



# MONRO<sup>®</sup> INC.

## Monro, Inc. First Quarter Fiscal 2019 Earnings Call

July 26, 2018



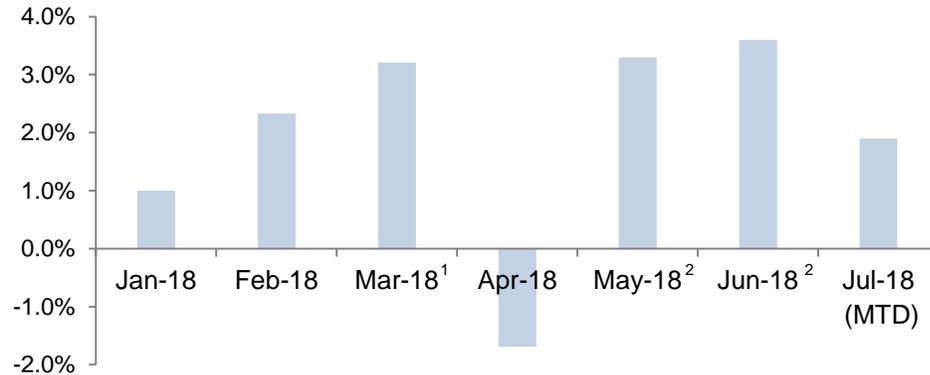
Certain statements in this presentation, other than statements of historical fact, including estimates, projections, statements related to our business plans and operating results are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Monro has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “may,” “will,” “should,” and “intends” and the negative of these words or other comparable terminology. These forward-looking statements are based on Monro’s current expectations, estimates, projections and assumptions as of the date such statements are made, and are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. Additional information regarding these risks and uncertainties are described in the Company’s filings with the Securities and Exchange Commission, including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of our most recently filed periodic reports on Forms 10-K and Form 10-Q, which are available on Monro’s website at <http://www.Monro.com/Corporate/SEC-filings>. Monro assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This presentation contains references to Adjusted Earnings Per Share (EPS), which is a “non-GAAP financial measure” as this term is defined in Item 10(e) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 and Regulation G under the Securities Exchange Act of 1934. In accordance with these rules, Monro has reconciled this non-GAAP financial measure to its most directly comparable U.S. GAAP measure. Management views this non-GAAP financial measure as a way to assess comparability between periods.

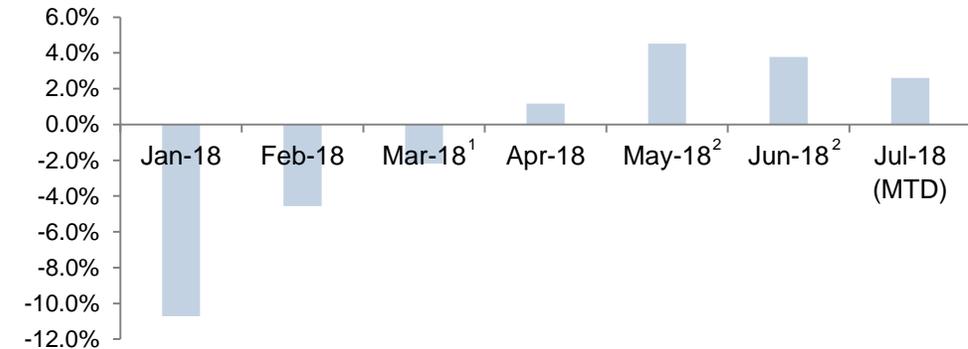
This non-GAAP financial measure is not intended to represent, and should not be considered more meaningful than, or as an alternative to, its most directly comparable GAAP measure. This non-GAAP financial measure may be different from similarly titled non-GAAP financial measures used by other companies.

## Continued Top-Line Momentum Driven by Strong Comparable Store Sales

### Y/Y Comps Trend Improvement



### 2-Year Stacked Comps Trend Improvement<sup>3</sup>



### 1QFY19 Key Highlights

- Comparable store sales increased by 1.9% compared to 1.4% in the prior year period
- Sales from new stores added \$14.4M, including sales from recent acquisitions of \$9.7M

### 1QFY19 Key Highlights

- Brakes: 7%
- Front End/Shocks: 2%
- Alignments: -1%
- Maintenance: -1%
- Tires: 2%

<sup>1</sup>Results have been adjusted for the extra selling week

<sup>2</sup>Results have been adjusted for the Memorial Day holiday calendar shift

<sup>3</sup>2-Year Stack Comps represent the sum of the prior year and current year period comparable store sales performance

Acquisitions Completed and Announced to Date in Fiscal 2019 Represent \$63M in Annualized Sales

## Completed Acquisitions

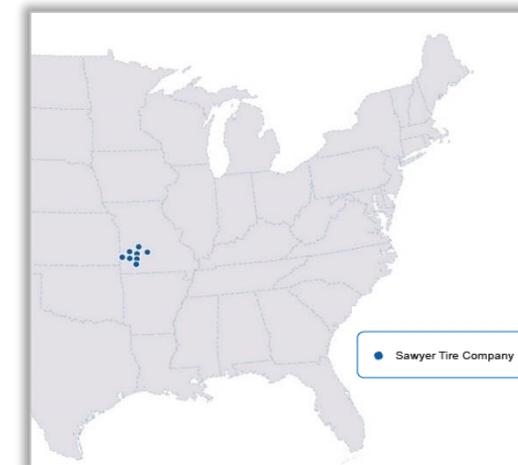
- Completed acquisition of eight retail locations from Sawyer Tire Company in 2QFY19
- Fill in the existing market of Missouri
- \$8M in annualized revenue, breakeven to EPS in FY19
- Sales mix of 50% service and 50% tires

## Announced Acquisitions

- Recently signed definitive agreement to acquire seven retail locations in existing markets
- \$8M in annualized revenue, breakeven to EPS in FY19
- Sales mix of 60% service and 40% tires

## Greenfield Openings<sup>1</sup>

- Added 7 greenfield locations during the first quarter



## Collaboration With Amazon.com Supports Monro's Online Tire Retailers Installation Strategy

### Amazon.com Collaboration

- Monro's tire installation services available to customers who purchase tires online from Amazon.com and select the Ship-to-Store option
- Initial launch in the Baltimore metropolitan area: tire installation services available to Amazon.com customers across Monro's 52 stores that operate under Monro's Mr. Tire Auto Service Centers brand
- Collaboration will then be expanded to provide tire installation services to Amazon.com customers at all of Monro's retail locations across 27 states

### Increased Traffic Driven by Integration with Online Tire Retailers

- 50% of these customers are new to Monro<sup>1</sup>
- Can add newly acquired customers to CRM database, building long-term one-to-one relationships



## Monro.Forward Initiatives Well Underway and Advancing as Planned



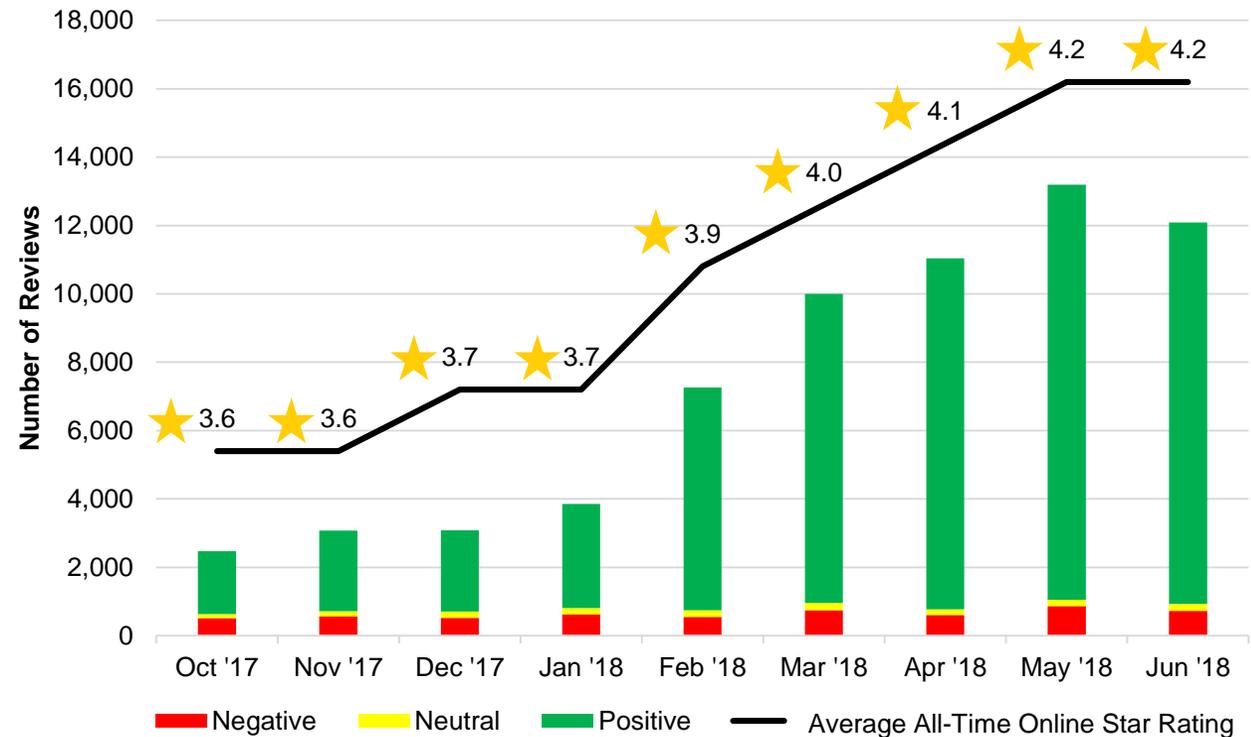
### Improve Customer Experience

- ❑ Continuing to execute customer satisfaction and online reputation management program across Monro’s store base
- ❑ Store re-image initiative pilot in Rochester, NY on track to begin 3QFY19

- Launched customer satisfaction and online reputation program in scale across all stores in late February

- Focus on the in-store experience is having significant impact on Company online reviews and “Star Ratings”:

- **5x** increase in number of monthly online reviews
- **All-time** average company star rating across online review sites (Google, Facebook, etc.) has increased from 3.6 to **4.2 stars**
- Average star rating YTD is **4.6 stars**



**Monro.Forward Initiatives Well Underway and Advancing as Planned**

 **Enhance Customer-Centric Engagement**

- ❑ Direct marketing through analytic-based CRM platform and modernized website on track for 2QFY19 launch
- ❑ Collaboration with Amazon.com supports omnichannel strategy with initial launch in 2QFY19

 **Optimize Product & Service Offering**

- ❑ Ramping up Good-Better-Best product and service packages following the successful launch in 1QFY19

 **Accelerate Productivity & Team Engagement**

- ❑ Added technicians to understaffed stores as a first step to optimize store staffing
- ❑ Data-driven store scheduling and staffing software implementation on track for 1QFY20 launch

# Solid First Quarter Fiscal 2019 Results



## Robust Sales and Improving Traffic Trends Drove Solid Top-Line Performance

	1QFY19	1QFY18	Δ
<b>Sales (millions)</b>	\$295.8	\$278.5	6.2%
<b>Same Store Sales</b>	1.9%	1.4%	50 bps
<b>Gross Margin</b>	39.6%	40.5%	(90 bps)
<b>Operating Margin</b>	11.2%	12.1%	(90 bps)
<b>GAAP EPS</b>	\$.62	\$.53	17.0%
<b>One-Time Monro.Forward Initiative Costs</b>	\$.02		
<b>Adjusted EPS</b>	\$.64		

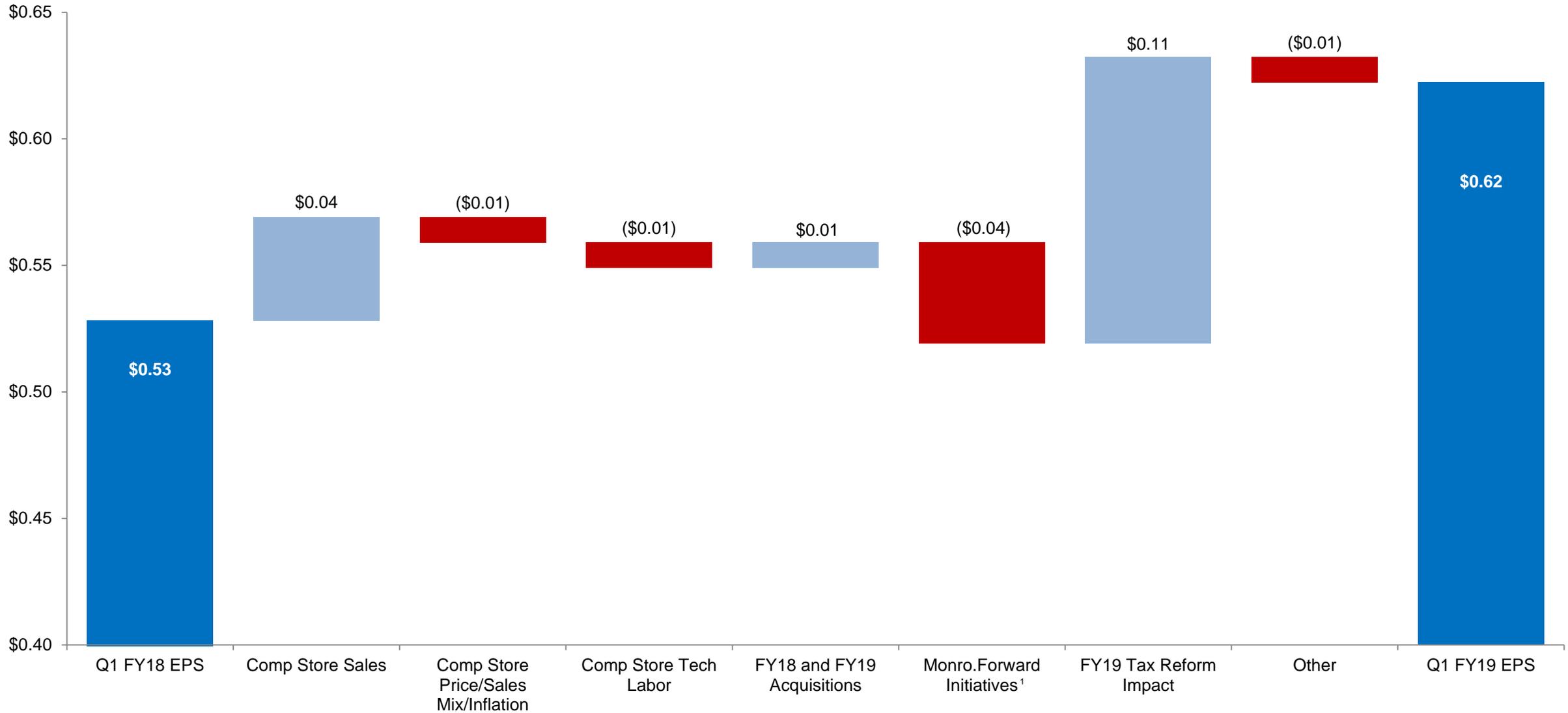
### Free Service Acquisition Impact

- Wholesale locations acquired as part of the Free Service acquisition operate at a lower gross margin, primarily due to a higher sales mix of tires without installation

### Monro.Forward Initiatives Impact

- Sub-optimal brake package pricing at launch of Good-Better-Best product options
- Higher labor costs related to rightsizing staffing in understaffed stores based on traffic trends
- Frontloaded one-time initiative investments, with initiatives advancing as planned for the year

# First Quarter Fiscal 2019 EPS Bridge



<sup>1</sup>\$0.02 of the EPS net impact related to Monro.Forward initiatives were one-time costs

## Executing on Growth Strategy While Maintaining a Disciplined Approach to Capital Allocation

### Investing in the Business

- 1QFY19 capex of \$11.4M
- Continue to expect ~\$75M of incremental CapEx over the next 5 years to invest in store re-image and technology

### Executing on M&A Opportunities

- In 1QFY19, spent \$27.5M on acquisitions
- Completed acquisition of eight stores and signed definitive agreement to acquire seven stores

### Returning Cash to Shareholders

- In 1QFY19, paid ~\$6.7M in dividends
- Currently \$.20 per share quarterly, an increase of 11% from 1QFY18

### Utilizing Strong Balance Sheet

- In 1QFY19, generated ~\$50M of operating cash flow
- Debt-to-EBITDA ratio as of June 2018 of 2.2x provides significant flexibility to fund M&A strategy

## Increase Fiscal 2019 Sales Guidance and Reiterate EPS Guidance

	FY19	FY18	Δ
<b>Sales (millions)</b>	\$1,180 to \$1,210	\$1,128	4.6% to 7.3%
<b>Same Store Sales (on a 52-week basis)</b>	+1% to +3%	-0.1%	110 bps to 310 bps
<b>GAAP EPS</b>	\$2.30 to \$2.40	\$1.92	20% to 25%

### Stores and Weeks

- Guidance includes recently announced and completed acquisitions and excludes any additional potential acquisitions
- Guidance includes eight ground-up greenfield store openings in FY19
- FY19 represents a 52 week year compared to 53 weeks for FY18

### Operating Margin

- Assumes operating margin of 11.1% at midpoint of FY19 sales guidance (11.4% excluding FY19 acquisitions announced and completed to date)
- Expect stable tire and oil costs year-over-year
- Expect to generate earnings increase on a comparable store sales increase above 1.0%

### Tax Savings

- Estimate ~\$.40 tax benefit from newly enacted tax legislation
- Tax rate expected to be reduced from ~37% to ~24% in FY19

### Reinvestment of Tax Savings

- Reinvestment of ~30%, or ~\$.13, to support Monro.Forward strategy (\$.11 of recurring expenses and \$.02 of one-time items in FY19):
  - Improve Customer Experience – (~\$.04)
  - Enhance Customer Engagement – (~\$.01)
  - Accelerate Productivity & Team Engagement – (~\$.08)

### Additional Guidance Assumptions (at the midpoint)

- Interest expense of \$29 million
- Depreciation and amortization of \$54 million
- EBITDA of approximately \$186 million
- 33.4 million weighted average number of diluted shares outstanding

- Continued top-line momentum supported by strong comparable store sales

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- Majority of one-time Monro.Forward investments completed during 1QFY19

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- Implementation and execution of Monro.Forward initiatives on track and progressing well

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- Amazon.com collaboration underscores progress on key omnichannel efforts

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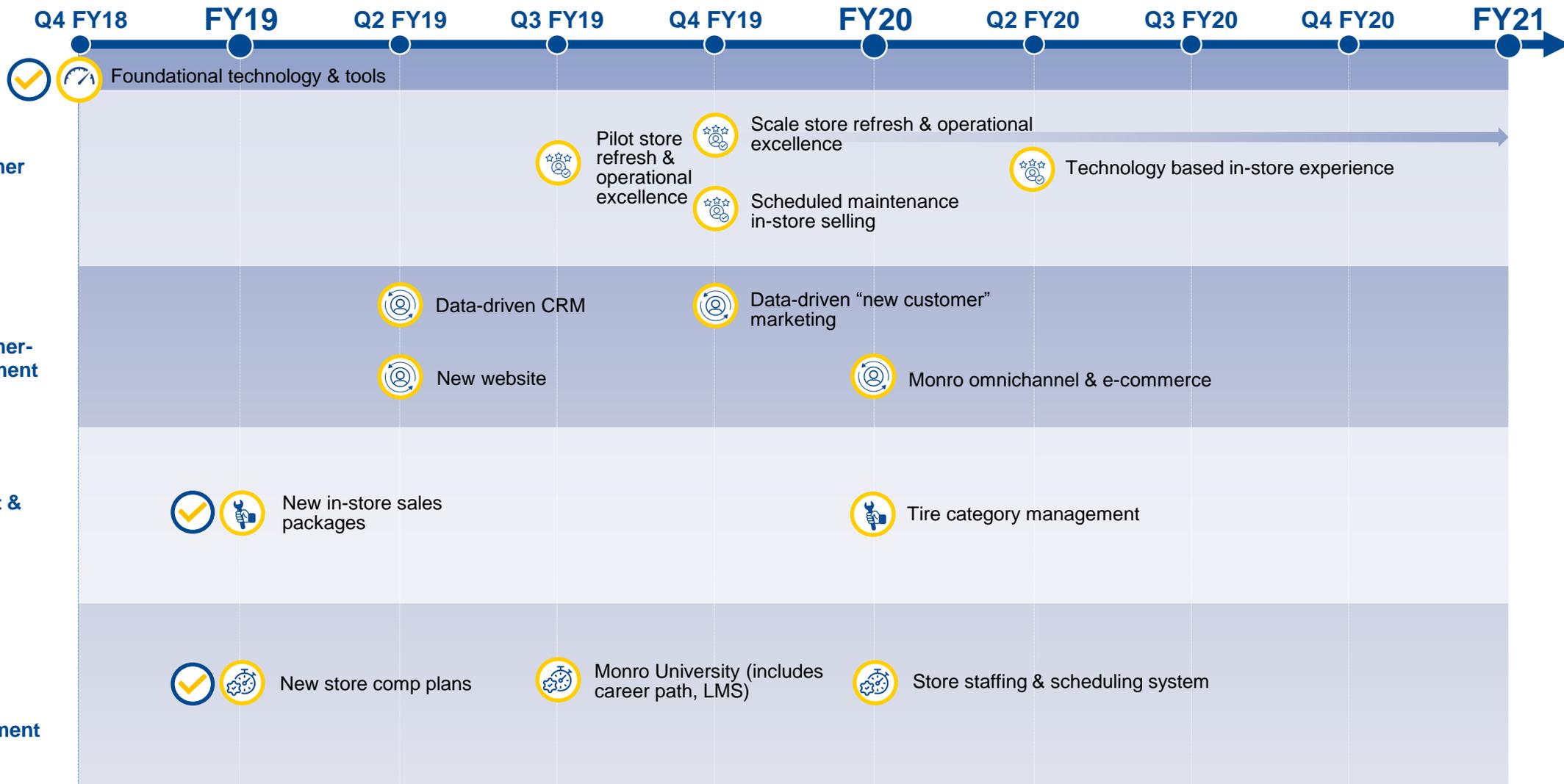
- Completed acquisition of 8 stores and signed definitive agreement to acquire 7 stores

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- Increased sales guidance and reiterated EPS guidance for fiscal year 2019

# Appendix

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✓ = Completed Initiatives