

SMALL TALK 3/12/2019

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Presented by:

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Board Member
Rocky Mountain BI Chapter

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"If you are shopping for common stocks, choose them the way you would buy groceries, not the way you would buy perfume."

— Benjamin Graham, *The Intelligent Investor*, 1949

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OLLIE’S BARGAIN OUTLET
HOLDING, Inc.

(OLLI)

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RECOMMENDED BY:

5

- The MASH Club (Money & Stock Handlers BI Club) here in Colorado recommended this company as one which would be an interesting “Stock To Study”.
- Thank you, MASH CLUB!!!

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OLLIE's (OLLI)

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WHAT IS OLLIE'S?

One of America's largest retailers of closeout merchandise & excess inventory.

LEARN MORE ABOUT OLLIE'S



WHAT CAN YOU FIND AT OLLIE'S?

REAL BRANDS! REAL BARGAINS!



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OLLIE'S

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SANYO DVD PLAYER



Cooler audio player with digital filters
Plays back DVDs and CDs
Compatible Formatted Audio
Model #DVPC0100

\$999
Reg. \$1299

OVERSIZED 80" X 90" VELVET PLUS THROW BLANKET



100% polyester

\$500
Reg. \$1,349

CLOSET OUT

4-INCH CUSHION FOAM MATTRESS, TWIN/DOUBLE

\$499
Reg. \$699

LUXURY MATTRESS PAD 10" PILLOW TOP

\$199
Reg. \$299

2-piece bed set with matching pillows

\$1299
Reg. \$1599

Wrangler MEN'S JEANS CLOSET OUT



Small, medium and large sizes
Slim fit, straight and style

\$99
Reg. \$129.99

T-SHIRT DEAL



Assorted sizes & colors
Hanes

\$150
Reg. \$5.99

10 PIECE COMPLETE BED SET CLOSET OUT



Queen or Full
Includes: 10 pieces
Includes: 10 pieces

\$399
Reg. \$599

dreamfinity COOLING PILLOW



Queen or Full
Includes: 10 pieces

\$1299
Reg. \$1599

PHILIPS 2K SMART LED HD TV



1000g High Brightness LED Backlight
Smart Media Center with 5 DVD/Blu-ray Disc
Smart Media Center with 5 DVD/Blu-ray Disc
Smart Media Center with 5 DVD/Blu-ray Disc

\$1799
Reg. \$2099

ROCKEY SET TO TWIN



4-piece set
Includes: 10 pieces
Includes: 10 pieces

\$799
Reg. \$1099

SHIDAFORD TWIN BED



Includes: 10 pieces
Includes: 10 pieces

\$2699
Reg. \$3099

SHIDAFORD TWIN BED



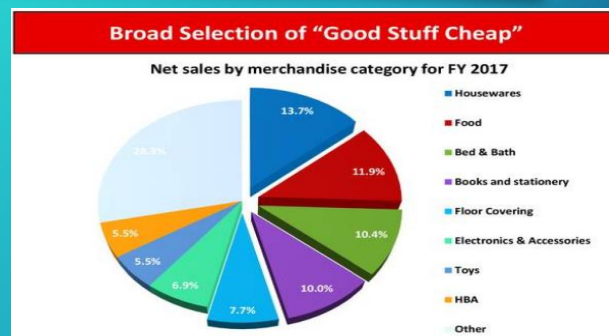
Includes: 10 pieces
Includes: 10 pieces

\$2699
Reg. \$3099

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OLLIE'S

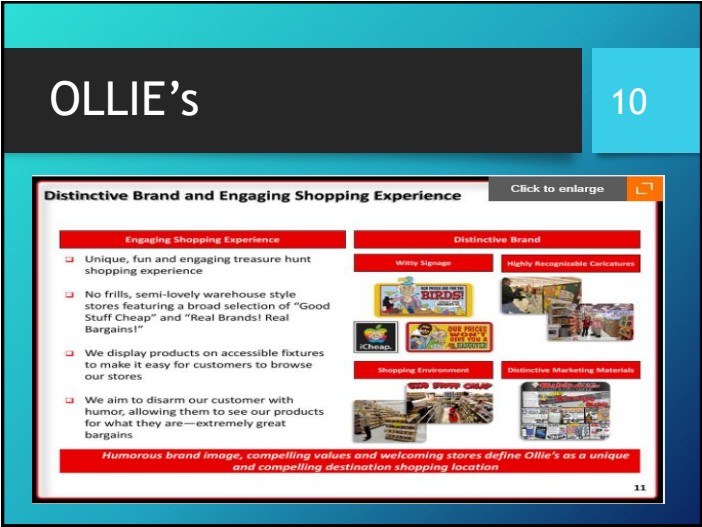
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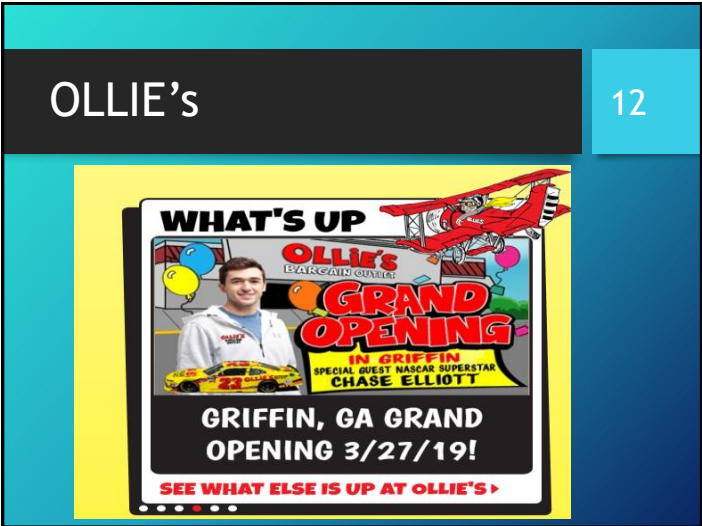
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OLLIE'S DATA

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- HQ = Harrisburg, PA (incorporated in Delaware)
- IPO = 7/2015 at \$16/share, NASDAQ
- 3,000 full time employees
- Operates 303 stores in 23 locations as of 1/11/2019

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OLLIE's DATA

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- Sector = Consumer Defensive
- Competitors = Walmart, Costco, Target, Dillard's, Macy's, JC Penny's, Big Lots, Dollar Store

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OLLIE's

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- Mark Butler, President & CEO,
- Stores are no-frills, "semi-lovely" warehouse style and average 34,000 sq. feet
- Financial performance positive during strong & weak economical cycles
- Constantly changing merchandise procured by highly experienced merchant team

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OLLIE's

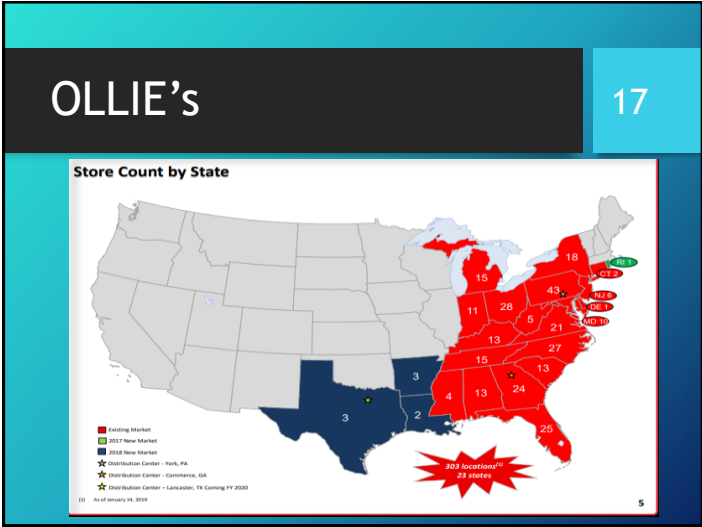
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Click to enlarge

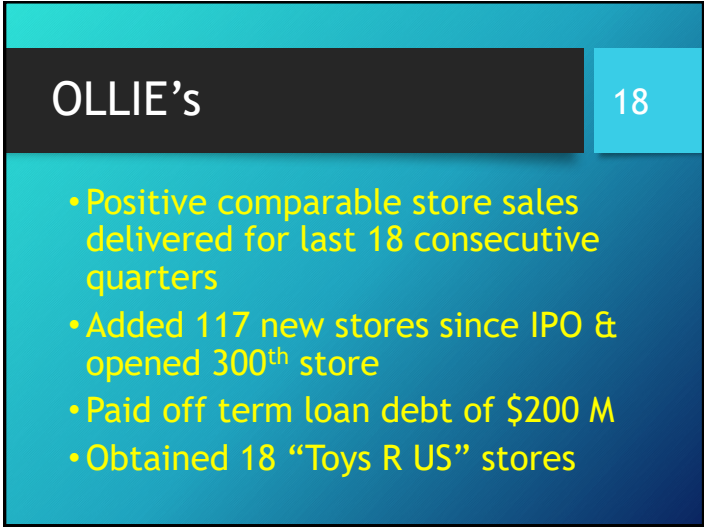


ICR Conference
January 2019

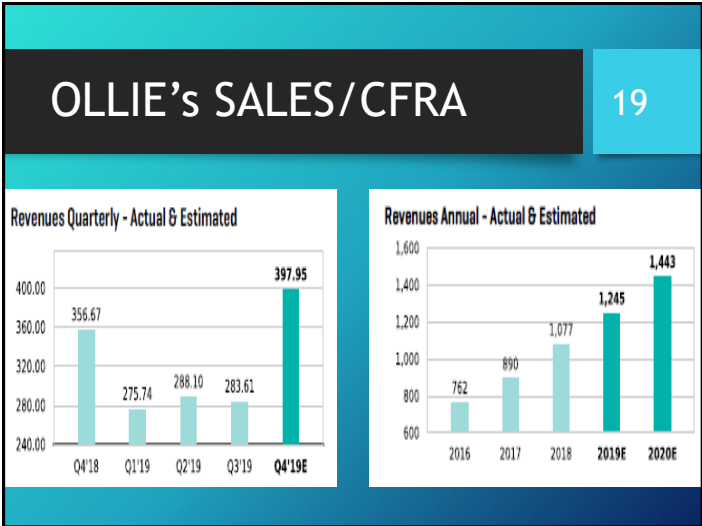
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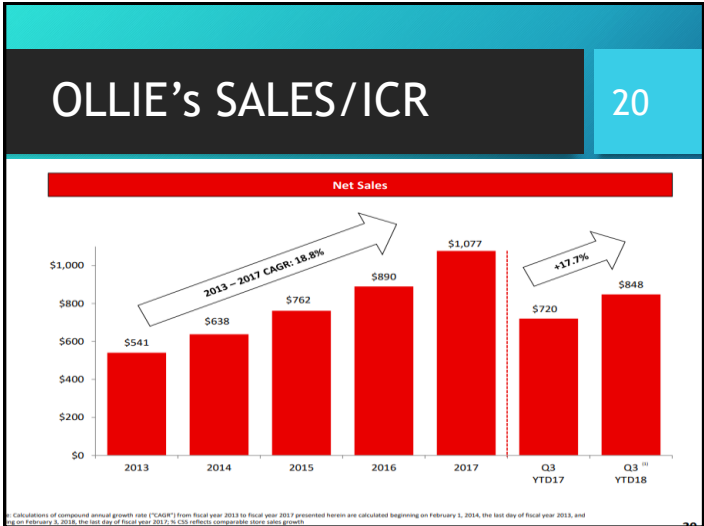
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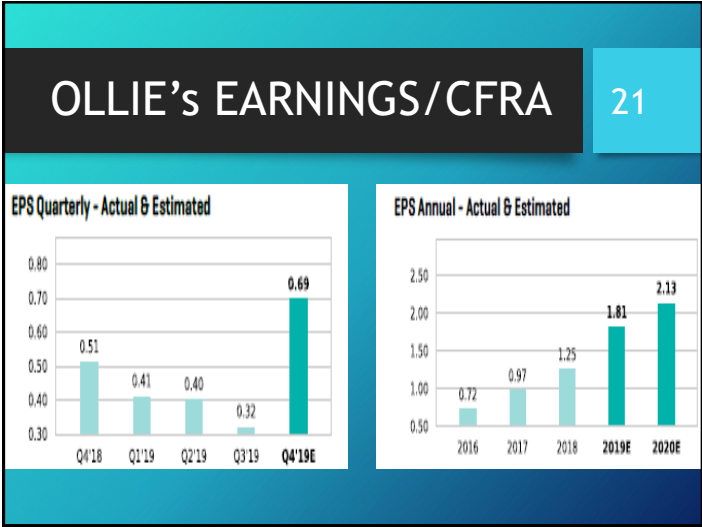
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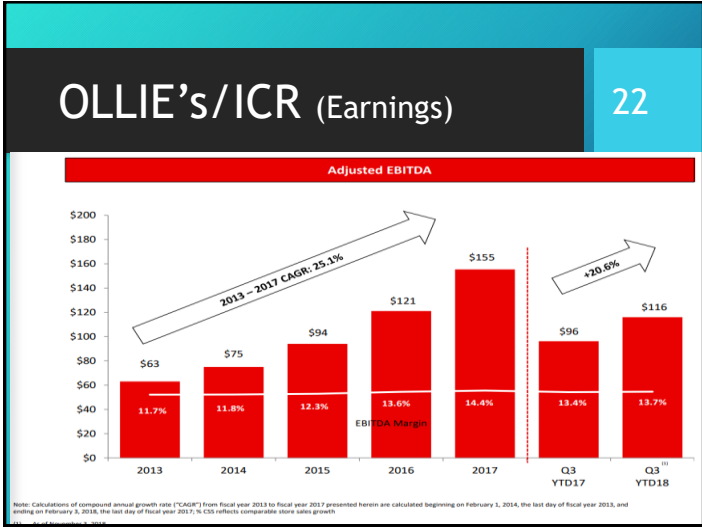
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OLLIE's:
Strengths & Opportunities

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- “Good Stuff Cheap”
- Highly experienced & disciplined merchant team
- Distinctive brands & engaging shopping experience
- Highly experienced & passionate founder-led management team

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OLLIE's:
Strengths & Opportunities

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Significant Opportunity for Growth

1

Grow our store base

– Opportunity to expand our store base by ~650 units to 950 units, ~3.1x current store base

2

Increase our offerings of great bargains

– Enhance product offerings with expanded access to bargains as we grow

3

Leverage and expand Ollie's Army

– Rollout of Ollie's Army Ranks and Mobile App

– Utilize targeted and digital marketing to drive traffic and repeat purchases

Based on internal estimates and third party reports conducted by J.P. Morgan Partners, a credit advisory, financial research and corporate advisory services firm.

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OLLIE'S ARMY

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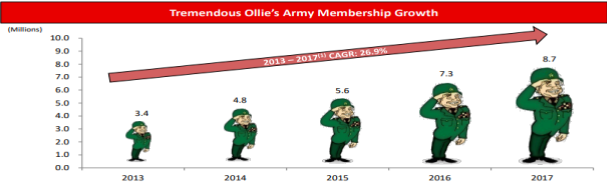
OLLIE'S ARMY

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Extremely Loyal "Ollie's Army" Customer Base

- Members shop more and spend more than non-members
 - Spend approximately 40% more than non-members per shopping trip
- Active members have demonstrated strong loyalty to Ollie's
 - Accounted for ~ 70% of our net sales in fiscal year 2017
 - Willing to drive upwards of 25 minutes to our destination locations

Tremendous Ollie's Army Membership Growth



Year	Membership (Millions)
2013	3.4
2014	4.8
2015	5.6
2016	7.3
2017	8.7

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Formula For Success



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WEAKNESS/THREATS/RISKS

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- Decreased ability to execute opportunistic buying, manage supply of inventory or anticipate custom demand
- Economic & political conditions
- Intense competition
- Difficulty opening new profitable stores



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WEAKNESS/THREATS/RISKS

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- Not able to retain loyalty of customers
- Inflation, cost increases, energy prices, financial conditions
- Decreased ability to train/retain highly qualified managerial, sales & financial personnel



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WEAKNESS/THREATS/RISKS

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- Natural disasters (climate change, weather conditions, terrorists acts)
- Intense competition
- CEO owns substantial % of common stock (17.4%)
- Business might be affected by foreign manufacturers

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OLLIE's Overview

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- Fast growing, extreme value retainer offering
- Founder-led management team with deep-rooted comp culture
- Treasure-hunt shopping experience
- Something for everyone
- 303 stores in 23 states
- Significant white space

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OLLIE's

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VL DATA/OLLIE

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TIMELINESS

2

Raised 11/16/18

SAFETY

3

New 1/27/17

TECHNICAL

2

Lowered 1/18/19

BETA

1.25

(1.00 = Market)

2021-23 PROJECTIONS

Price

Gain

Ann'l Total Return

High

Low

125

85

{+65%}

{+15%}

14%

3%

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2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
--	12.96	14.65	17.37	19.75	23.10	Sales per sh ^A	35.60
--	.73	1.12	1.47	2.05	2.40	"Cash Flow"per sh	4.00
--	.64	.96	1.24	1.78	2.10	Earnings per sh ^{AB}	3.50
--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
--	9.56	10.72	12.85	14.80	16.20	Book Value per sh ^C	21.60
--	58.81	60.76	62.00	62.50	61.75	Common Shs Outst'g ^D	59.00
--	27.5	27.1	34.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	30.0
--	1.38	1.42	1.73			Relative P/E Ratio	1.65
--	--	--	--			Avg Ann'l Div'd Yield	Nil
638.0	762.4	890.3	1077.0	1235	1425	Sales (\$mill)	2100
40.0%	39.7%	40.5%	40.1%	40.0%	40.5%	Gross Margin	41.5%
11.2%	12.2%	12.4%	13.5%	13.5%	13.5%	Operating Margin	14.0%
176	203	234	268	305	325	Number of Stores	400
26.9	35.8	59.8	81.1	115	135	Net Profit (\$mill)	210
38.4%	37.6%	37.9%	38.3%	26.0%	26.0%	Income Tax Rate	26.0%
4.2%	4.7%	6.7%	7.5%	9.3%	9.5%	Net Profit Margin	10.0%
107.7	127.0	208.0	167.0	275	315	Working Cap'l (\$mill)	550
313.5	194.9	188.9	38.8	8.0	Nil	Long-Term Debt (\$mill)	Nil
416.8	561.9	651.3	796.5	925	1000	Shr. Equity (\$mill)	1275
5.0%	5.8%	7.5%	10.0%	12.5%	13.5%	Return on Total Cap'l	16.5%
6.5%	6.4%	9.2%	10.2%	12.5%	13.5%	Return on Shr. Equity	16.5%

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SSG

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Estimated Sales in 5 years

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18.7% = Historical sales growth

16.0% = Value Line (20-23) & finance.yahoo 2020

15.5% = finance.yahoo 2019 & ACE from on-line SSG



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Estimated EPS in 5 years

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25.9% = finance.yahoo next 5 yrs.

25.0% = Value Line 2021-2023

24.75% = NASDAQ in next 5 yrs.

18.7% = Same as historical sales growth

16.0% = Estimated sales growth Fiviz



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Estimated High P/E

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41.4 = 52 week high P/E

33.9 = current P/E

33.3 = avg. 3 yr. high P/E

26.4 = avg. P/E

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Estimated Low P/E

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19.5 = avg. 3 yr. low P/E

17.7 = avg. 2 yr. low P/E

15.6 = FY 2017 low P/E

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ESTIMATED LOW PRICE

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\$54.40 = 52 wk. low price

\$46.00 = Est. low price (4a)

\$21.00 = Avg low price last 5 yrs.

\$19.00 = Recent market low

\$xx.xx = Forecast low price

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OLLIE's: Last Thoughts!

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- Consider if need to make TCJA Adjustment (2017)
- Check the Member Sentiment: On-Line SSG
- Check the Notes feature of On-Line
- Check the ANNUAL Report

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OLLIE'S

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•Are there any points the Board would like to make at this time???

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YOUR THOUGHTS

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- Consider adding to portfolio
- Too speculative
- Doesn't fit my portfolio
- Will put on watch list



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THANK YOU!!!

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To the Rocky Mountain Board for there assistance with this presentation:

Ralph Futch, Jane Nelson, John Rogers, & Lois Krause

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SMALL TALK 3/12/2019

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- Thank you all for attending!
- Next Small Talk is April 23, 2019

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