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CITI TRENDS (CTRN) – Bucking the Trend

Long Thesis

- Niche off-price apparel retailer generating solid same-store sales and EBITDA growth (a rarity in today's retail climate) trading at an embarrassingly inexpensive 4.0X EBITDA multiple
- Fortress balance sheet overcapitalized with ~33% of market capitalization in cash with zero debt and substantial annual free cash flow generation
- Shares collapsed ~20% for no identifiable reason into Q2 earnings report and have yet to retrace losses despite impressive Q2 numbers and guidance, a rare bright spot in the struggling retail landscape
- Concluded messy but ultimately value creating fight with activist fund whereby activist investor landed a Board seat and already has catalyzed shareholder friendly changes
 - CTRN announced a \$25M authorization on 04/10/17 and aggressively exhausted the entire program in Q2 17 by retiring 8% of diluted shares outstanding
 - CTRN upped their dividend by 33%
 - CEO resigned in March 2017
- Compelling value under status quo with even greater NPV under either of two scenarios:
 - Represents a very interesting acquisition target with interim CEO (very competent existing COO/CFO) and activist in place
 - EC's proprietary LBO analysis suggests upside to \$28 in a go-private transaction
 - Becomes consolidator in fragmented sector
- Bloomberg and other data providers overstate CTRN's enterprise value and therefore also its trading multiples. We believe CTRN trades a full 1.0X below reported
- While Amazon is transforming the retail universe, they will be challenged to capture CTRN's core customer who often lacks a credit card, secure delivery sites, or interest in e-commerce
- Owns unencumbered real estate in the southeastern United States worth ~12-15% of current enterprise value
- Benefits immensely from potential tax reform given their ~37% effective tax rate and 100% domestic revenues

For several years, CTRN was viewed as a growth stock and assigned growth multiples ranging from 8-12X EBITDA for periods in 2013-2015. Following two years of growing pains and operational fixes, CTRN has returned to growth, yet shares languish with distressed valuation multiples currently ascribed to secularly declining mall-based retailers. Its microcap market capitalization and lack of analyst coverage only contribute to the market's indifference. We believe CTRN deserves to sit in the off-price department store universe, comprising companies like TJX, ROST, and BURL, a sub-sector outperforming in terms of fundamentals, share price performance, and valuation multiples.

We triangulate a valuation range of ~\$27-\$37 per share, which ascribes zero value to tax reform or CTRN's owned real estate (worth ~\$1.50 per share).

Business Overview

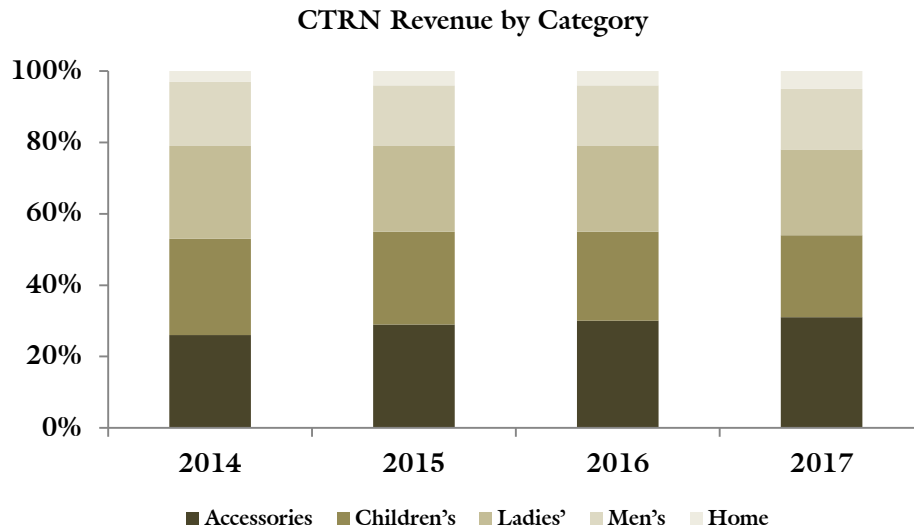
Citi Trends operates 545 off-price, urban apparel stores largely located in the southeastern United States. Unlike struggling mall-based retailers, CTRN stores are located primarily in strip centers and street fronts at the heart of their urban customers' communities.



Source: CTRN investor relations website

By offering brands and fashion 20-70% below mall and specialty stores to large customer base with favorable demographics, CTRN has managed to buck the negative trends in retail. CTRN caters largely to moderate income African American families (a growing population with even faster growing incomes) in their communities as opposed to the mall.

CTRN's revenues comprise five key categories with nearly 80% of revenues from Accessories, Ladies', and Children.



CTRN sources flexibly from numerous buyers similar to its off-price peers. While they tend to pay their vendors quickly to achieve better pricing, they likely could quickly and easily increase their cash flow by paying suppliers on more normalized timelines, an upside opportunity not factored into our analysis.

Though not immune to competition, CTRN does operate a truly unique retail models by offering the buying power, brands, and prices of national off-price players with the environment of a local specialty store.



Source: CTRN investor relations website

Furthermore, while their core customer is experiencing strong demographic tailwinds, they have not migrated online to Amazon and other e-commerce stores for a variety of reasons including lack of credit cards (CTRN processes a very high percent of cash transactions) and secure delivery sites. Like other off-price retailers, CTRN offers consumers more of a treasure hunt that is difficult to replicate online and also tend to spend very close to need and/or when funds become available. This is clearly apparent when looking at the impact of events like annual federal tax distributions/returns, a source of transient seasonal volatility for CTRN. While Amazon focuses on Prime, CTRN continues to focus on their underserved and ignored customers.

Financial Overview

CTRN has grown from a 200 store ~\$200M revenue business in 2004 to a 550 store ~\$700M revenue business. Today, CTRN commands a tiny \$170M enterprise value versus an enterprise value of more than \$650M when viewed as a growth company.

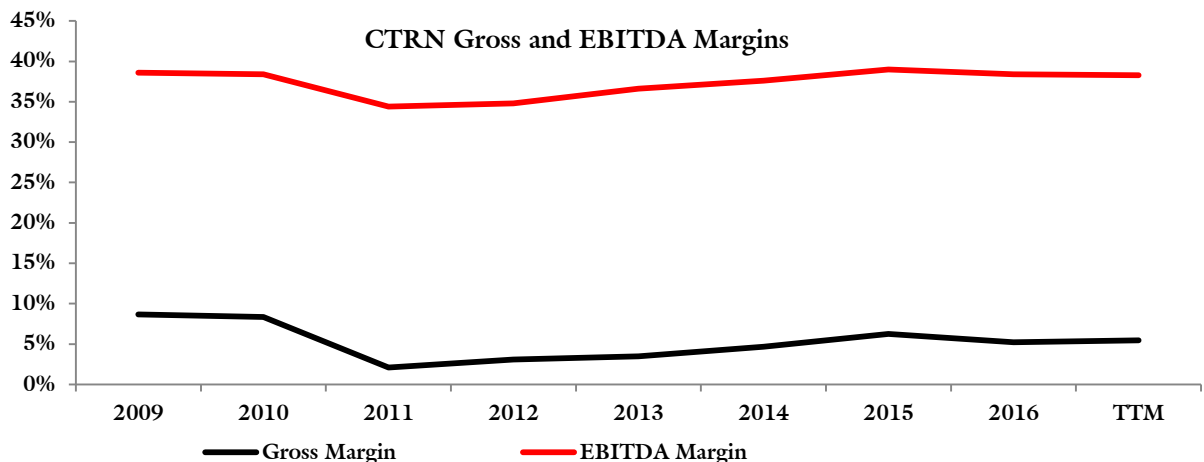
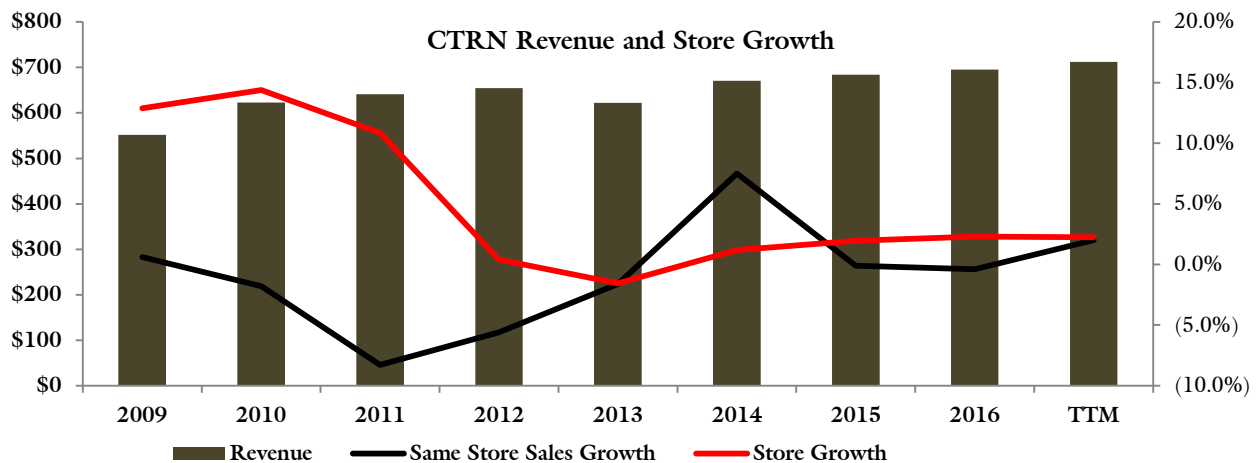
Share Price	\$19.00
Pro Forma Diluted Shares	13.6
Market Capitalization	\$258.1
Cash	\$30.2
ST Investment Securities	\$32.7
LT Investment Securities	\$26.7
Debt	—
Enterprise Value	\$168.5

CTRN has returned to top-line and bottom-line growth after a few years of growing pains and operational issues. Results in recent quarters have only re-affirmed this trend, which we expect to continue for the foreseeable future. Despite its operations turning the corner, CTRN’s valuation remains depressed with EBITDA multiples of ~4.0X.

In addition, CTRN owns a fortress balance sheet with nearly \$90M of cash (>30% of market cap) and no debt.

	HISTORICAL				CONSENSUS	
	01/31/15	01/30/16	01/28/17	07/29/17	01/31/18	01/31/19
Revenue	670.8	683.8	695.2	712.4	740.0	753.0
Gross Margin	37.6%	39.0%	38.4%	38.3%	38.4%	38.5%
EBITDA	33.1	41.9	36.6	38.8	43.3	45.2
Adjusted Net Inc.	9.0	15.5	13.3	13.4	17.3	18.2
Adjusted EPS	0.60	1.03	0.91	0.91	1.22	1.33
CFO	40.3	27.5	39.7	43.8	n/a	n/a
CAPEX	(11.0)	(19.6)	(23.9)	(26.8)	--	--
FCF	29.3	7.9	15.8	16.9	n/a	n/a
Cash	110.1	94.2	118.2	89.6		
Debt	0.0	0.0	0.0	0.0		
Net Debt (Cash)	(110.1)	(94.2)	(118.2)	(89.6)		
TEV/Revenue	0.25x	0.24x	0.24x	0.23x	0.23x	0.22x
TEV/EBITDA	5.0x	4.0x	4.6x	4.3x	3.9x	3.7x
Adjusted P/E	31.7x	18.4x	20.9x	20.9x	15.6x	14.3x
FCF Yield	10.7%	2.9%	5.8%	6.2%	n/a	n/a

We provide some longer-term context to illustrate the growing pains endured due to overly aggressive store builds which eroded margins and same store growth.



Since that bump, CTRN has reset growth to a more sustainable pace. As store growth has slowed, comps and margins have rebounded.

More specifically, CTRN has turned its same store sales positive in recent quarters and seen widespread improvements across categories, a rarity in retail today.

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Same Store Sales	8/1/2015	10/31/2015	1/30/2016	4/30/2016	7/30/2016	10/29/2016	1/30/2017	4/30/2017	7/31/2017
CTRN	3.9%	(0.5%)	(5.0%)	(2.7%)	(1.0%)	(1.0%)	3.4%	1.0%	4.6%
Accessories	6.0%	3.0%	(2.0%)	4.0%	4.0%	0.0%	2.0%	2.0%	7.0%
Children's	(1.0%)	(3.0%)	(8.0%)	(8.0%)	(8.0%)	(7.0%)	(1.0%)	(6.0%)	1.0%
Women's	7.0%	(3.0%)	(8.0%)	(9.0%)	(6.0%)	(2.0%)	3.0%	0.0%	4.0%
Men's	(1.0%)	(3.0%)	(7.0%)	(2.0%)	0.0%	(1.0%)	6.0%	4.0%	2.0%
Home Decor	17.0%	14.0%	10.0%	22.0%	30.0%	34.0%	29.0%	26.0%	25.0%

Q2 2017 Results

CTRN reported very impressive Q2 results especially in terms of same store sales. Same store sales increased 4.6% for the quarter and are trending up ~5% into the current quarter accelerating from a 1% increase in Q1. All 5 categories comped positively for the first time since Q4 2014. As impressive, comps were driven by a 3% increase in the number of transactions and a 2.5% increase in the average number of items per transaction.

Gross margins remained largely flat and EBITDA margins expanded year-over-year rendering the strong top-line growth even more impressive (i.e., the comps were not bought with margin). We also note that CTRN posted positive EPS in a quarter that generally results in negative net income due to strong margins and top-line performance.

	Q2 16	Q2 17	Δ
Revenue	\$155.3	\$166.2	7.0%
Gross Margin	38.72%	38.52%	(20.0)
Cash SG&A	\$56.0	\$58.9	5.1%
EBITDA	\$4.1	\$5.1	25.2%
EBITDA Margin	2.6%	3.1%	44.8
EPS	(\$0.01)	\$0.03	
Stores	530	545	
Same Store Sales	(1.0%)	4.6%	560.0

In a quarter where companies like Urban Outfitters were rewarded for merely producing less negative same store sales and earnings, we remain baffled by CTRN's share performance. CTRN unexplainably collapsed ~20% before Q2 earnings (likely due to macro retail worries and to, a lesser extent, concerns about CTRN's ability to meet expectations) and has yet to reclaim that share price decline despite strong Q2 results and unexpectedly aggressive share repurchases.

Activism and Shareholder Return of Capital

In March 2017, Macellum Advisors nominated four directors for election to CTRN's board after which CTRN and Macellum engaged in a somewhat messy confrontation through a series of publicly issued letters to shareholders. During this process, CTRN's CEO resigned and an interim CEO was installed (existing and very qualified CFO/COO). In late May 2017, Macellum's managing partner was elected to the board despite the opposition of CTRN's existing board members. We were disappointed that the very generously paid board elected to spend \$2M of shareholder capital fighting a shareholder with a demonstrated track record in retail. We welcome this shake-up as it helps ensure that shareholder interests are prioritized.

Thus far, Macellum's activism has resulted in:

- Resignation of CEO Jason Mazzola in March 2017 and installation of interim CEO (current CFO) – blood is floating in the water
- Authorization for \$25M of share repurchases which was exhausted aggressively in a single quarter (Q2)
- Increase of 33% in dividend
- Reported stellar Q2 results

We expect more positive proceedings from a motivated activist and refocused management team. We also note that CTRN has yet to authorize a new repurchase authorization, a situation that should be remedied in the near-term.

Though our base case assumes that CTRN will continue as a standalone business, we believe that CTRN be taken private (possibly in the near term especially without a permanent CEO in place) if the shares continue to underperform.

Overstated Market Capitalization and Enterprise Value – the True Multiples

CTRN repurchased 1,197,000 shares in Q2 2017; however, only a fraction of that repurchase is reflected in Q2 income statement while the cash balance fully reflects the repurchases. We calculate CTRN’s actual share count as 13.6M shares vs. Q2 2017’s reported 14.4M shares. At CTRN’s share price, this discrepancy equates to ~\$15.2M or >\$1.00 per share which will be formally “remedied” when CTRN reports Q3 in mid-November.

<i>Shares in Millions</i>	<u>Q1 2017A</u>	<u>Q2 2017A</u>	<u>PF Q3 2017</u>
Basic Shares Outstanding	14.719	14.382	13.583
Diluted Shares Outstanding	14.780	14.382	13.583
 Δ Shares from Q1 2017			
Basic		(0.337)	
Diluted		(0.398)	
Actual Shares Repurchased		1.197	
To be deducted from Q3		0.799	

In addition, Bloomberg and other financial data service providers **understate** CTRN’s cash & equivalents balance in their enterprise value calculations. CTRN carries ~\$27M (~\$2 per share) of liquid, long-term investment securities (largely US treasury bonds/notes and bank certificates of deposit) which are not included in CTRN’s enterprise value for reasons that baffle us. If we include this cash-like line-item, CTRN’s enterprise value and valuation multiples based on enterprise value (i.e., TEV to EBITDA) shrink by ~14% without any change to business fundamentals.

As of July 29, 2017

	<u>Amortized Cost</u>
Long-term:	
Obligations of the U. S. Treasury (Level 1)	\$ 14,971
Obligations of states and municipalities (Level 2)	60
Bank certificates of deposit (Level 2)	11,717
	<u>\$ 26,748</u>

Incorporating the true share count and cash & equivalents balance, we estimate that CTRN’s enterprise value to EBITDA multiples are overstated by more than 1.0X. Whereas Bloomberg shows a 4.9X forward multiple, we argue that the true multiple is 3.9X, a full turn lower.

	<u>Bloomberg</u>	<u>EC</u>	<u>Δ</u>
Share Price	\$19.02	\$19.02	
Diluted Shares	14.38	13.58	(0.80)
Market Capitalization	\$273.5	\$258.3	(\$15.2)
Cash	\$30.2	\$30.2	\$0.0
ST Investments	\$32.7	\$32.7	\$0.0
LT Investments	\$0.0	\$26.7	\$26.7
Debt	\$0.0	\$0.0	\$0.0
Enterprise Value	\$210.7	\$168.7	(\$41.9)

Enterprise Value to:

TTM EBITDA	5.5x	4.4x	(1.1x)
Consensus 2017E EBITDA	4.9x	3.9x	(1.0x)

EC Estimates

We analyze CTRN's earnings power under a range of scenarios. At 4.6X our low case and ~4.0X our base case, CTRN is trading at an unwarranted discount to a growth retailer insulated from online headwinds.

	2016	TTM	2017 EC Estimates			2018 EC Estimates		
	Actual	Actual	EC Low	EC Base	EC High	EC Low	EC Base	EC High
Revenue	\$695.2	\$712.4	\$695.2	\$723.0	\$743.8	\$695.2	\$751.9	\$795.9
Revenue Growth	1.67%	4.16%	-	4.00%	7.00%	-	4.00%	7.00%
Gross Margin	38.41%	38.27%	38.20%	38.30%	38.40%	38.20%	38.30%	38.40%
Cash SG&A	\$230.4	\$233.8	\$228.9	\$236.8	\$241.6	\$228.9	\$244.3	\$253.6
EBITDA	\$36.6	\$38.8	\$36.6	\$40.1	\$44.1	\$36.6	\$43.6	\$52.0
EBITDA Margin	5.3%	5.4%	5.3%	5.5%	5.9%	5.3%	5.8%	6.5%
Cash Interest	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
Cash Taxes	(\$4.7)	(\$3.7)	(\$3.5)	(\$3.9)	(\$4.2)	(\$3.5)	(\$4.2)	(\$5.0)
Change in Working Capital	\$7.9	\$8.8	-	-	-	-	-	-
Operating Cash Flow	\$39.7	\$43.8	\$33.0	\$36.1	\$39.7	\$33.0	\$39.3	\$46.9
CAPEX	(\$23.9)	(\$26.8)	(\$24.0)	(\$24.0)	(\$24.0)	(\$18.0)	(\$18.0)	(\$18.0)
Free Cash Flow	\$15.8	\$16.9	\$9.0	\$12.1	\$15.7	\$15.0	\$21.3	\$28.9
TEV to EBITDA	4.6x	4.3x	4.6x	4.2x	3.8x	4.6x	3.9x	3.2x

Valuation

Our view on CTRN's valuation is triangulated from peer multiples, recent sector M&A, and our proprietary LBO analysis. All three methods suggest that CTRN is worth ~\$27 to \$37 per share versus its current price of ~\$19.

Peer Multiples

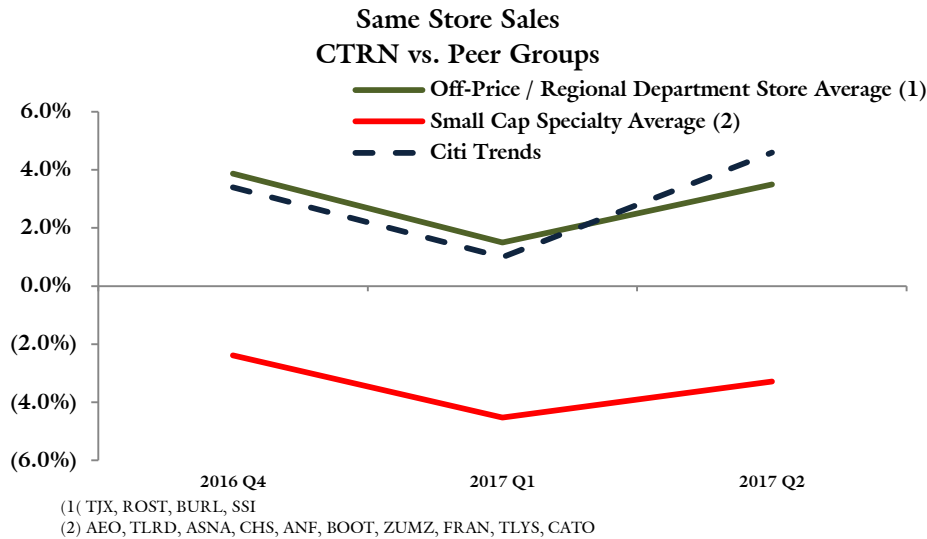
CTRN is being lumped into the secularly challenged small cap specialty retail peer group and assigned an extremely undemanding multiple (an even more undemanding multiple when considering CTRN's true enterprise value). We consider small cap specialty retail multiples a low case for CTRN.

SMALL CAP SPECIALTY RETAIL (1)

	Market Cap	TEV	TIM EBITDA	2017E EBITDA	2018E EBITDA	TIM TEV/ EBITDA	2017E TEV/ EBITDA	2018E TEV/ EBITDA
AEO EQUITY	\$2,381	\$2,189	\$478	\$471.0	\$483.3	4.6x	4.6x	4.5x
TLRD EQUITY	\$705	\$2,134	\$388	\$339.0	\$353.3	5.5x	6.3x	6.0x
ASNA EQUITY	\$433	\$2,098	\$582	\$500.3	\$532.0	3.6x	4.2x	3.9x
CHS EQUITY	\$1,071	\$961	\$259	\$236.0	\$242.6	3.7x	4.1x	4.0x
ANF EQUITY	\$959	\$859	\$188	\$221.6	\$202.4	4.6x	3.9x	4.2x
BOOT EQUITY	\$227	\$472	\$57	\$58.9	\$62.3	8.4x	8.0x	7.6x
ZUMZ EQUITY	\$424	\$353	\$67	\$69.1	\$73.7	5.3x	5.1x	4.8x
FRAN EQUITY	\$261	\$228	\$80	\$68.4	\$75.4	2.9x	3.3x	3.0x
TLYS EQUITY	\$337	\$227	\$44	\$48.4	\$51.8	5.1x	4.7x	4.4x
CATO EQUITY	\$345	\$107	\$36	\$40.5	\$49.2	2.9x	2.6x	2.2x
Weighted Average Mean						4.4x	4.7x	4.5x
Mean						4.7x	4.7x	4.5x
Median						4.6x	4.4x	4.3x
CTRN EQUITY	258.3	\$168.7	\$38.8	\$43.3	\$45.2	4.4x	3.9x	3.7x

(1) Based on Bloomberg Consensus estimates

In our view and given stable traffic, positive comps, everyday low prices, and off-price sourcing strategy, CTRN should be compared to off-price department stores such as Burlington Stores (BURL), which trade at far higher multiples. To compensate for its smaller capitalization and smaller store fleet, we deduct 2.0 turns from the mean multiple for our high case.



OFF-PRICE / REGIONAL DEPARTMENT STORE COMPARABLES (1)

	Market	TEV	TTM EBITDA	2017E EBITDA	2018E EBITDA	TTM TEV/EBITDA	2017E TEV/EBITDA	2018E TEV/EBITDA
TJX EQUITY	\$46,715	\$45,992	\$4,522	\$4,787	\$5,001	10.2x	9.6x	9.2x
ROST EQUITY	\$23,448	\$22,694	\$2,186	\$2,318	\$2,451	10.4x	9.8x	9.3x
BURL EQUITY	\$6,161	\$7,406	\$628	\$682	\$762	11.8x	10.9x	9.7x
SSI EQUITY	\$51	\$253	\$49	\$28	\$45	5.1x	9.1x	5.6x
Weighted Average Mean						10.3x	9.8x	9.2x
Mean						9.4x	9.8x	8.4x
Median						10.3x	9.7x	9.2x

(1) Based on Bloomberg Consensus estimates

Incorporating the above multiples with a realistic range of forward EBITDA estimates, we derive a valuation range of ~\$20-\$37 with a \$27 base case.

2018E EBITDA			2018E EBITDA MULTIPLE			CTRN VALUE			
Low	Base	High	Low	Base	High	Low	Base	High	
\$36.6	\$43.6	\$52.0	5.0x	6.4x	7.8x	\$183.2	\$280.1	\$407.6	
			Specialty Retail	Average	Off-Price Less 2.0X	Cash & Equivalents	\$89.6	\$89.6	\$89.6
						Debt	\$0.0	\$0.0	\$0.0
						Implied Equity Value	\$272.8	\$369.7	\$497.2
						Diluted Shares Outstanding	13.6	13.6	13.6
						Implied Equity Value per Share	\$20.08	\$27.22	\$36.61
						Upside / Downside	5.6%	43.1%	92.5%

Sector M&A

Though out of favor, the retail space has seen some recent M&A such as Staples and West Marine being acquired by private equity firms in 2017. Multiples range from 5.0X to 7.5X trailing EBITDA suggesting a valuation range of ~\$21-\$28 for CTRN.

TTM EBITDA	TTM EBITDA MULTIPLE			CTRN VALUE			
	Low	Base	High	Low	Base	High	
\$38.6	5.0x	6.3x	7.5x	\$192.9	\$241.1	\$289.3	
	SPLS	Avg.	WMAR	Cash & Equivalents	\$89.6	\$89.6	\$89.6
				Debt	\$0.0	\$0.0	\$0.0
				Implied Equity Value	\$282.5	\$330.7	\$378.9
				Diluted Shares Outstanding	13.6	13.6	13.6
				Implied Equity Value per Share	\$20.80	\$24.35	\$27.90
				Upside / Downside	9.3%	28.0%	46.7%

LBO

Given its pristine, unlevered balance sheet and stable cash flow, CTRN screens well as a leveraged buyout candidate. Our conservative no growth or margin expansion base case supports a ~\$24-25 take-out price with 25% sponsor hurdle IRR. Our modest upside case of 2.5% revenue and EBITDA growth supports a ~\$28 take-out price with 25% sponsor hurdle IRR. Our downside case of 2.5% revenue declines still supports a \$20-\$21 take-out price. While a theoretical exercise (unless or until a transaction occurs), our LBO analysis provides an incremental layer of comfort with our long thesis and valuation downside.

CTRN EQUITY TRANSACTION SUMMARY

Current Stock Price	\$19.02
Purchase Price per Share	\$24.49
<i>Buyout Premium</i>	28.7%
Shares Outstanding	13.5
Equity Value	\$330.6
Plus: Existing Debt	0.0
Less: Existing Cash	(89.6)
Total Enterprise Value	\$240.9

TEV as a Multiple of:

2017 EBITDA	6.6x
2018 EBITDA	6.2x

Sources & Uses of Funds

<u>Sources</u>	<u>Amt.</u>	<u>% Total</u>	<u>Uses</u>	<u>Amt.</u>
Excess Cash	\$39.6	11.6%	Equity Purchase Price	\$330.6
Revolver	\$111.6	32.8%	Refinance Debt	\$0.0
Term Loan A	\$97.5	28.7%	Financing Fees	\$4.8
Term Loan B	\$0.0	0.0%	Advisory Fees	\$4.8
Total Bank Debt	\$209.1	61.5%		
Senior Subordinated Notes	\$58.5	17.2%		
Total Debt	\$267.6	78.7%		
Sponsor Equity	\$33.0	9.7%		
Total Sources	\$340.2	100.0%	Total Uses	\$340.2

RETURNS ANALYSIS

Equity Value Calculation

2022 EBITDA	\$39.0
Assumed Multiple	6.0x
Implied Enterprise Value	\$234.0
Less: Total Debt	(183.2)
Plus: Cash	50.0
Implied Equity Value	\$100.8

Return to Sponsor Group

Initial Investment	\$33.0
Aggregate Equity Value	\$100.8
% Equity to Sponsor Group	100.0%
Equity Value to Sponsor Group	100.8
Sponsor Group IRR	25.0%

Projected Years Ending January 31,

<u>Returns to Sponsor</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Investment	(\$33.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% of Equity Owned	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	(\$33.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$100.8
Sponsor - IRR						25.0%

Other Factors to Consider

- Real estate. CTRN owns three properties including corporate headquarters in Savannah, Georgia with no debt

			REAL ESTATE					
<u>Property</u>	<u>Acreage</u>	<u>Sq. Ft.</u>	<u>MARKET \$ / Sq.Ft.</u>			<u>VALUE TO CTRN</u>		
			<u>Low (1)</u>	<u>Base</u>	<u>High</u>	<u>Low</u>	<u>Base</u>	<u>High</u>
Savannah	6.8	70,000	\$50.00	\$75.00	\$100.00	\$3,500,000	\$5,250,000	\$7,000,000
South Carolina	86.2	550,000	\$15.00	\$20.00	\$25.00	\$8,250,000	\$11,000,000	\$13,750,000
Oklahoma	40.0	460,000	\$9.00	\$10.00	\$11.00	\$4,140,000	\$4,600,000	\$5,060,000
Total	133.0	1,080,000	\$14.71	\$19.31	\$23.90	\$15,890,000	\$20,850,000	\$25,810,000
					CTRN TEV	\$168,193,340	\$168,193,340	\$168,193,340
					RE % TEV	9.4%	12.4%	15.3%

(1) Per LoopNet, REIS, Colliers, and Bloomberg

- Tax reform upside. Given its ~37% tax rate and 100% domestic revenue, we estimate ~15% accretion should corporate tax rates fall to 30%

		<u>Fiscal 2018 Analysis</u>		
	<u>Street</u>	<u>30% Tax Rate</u>	<u>25% Tax Rate</u>	<u>20% Tax Rate</u>
Pre-Tax Income	\$25.1	\$25.1	\$25.1	\$25.1
Tax Rate	37.8%	30.0%	25.0%	20.0%
Net Income	\$15.6	\$17.6	\$18.8	\$20.1
EPS	\$ 1.15	\$ 1.29	\$ 1.39	\$ 1.48
Diluted Shares	13.6	13.6	13.6	13.6
Accretion		12.6%	20.7%	28.7%
P/E	16.5x	14.7x	13.7x	12.9x
EBITDA	\$43.3	\$43.3	\$43.3	\$43.3
Cash Taxes	(\$9.5)	(\$7.5)	(\$6.3)	(\$5.0)
Net Cash Interest	\$0.0	\$0.0	\$0.0	\$0.0
Working Capital Δ	\$0.0	\$0.0	\$0.0	\$0.0
CAPEX	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)
Free Cash Flow	\$13.8	\$15.8	\$17.0	\$18.3
FCF Yield to TEV	8.2%	9.4%	10.1%	10.9%
FCF Accretion		14.3%	23.4%	32.5%

- Lack of analyst coverage. Only 1 analyst covering which serves as a blessing and a curse. We believe that continued business momentum will attract new investors and analyst coverage

Risks/Downside

- Retail out of favor. Retail remains out of favor which has compressed CTRN's multiple irrespective of business performance
- Store growth. CTRN continues to grow their store base very modestly. While we believe that new stores generate attractive ROIs, we continue to monitor store growth vigilantly to ensure that hurdle rates of return are being achieved. .
- E-commerce disruption. While CTRN has experienced nearly zero impact from online competition, they will eventually face some e-commerce threats or need to build their own e-commerce capabilities
- Up to 20% of stores located within path of Hurricanes Irma and Harvey. However, CTRN stores generally located inland away from expensive coastal real estate. Nonetheless, CTRN does face this transient risk.