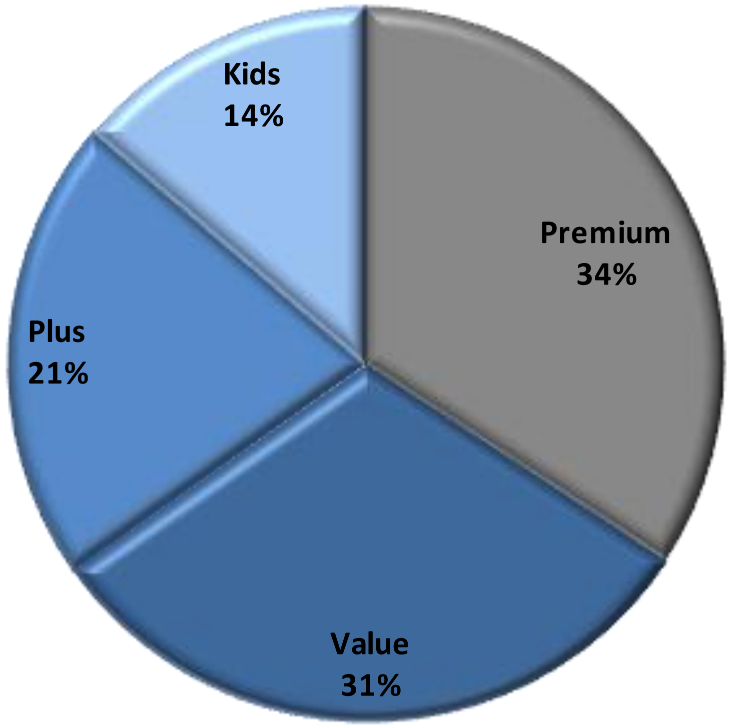
(a) Non-GAAP figures are adjusted to exclude restructuring and acquisition and integration expenses, non-cash purchase accounting entries, and non-cash goodwill and intangible asset impairment

Q3 FY17
Sales Summary

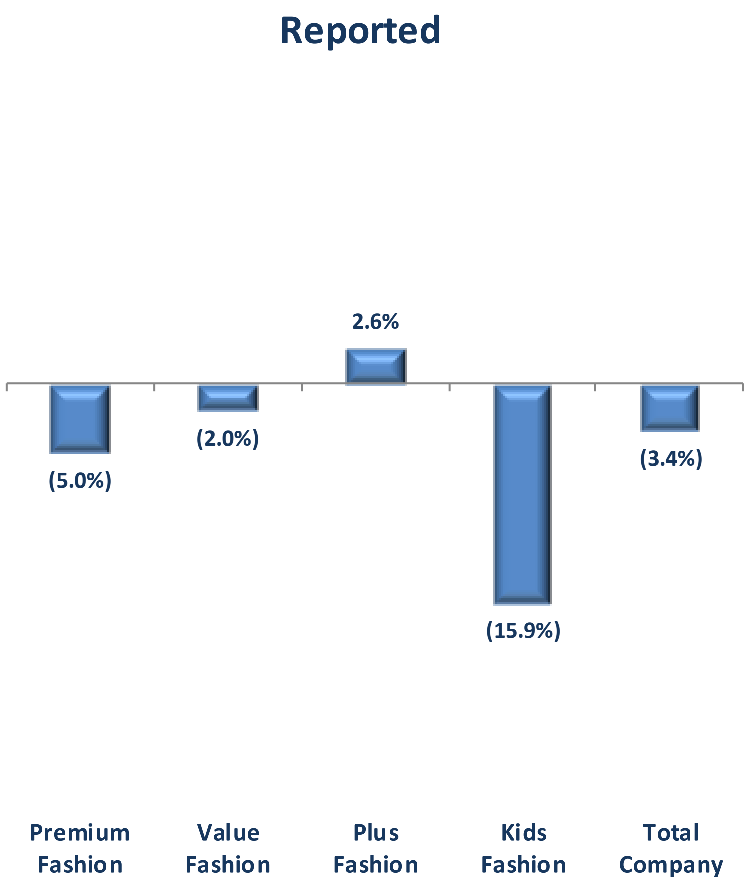
Comp Sales Performance

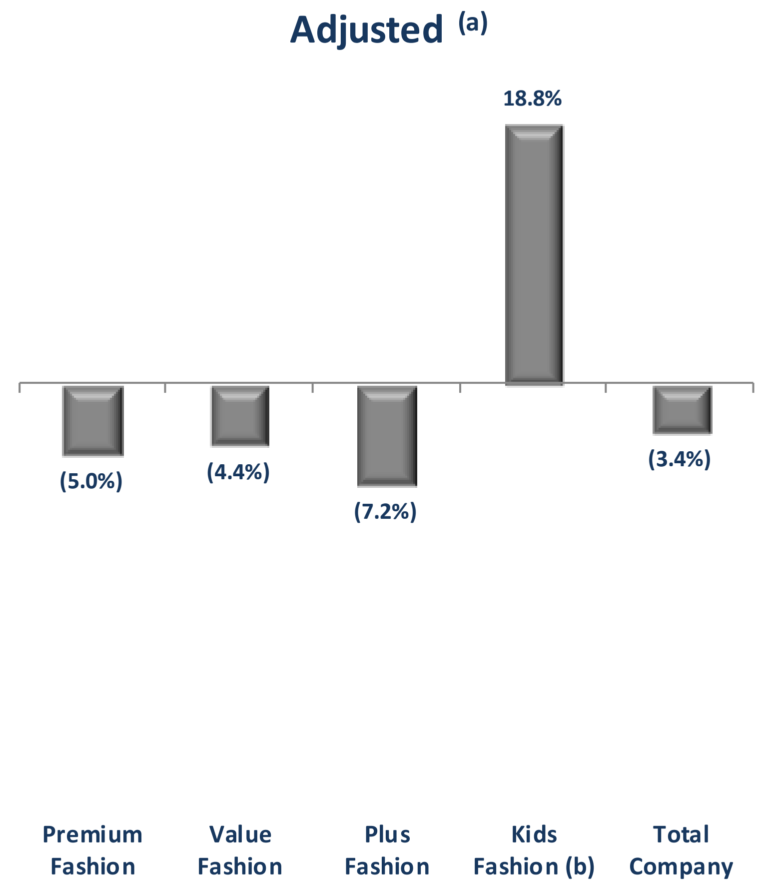
	Q3 FY17	Q3 FY16
Premium Fashion	**(7%)**	**(1%)**
Ann Taylor	(7%)	(5%)
LOFT	(6%)	2%
Value Fashion	**(10%)**	**(4%)**
maurices	(12%)	(6%)
dressbarn	(8%)	(2%)
Plus Fashion	**(10%)**	**(3%)**
Lane Bryant	(11%)	(1%)
Catherines	(6%)	(8%)
Kids Fashion	**(6%)**	**(11%)**
Total Company	**(8%)**	**(4%)**

Q3 FY17 Sales Mix



Q3 FY17
End-of-Period Segment Inventory





(a) *Inventory figures for the* ***Value***, ***Plus****, and* ***Kids Fashion*** *segments reflect differences of intercompany in-transit allocation from the* ***Kids Fashion*** *segment (importer of record) to the* ***Value*** *and* ***Plus Fashion*** *segments (~$6M and ~$20M, respectively) in the prior year*

(b) *Adjusted inventory at the* ***Kids Fashion*** *segment reflects ~$10M of earlier receipt flow than the prior year to support floorset timing (May week 1 vs. May week 3 in the year-ago period; excluding flow timing impact,* ***Kids Fashion*** *segment quarter-end inventory was up ~3%*

Q3 FY17
Capital Structure / Cash Flow

➢ Capital expenditures:	$52 million[(a)]
➢ Ending cash and equivalents:	$300 million[(b)]
➢ Ending debt:	$1,669 million[(c)]
➢ Ending net debt to TTM EBITDA :	~2.5x[(d)]
➢ TTM EBITDA cash interest coverage :	~6.3x[(d,e)]
➢ Current liquidity:	$749 million[(f)]

(a) Excludes change in period end accruals ($17.8 million as of Q2 FY17 and $18.4 million as of Q3 FY17)
(b) Of total $300 million, $251 million (~84%) held outside the U.S.
(c) Reflects $1,597 million in remaining term loan balance and $73 million drawn on $600 million asset-based revolver
(d) Ending debt net of cash and equivalents to TTM non-GAAP EBITDA of $543 million
(e) Based on TTM average Term Loan balance of $1,636 million and TTM average interest rate of 5.29%
(f) Ending cash and equivalents plus $449 million of availability under the asset based revolver

Real Estate Summary

	Store Locations End of Q2	Q3 FY17 Store Locations Opened	Q3 FY17 Store Locations Closed	Q3 FY17 Store Locations End of Q3	Q3 FY16 Store Locations End of Q3
Premium Fashion	**1,006**	**1**	**(8)**	**999**	**1,020**
Ann Taylor	328	0	(3)	325	340
LOFT	678	1	(5)	674	680
Value Fashion	**1,807**	**5**	**(9)**	**1,803**	**1,801**
maurices	1,012	4	(4)	1,012	979
dressbarn	795	1	(5)	791	822
Plus Fashion	**1,139**	**1**	**(10)**	**1,130**	**1,136**
Lane Bryant	770	1	(4)	767	763
Catherines	369	0	(6)	363	373
Kids Fashion	**926**	**1**	**(9)**	**918**	**938**
Total Company	**4,878**	**8**	**(36)**	**4,850**	**4,895**

Q3 Results vs. 3/6/17 Guidance
Non-GAAP Basis

	Actual	Guidance
Total Company Sales	$1.566B	$1.600 to $1.650B
Gross Margin	60.6%	60.5% to 61.0%
Operating Income	$43M	$45 to $60M
Interest expense [(a)]	$25M	~$24M
Effective tax rate	44%	41%
Diluted share count	195M	196M
EPS	$0.05	$0.07 to $0.12

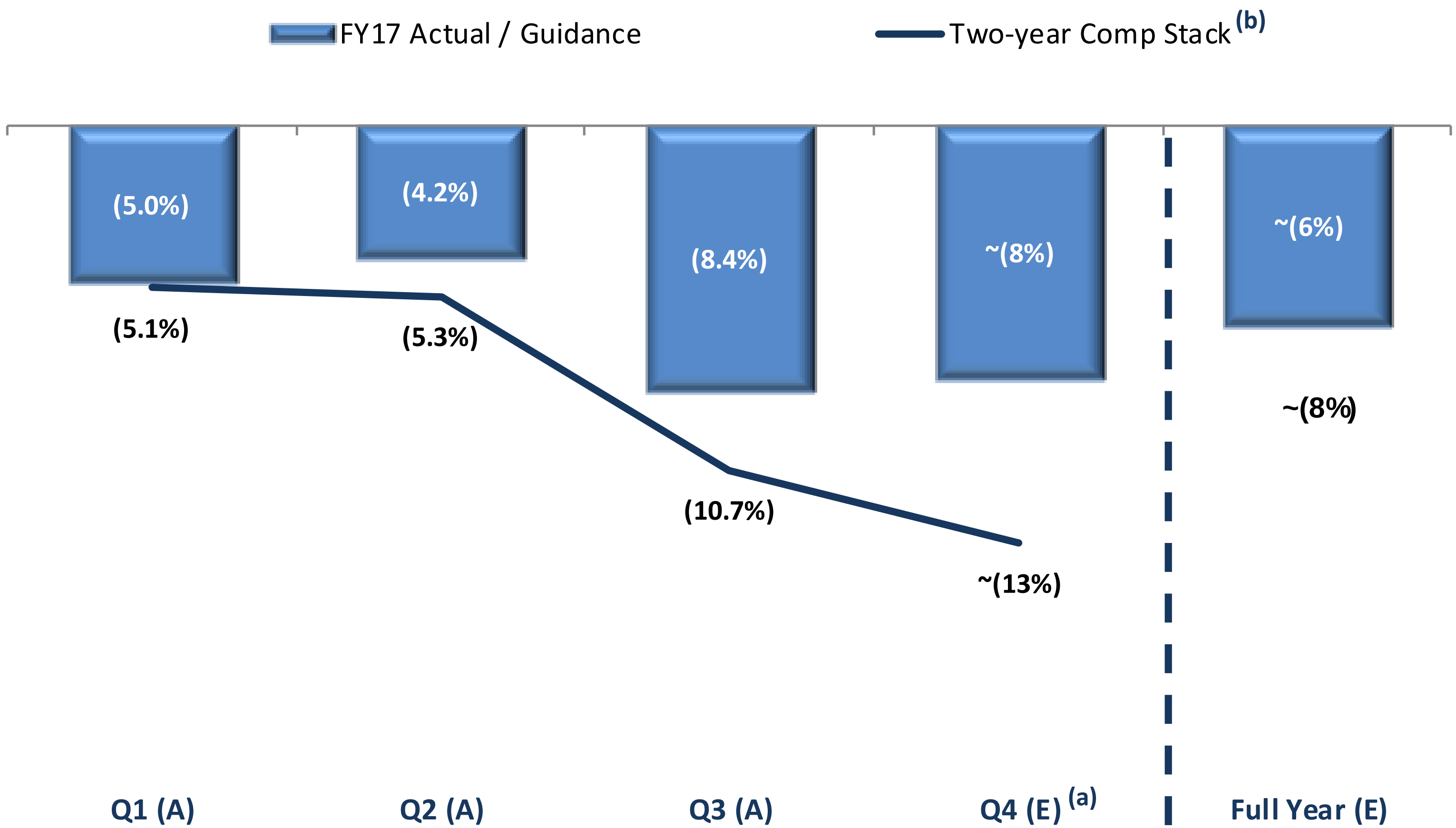
(a) Included ~$3M in deal cost amortization, consistent with guidance

Q4 and Full Year Fiscal 2017 Guidance - Non-GAAP Basis

	Q4 FY17	Full Year FY17
Total Company Sales	$1.575 to $1.625B	$6.575 to $6.625B
Comparable Sales	Down ~8%	Down 7% to Down 6%
Gross Margin	56.5% to 57.0%	57.7% to 58.0%
Depreciation and amortization	~$87M	~$350M
Operating Income	$0 to $15M	$135 to $150M
Interest expense [(a)]	~$25M	~$100M
Effective tax rate	45%	43%
Diluted share count	196M	196M
EPS	($0.06) to ($0.01)	$0.10 to $0.15

(a) *Inclusive of non-cash interest of approximately $3M and $12M (Q4 and full year, respectively) related to the amortization of the term loan original issue discount and debt issuance costs*

Full Year FY17 Guidance - Quarterly Comp Sales Progression



(a) Q4 comp outlook assumes continuation of negative high single digit comps and deceleration of the two-year comp stack
(b) Two-year comp stack excludes Justice FY16 comp progression, due to selling strategy reset implemented in July 2015

Anticipated Platform Savings

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$M		FY15	FY16	FY17	FY18	FY19	FY20	Total
	ANN Synergies							
SG&A	Non-merch procurement		9.3	24.4	17.7			**51.4**
	Supply chain							
BD&O	Distribution / fulfillment			12.9	5.2	1.7		**19.9**
COGS	Transportation / logistics			25.7	13.6	4.1		**43.4**
	Organizational efficiency							
SG&A	Duplicative management teams		14.0	4.9				**18.9**
SG&A	Employment benefit realignment		3.1	3.9	3.7	3.7		**14.3**
SG&A	Public company costs		2.1					**2.1**
	ANN Cost Savings							
SG&A	SG&A optimization	7.4	27.6					**35.0**
COGS	COGS initiative			25.0	25.0			**50.0**
	Total ANN Savings	**7.4**	**56.1**	**96.9**	**65.1**	**9.4**	**0.0**	**235.0**
	Change for Growth							
	Operating model							
SG&A	Front office efficiencies			25.0	35.0	0.0		**60.0**
SG&A	Corporate efficiencies			5.0	15.0	20.0		**40.0**
SG&A	Non-merch procurement			17.0	30.0	45.0	8.0	**100.0**
BD&O	Real estate			5.0	15.0	15.0	15.0	**50.0**
SG&A	IT efficiencies				5.0	35.0	10.0	**50.0**
	Total Change For Growth	**0.0**	**0.0**	**52.0**	**100.0**	**115.0**	**33.0**	**300.0**
	Total Platform Savings	**7.4**	**56.1**	**148.9**	**165.1**	**124.4**	**33.0**	**535.0**
	Total Cumulative Achieved Savings	**7.4**	**63.5**	**212.4**	**377.6**	**502.0**	**535.0**	**535.0**

$235M

$300M[a]

(a) Represents top of the $250M - $300M range

Fleet Optimization Update

Fleet optimization program – overall analytic framework

Variable	Assumption / Criteria
➢ Time horizon	Five years
➢ Discount rate	10% (~ASNA WACC)
➢ Store comp outlook	Negative mid-single digit CAGR
➢ Sales transfer[(a)]	10%
➢ Closure decision[(b)]	Cash-based NPV

(a) Represents lower bound of range; upper bound of range is ~30%

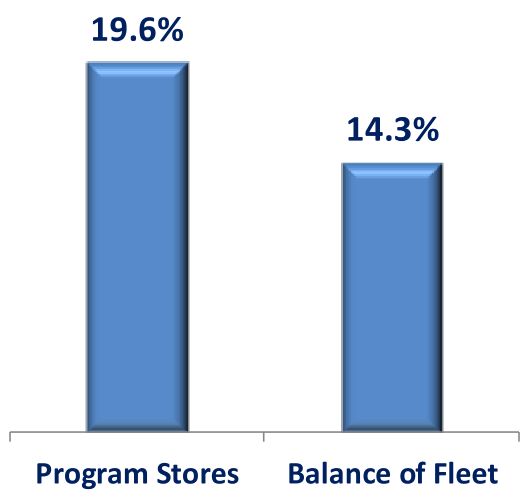
(b) NPV on closure decision contingent upon landlord concession in line with store-specific occupancy reduction targets; actual closure date determined based on maximization of cash flow

Fleet optimization program – overall program store opportunity

- Cumulative financial opportunity across **<u>667 stores</u>** comprised of:
  - Rent concessions: cumulative addressable program store occupancy expense of ~$110M
    - Aligning occupancy expense rate of program stores with balance of chain represents ~$30M opportunity
    - Additional target concessions of $20M needed to close overall contribution gap to balance of chain, due to lower program store selling productivity, and resulting higher store expense rate
  - Working capital: $55M tied up in program stores, supporting ~$550M in annual sales
  - Improved productivity: lower bound 10% sales transfer to remaining store network

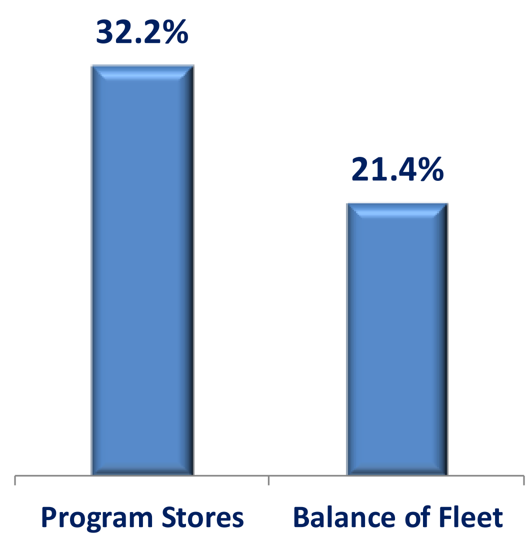
Occupancy Rate

(% of sales)



Store Expense Rate*

(% of sales)



* *Store Expense driven primarily by store payroll*

Fleet optimization program – additional considerations

- Overall program store population will flex up or down over time based on:
  - General store traffic environment
  - Landlord participation in rent reduction program
  - Realized sales transfer to remaining store network
  - Sector demand consolidation (local market and brand-specific)

- Current population of **667 program stores*** classified as follows:
  - Hard close (100% exit); **268 stores**
  - Rent relief / close (binary decision - exit unless pre-determined rent concession and lease term is achieved from landlord); **399 stores**

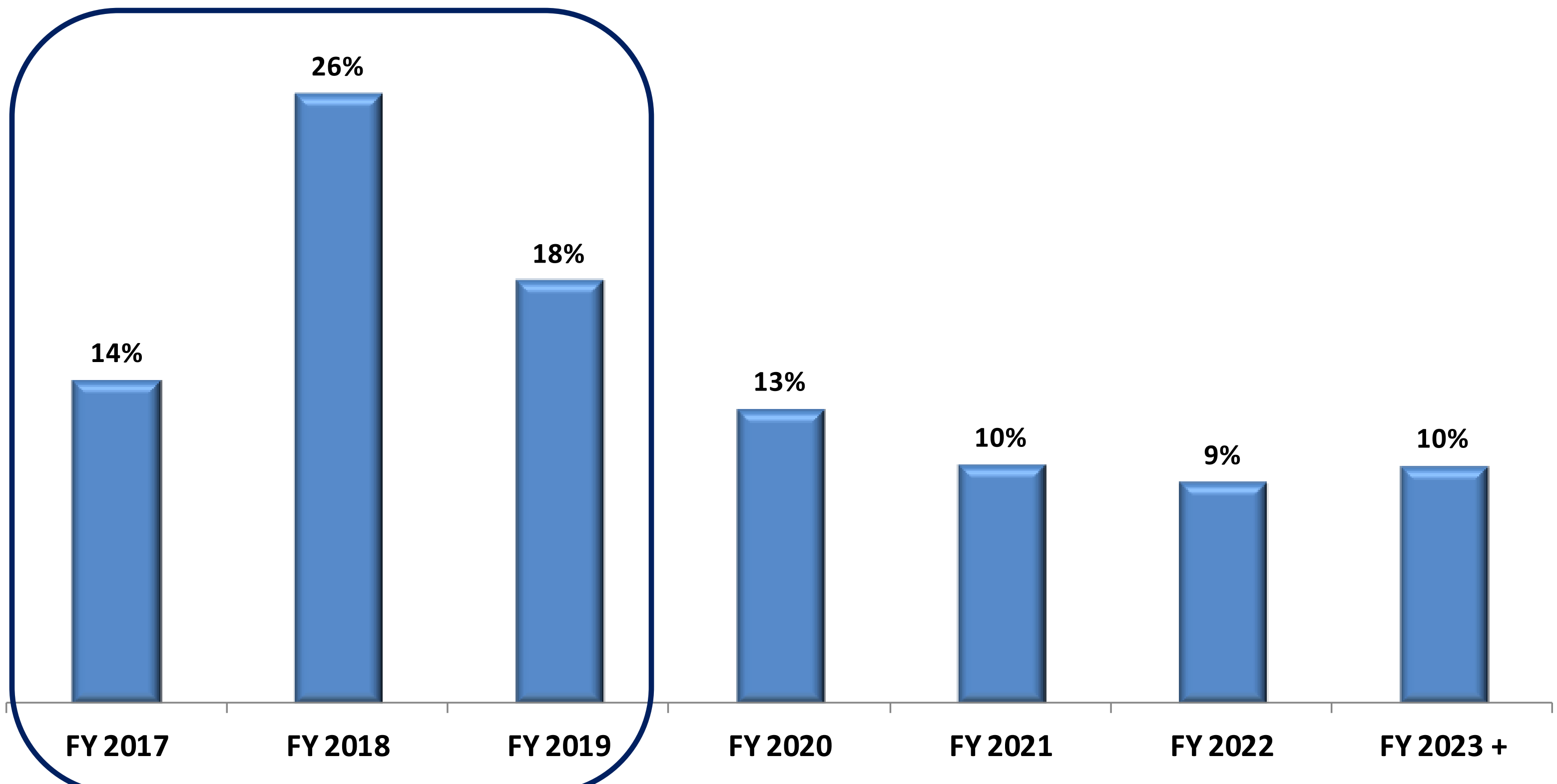
- Balance of program benefit between EBITDA and working capital will be determined by ultimate number of closures, and achievement level of rent reduction program targets

- Actual store closure dates will be based on maximizing free cash flow at the individual store level

* *Identified program stores each have lease action dates that occur before July 2019; 71 stores have been closed since inception of program activity, which started in January 2017 following consolidation of brand real estate teams into single ASNA team*

Fleet optimization program – a near term opportunity…

- Roughly 60% of the fleet leases either expire or have actionable kick-outs from FY17-FY19; program stores represent ~25% of the addressable stores during this period
- Over 1,300 leases either expire or have **actionable** kick-outs over the next 12 months (June '17 – May '18)



Fleet optimization program – program store characteristics

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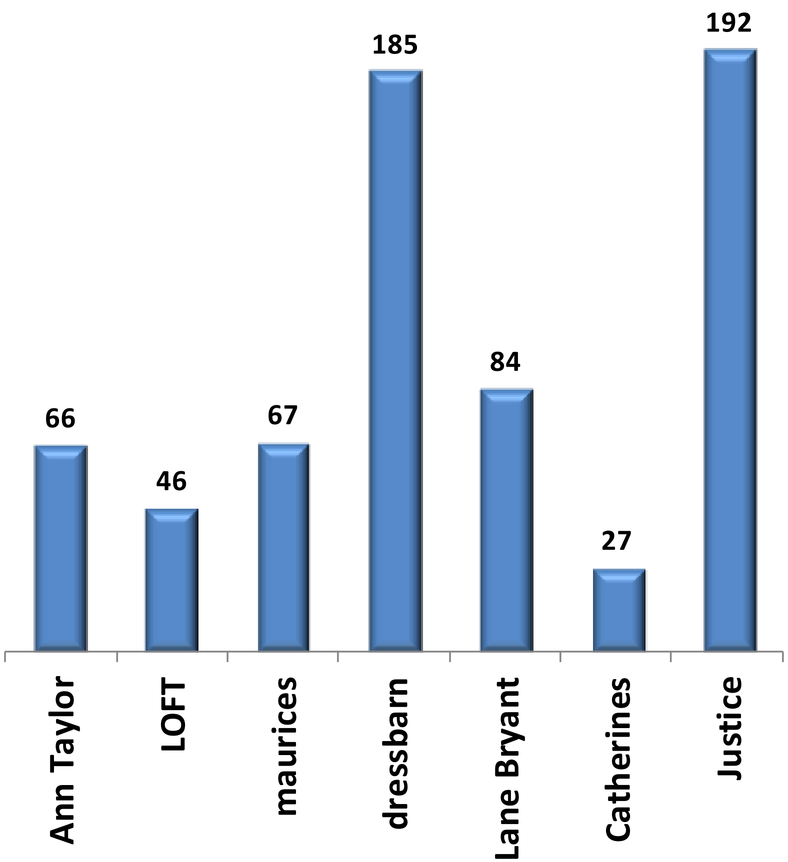
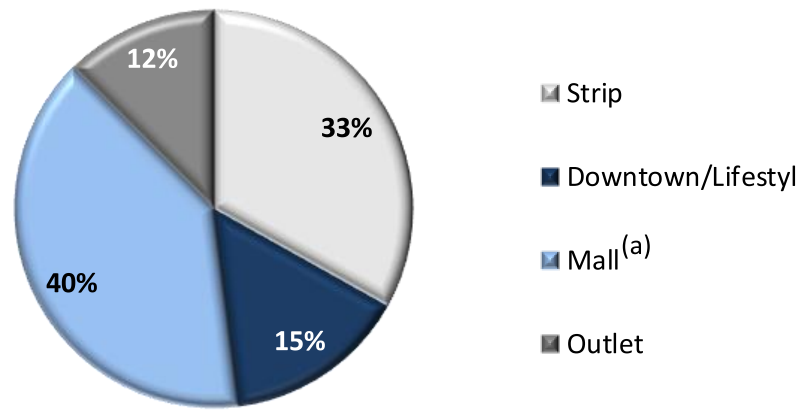
By Brand



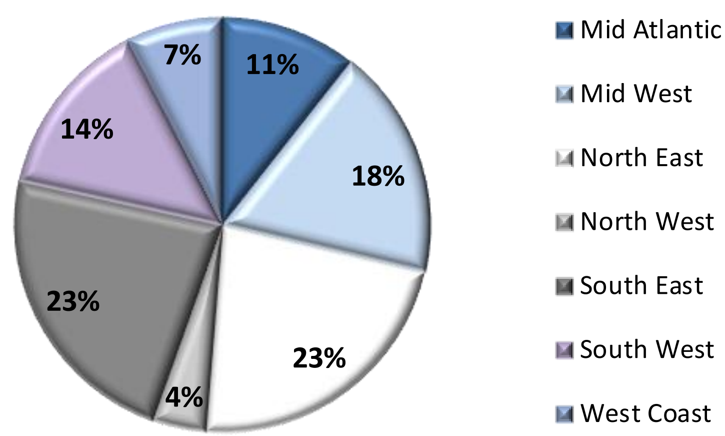
% of Program Stores	10%	7%	10%	28%	13%	4%	29%

By Format



(a) Program stores 50% 'B' malls; 'A' and 'C' malls 25% each

By Region



Fleet optimization program – store closure sensitivity

- Expected EBITDA benefit from combination of:
  - Occupancy savings (from rent reduction at program stores that remain open) and
  - Increased store productivity (sales transfer from closed store to remaining fleet)
- Most favorable outcome represented by 100% rent concession target achievement scenario
  - Annual EBITDA benefit range depends on level of landlord participation
  - Lower bound sales transfer rate of 10% used to develop Sales Transfer / Productivity estimates until transfer model results are validated with actual closures; analytic model suggests transfer rate up to ~30%

	Rent Concession Achievement (% of target)					
	0%	30%	40%	50%	60%	100%
Store Closure Count	667	547	507	468	428	268
Annual EBITDA benefit - Negotiated Occupancy Reduction ($M)	$0	$15	$20	$25	$30	$50
Annual EBITDA benefit - Sales Transfer / Productivity ($M)	$25	$21	$19	$18	$16	$7
One time benefit - Working Capital Release	$56	$46	$42	$39	$36	$16