UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 3, 2019 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-16097

TAILORED BRANDS, INC.

(Exact Name of Registrant as Specified in its Charter)

Texas (State or Other Jurisdiction of Incorporation or Organization)	**47-4908760** (I.R.S. Employer Identification Number)
6380 Rogerdale Road **Houston, Texas** (Address of Principal Executive Offices)	**77072-1624** (Zip Code)

(281) 776-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	TLRD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒. No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐. No ☒.

The number of shares of common stock of the Registrant, par value $.01 per share, outstanding at August 31, 2019 was50,642,547.

REPORT INDEX

Forward-Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q or in other materials we have filed or will file with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995), including, but not limited to, statements regarding our future financial performance and financial condition. Words such as "expects," "anticipates," "envisions," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements reflect our current views regarding certain events that could affect our financial condition or results of operations and may include, but are not limited to, references to future sales, comparable sales, margins, costs, earnings, number and costs of store openings, closings, remodels, refreshes, relocations and expansions, capital expenditures, potential acquisitions or divestitures, synergies from acquisitions, business strategies, demand for clothing or rental product, economic conditions, market trends in the retail business, currency fluctuations, inflation and various political, legal, regulatory, social, economic and business trends. Forward-looking statements are based upon management's current beliefs or expectations and are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies and third party approvals, many of which are beyond our control.

Any forward-looking statements that we make herein and in future reports are not guarantees of future performance, and actual results may differ materially from those in such forward-looking statements as a result of various factors. Factors that might cause or contribute to such differences include, but are not limited to: actions or inactions by governmental entities; domestic and international macro-economic conditions; inflation or deflation; the loss of, or changes in, key personnel; success, or lack thereof, in formulating or executing our internal strategies and operating plans including new store and new market expansion plans; cost reduction initiatives and revenue enhancement strategies; changes to our capital allocation policy; changes in demand for clothing or rental product; market trends in the retail or rental business; customer confidence and spending patterns; changes in traffic trends in our stores; customer acceptance of our merchandise strategies, including custom clothing; performance issues with key suppliers; disruptions in our supply chain; severe weather; foreign currency fluctuations; government export and import policies, including the enactment of duties or tariffs; advertising or marketing activities of competitors; the impact of cybersecurity threats or data breaches; legal proceedings and the impact of climate change.

Forward-looking statements are intended to convey the Company's expectations about the future, and speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by applicable law. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all written or oral forward-looking statements that are made by or attributable to us are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	August 3, 2019	August 4, 2018	February 2, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 19,476	$ 68,215	$ 55,431
Accounts receivable, net	65,176	65,099	73,073
Inventories	846,952	786,510	830,426
Other current assets	63,882	87,491	70,712
Total current assets	995,486	1,007,315	1,029,642
PROPERTY AND EQUIPMENT, net	421,188	427,107	439,172
OPERATING LEASE RIGHT-OF-USE ASSETS	918,541	—	—
RENTAL PRODUCT, net	99,085	111,345	99,770
GOODWILL	79,283	103,686	79,491
INTANGIBLE ASSETS, net	155,309	165,881	163,901
OTHER ASSETS	5,806	13,497	8,514
TOTAL ASSETS	$ 2,674,698	$ 1,828,831	$ 1,820,490
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 187,946	$ 145,981	$ 228,979
Accrued expenses and other current liabilities	289,810	313,319	282,029
Current portion of operating lease liabilities	185,800	—	—
Income taxes payable	10,102	6,659	15,968
Current portion of long-term debt	9,000	9,000	11,619
Total current liabilities	682,658	474,959	538,595
LONG-TERM DEBT, net	1,145,651	1,207,377	1,153,242
OPERATING LEASE LIABILITIES	763,865	—	—
DEFERRED TAXES, net AND OTHER LIABILITIES	77,961	146,484	125,022
Total liabilities	2,670,135	1,828,820	1,816,859
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Preferred stock	—	—	—
Common stock	506	498	501
Capital in excess of par	510,021	498,670	505,157
Accumulated deficit	(445,392)	(470,377)	(468,048)
Accumulated other comprehensive loss	(60,572)	(28,780)	(33,979)
Total shareholders' equity	4,563	11	3,631
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 2,674,698	$ 1,828,831	$ 1,820,490

See Notes to Condensed Consolidated Financial Statements.

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TAILORED BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales:				
Retail clothing product	$ 580,900	$ 605,788	$ 1,175,679	$ 1,219,432
Rental services	120,329	125,095	214,069	225,322
Alteration and other services	34,916	37,031	71,059	78,003
Total retail sales	736,145	767,914	1,460,807	1,522,757
Corporate apparel clothing product	53,343	55,516	110,068	118,637
Total net sales	789,488	823,430	1,570,875	1,641,394
Cost of sales:				
Retail clothing product	259,047	259,025	527,691	535,245
Rental services	19,773	19,366	32,790	34,023
Alteration and other services	33,614	33,749	67,461	67,927
Occupancy costs	104,585	101,772	208,317	202,791
Total retail cost of sales	417,019	413,912	836,259	839,986
Corporate apparel clothing product	38,742	40,616	80,333	87,282
Total cost of sales	455,761	454,528	916,592	927,268
Gross margin:				
Retail clothing product	321,853	346,763	647,988	684,187
Rental services	100,556	105,729	181,279	191,299
Alteration and other services	1,302	3,282	3,598	10,076
Occupancy costs	(104,585)	(101,772)	(208,317)	(202,791)
Total retail gross margin	319,126	354,002	624,548	682,771
Corporate apparel clothing product	14,601	14,900	29,735	31,355
Total gross margin	333,727	368,902	654,283	714,126
Advertising expense	33,164	38,661	78,207	79,894
Selling, general and administrative expenses	239,973	242,255	485,184	493,349
Operating income	60,590	87,986	90,892	140,883
Interest income	157	122	253	207
Interest expense	(18,258)	(20,864)	(36,921)	(42,845)
Loss on extinguishment of debt, net	—	(8,122)	—	(20,833)
Earnings before income taxes	42,489	59,122	54,224	77,412
Provision for income taxes	8,223	9,884	12,816	14,265
Net earnings	$ 34,266	$ 49,238	$ 41,408	$ 63,147
Net earnings per common share:				
Basic	$ 0.68	$ 0.99	$ 0.82	$ 1.27
Diluted	$ 0.68	$ 0.97	$ 0.82	$ 1.24
Weighted-average common shares outstanding:				
Basic	50,547	49,840	50,414	49,649
Diluted	50,624	50,851	50,606	50,785

See Notes to Condensed Consolidated Financial Statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net earnings	$ 34,266	$ 49,238	$ 41,408	$ 63,147
Currency translation adjustments	(7,329)	(7,824)	(8,914)	(21,967)
Unrealized (loss) gain on cash flow hedges, net of tax	(12,065)	1,169	(17,679)	3,969
Comprehensive income	$ 14,872	$ 42,583	$ 14,815	$ 45,149

See Notes to Condensed Consolidated Financial Statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands)
(Unaudited)

	Common Stock	Capital in Excess of Par	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficit)
BALANCES — February 2, 2019	$ 501	$ 505,157	$ (468,048)	$ (33,979)	$ 3,631
Net earnings	—	—	7,142	—	7,142
Other comprehensive loss	—	—	—	(7,199)	(7,199)
Cumulative adjustment upon ASC 842 adoption (see Note 12)	—	—	(402)	—	(402)
Cash dividends — $0.18 per share	—	—	(9,103)	—	(9,103)
Share-based compensation	—	2,398	—	—	2,398
Common stock issued — 306,505 shares	3	424	—	—	427
Tax payments related to vested deferred stock units	—	(940)	—	—	(940)
BALANCES — May 4, 2019	$ 504	$ 507,039	$ (470,411)	$ (41,178)	$ (4,046)
Net earnings	—	—	34,266	—	34,266
Other comprehensive loss	—	—	—	(19,394)	(19,394)
Cash dividends — $0.18 per share	—	—	(9,247)	—	(9,247)
Share-based compensation	—	2,644	—	—	2,644
Common stock issued — 155,210 shares	2	450	—	—	452
Tax payments related to vested deferred stock units	—	(112)	—	—	(112)
BALANCES — August 3, 2019	$ 506	$ 510,021	$ (445,392)	$ (60,572)	$ 4,563

	Common Stock	Capital in Excess of Par	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficit)
BALANCES — February 3, 2018	$ 492	$ 491,648	$ (479,166)	$ (10,782)	$ 2,192
Net earnings	—	—	13,909	—	13,909
Other comprehensive loss	—	—	—	(11,343)	(11,343)
Cumulative adjustment upon ASC 606 adoption (see Note 5)	—	—	(35,824)	—	(35,824)
Cash dividends — $0.18 per share	—	—	(9,360)	—	(9,360)
Share-based compensation	—	4,581	—	—	4,581
Common stock issued — 445,932 shares	4	3,645	—	—	3,649
Tax payments related to vested deferred stock units	—	(5,025)	—	—	(5,025)
BALANCES — May 5, 2018	$ 496	$ 494,849	$ (510,441)	$ (22,125)	$ (37,221)
Net earnings	—	—	49,238	—	49,238
Other comprehensive loss	—	—	—	(6,655)	(6,655)
Cash dividends — $0.18 per share	—	—	(9,174)	—	(9,174)
Share-based compensation	—	4,835	—	—	4,835
Common stock issued — 178,647 shares	2	462	—	—	464
Tax payments related to vested deferred stock units	—	(1,476)	—	—	(1,476)
BALANCES — August 4, 2018	$ 498	$ 498,670	$ (470,377)	$ (28,780)	$ 11

TAILORED BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended August 3, 2019	For the Six Months Ended August 4, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 41,408	$ 63,147
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	53,810	52,719
Non-cash lease expense	98,683	—
Rental product amortization	19,047	19,755
Loss on extinguishment of debt, net	—	20,833
Amortization of deferred financing costs and discount on long-term debt	972	2,228
Loss on disposition of assets	2,946	7,768
Asset impairment charges	184	269
Share-based compensation	5,042	9,416
Deferred tax expense (benefit)	2,828	(2,240)
Other	134	247
Changes in operating assets and liabilities:		
Accounts receivable	5,952	10,461
Inventories	(22,507)	42,186
Rental product	(21,450)	(12,102)
Other assets	(15,621)	(9,372)
Accounts payable, accrued expenses and other current liabilities	(30,928)	(3,497)
Income taxes payable	(5,789)	697
Other liabilities	(101,388)	(4,524)
Net cash provided by operating activities	33,323	197,991
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(39,092)	(24,645)
Proceeds from divestiture of business	—	17,755
Net cash used in investing activities	(39,092)	(6,890)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on original term loan	—	(993,420)
Proceeds from new term loan	—	895,500
Payments on new term loan	(7,120)	(4,500)
Proceeds from asset-based revolving credit facility	673,500	199,500
Payments on asset-based revolving credit facility	(677,000)	(95,000)
Repurchase and retirement of senior notes	—	(199,365)
Deferred financing costs	—	(5,644)
Cash dividends paid	(18,784)	(18,744)
Proceeds from issuance of common stock	879	4,113
Tax payments related to vested deferred stock units	(1,052)	(6,501)
Net cash used in financing activities	(29,577)	(224,061)
Effect of exchange rate changes	(609)	(2,432)
DECREASE IN CASH AND CASH EQUIVALENTS	(35,955)	(35,392)
Balance at beginning of period	55,431	103,607
Balance at end of period	$ 19,476	$ 68,215

See Notes to Condensed Consolidated Financial Statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Basis of Presentation — The condensed consolidated financial statements herein include the accounts of Tailored Brands, Inc. and its subsidiaries (the "Company") and have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). As applicable under such regulations, certain information and footnote disclosures have been condensed or omitted. We believe the presentation and disclosures herein are adequate to make the information not misleading, and the condensed consolidated financial statements reflect all elimination entries and normal recurring adjustments which are necessary for a fair presentation of the financial position, results of operations and cash flows at the dates and for the periods presented.

Our business results historically have fluctuated throughout the year and, as a result, the operating results of the interim periods presented are not necessarily indicative of the results that may be achieved for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended February 2, 2019.

Unless the context otherwise requires, "Company", "we", "us" and "our" refer to Tailored Brands, Inc. and its subsidiaries.

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual amounts could differ from those estimates.

Recent Accounting Pronouncements Not Yet Adopted — We have considered all new accounting pronouncements not yet adopted and have concluded there are no new pronouncements that may have a material impact on our financial position, results of operations, or cash flows, based on current information, except for those listed below.

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for public companies for annual reporting periods beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of ASU 2018-15 is permitted. We are currently evaluating the impact ASU 2018-15 may have on our financial position, results of operations or cash flows.

2. Divestiture of MW Cleaners

On February 28, 2018, we entered into a definitive agreement to divest our MW Cleaners business for approximately $18.0 million, subject to certain adjustments, and the transaction closed on March 3, 2018. During the first quarter of 2018, we received cash proceeds of $17.7 million and recorded a loss on the divestiture totaling $3.6 million, which is included within selling, general and administrative expenses ("SG&A") in the condensed consolidated statement of earnings, and relates to our retail segment. For fiscal 2018, the total loss on divestiture of MW Cleaners was $3.8 million.

We determined that the sale of the MW Cleaners business did not represent a strategic shift and will not have a major effect on our consolidated results of operations, financial position or cash flows. Accordingly, we have not presented the sale as a discontinued operation in the condensed consolidated financial statements.

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

3. Earnings Per Share

Basic earnings per common share is computed by dividing net earnings by the weighted-average common shares outstanding during the period. Diluted earnings per common share is calculated using the treasury stock method. Basic and diluted earnings per common share are computed using the actual net earnings and the actual weighted-average common shares outstanding rather than the rounded numbers presented within our condensed consolidated statement of earnings and the accompanying notes. As a result, it may not be possible to recalculate earnings per common share in our condensed consolidated statement of earnings and the accompanying notes. The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except per share amounts):

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Numerator				
Net earnings	$ 34,266	$ 49,238	$ 41,408	$ 63,147
Denominator				
Basic weighted-average common shares outstanding	50,547	49,840	50,414	49,649
Dilutive effect of share-based awards	77	1,011	192	1,136
Diluted weighted-average common shares outstanding	50,624	50,851	50,606	50,785
Net earnings per common share:				
Basic	$ 0.68	$ 0.99	$ 0.82	$ 1.27
Diluted	$ 0.68	$ 0.97	$ 0.82	$ 1.24

For the three and six months ended August 3, 2019, 4.6 million and 3.3 million anti-dilutive shares of common stock were excluded from the calculation of diluted earnings per common share, respectively. For the three and six months ended August 4, 2018, 0.7 million and 0.5 million anti-dilutive shares of common stock were excluded from the calculation of diluted earnings per common share, respectively.

4. Debt

In 2014, The Men's Wearhouse entered into a term loan credit agreement that provided for a senior secured term loan in the aggregate principal amount of $1.1 billion (the "Original Term Loan") and a $500.0 million asset-based revolving credit agreement (the "ABL Facility", and together with the Original Term Loan, the "Credit Facilities") with certain of our U.S. subsidiaries and Moores the Suit People, one of our Canadian subsidiaries, as co-borrowers. Proceeds from the Original Term Loan were reduced by an $11.0 million original issue discount ("OID"), which was presented as a reduction of the outstanding balance on the Original Term Loan on the balance sheet and was to be amortized to interest expense over the contractual life of the Original Term Loan. In addition, in 2014, The Men's Wearhouse issued $600.0 million in aggregate principal amount of 7.00% Senior Notes due 2022 (the "Senior Notes").

In October 2017, The Men's Wearhouse amended the ABL Facility in part to increase the principal amount available to $550.0 million and extend the maturity date to October 2022. In April 2018, The Men's Wearhouse refinanced its Original Term Loan, and in October 2018, amended its term loan to reduce the interest rate margin. See Credit Facilities section below for additional information.

The Credit Facilities and the Senior Notes contain customary non-financial and financial covenants, including fixed charge coverage ratios, total leverage ratios and secured leverage ratios. Should our total leverage ratio and secured leverage ratio exceed certain thresholds specified in the agreements, we would be subject to certain additional restrictions, including limitations on our ability to make significant acquisitions and incur additional indebtedness. As of August 3, 2019, our total leverage ratio is below the maximum specified in the agreements, however, our secured leverage ratio is above the maximum level. As a result, we are now subject to additional restrictions, primarily related to the size of any incremental term loan facilities being limited to a maximum of $250 million. In addition, as a result of the refinancing of our Original Term Loan and amending of our ABL Facility, our ability to pay dividends on our common stock has increased from a maximum of $10.0 million per quarter to a maximum of $15.0 million per quarter.

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Credit Facilities

In April 2018, we refinanced our Original Term Loan. Immediately prior to the refinancing, the Original Term Loan consisted of $593.4 million in aggregate principal amount with an interest rate of LIBOR plus 3.50% (with a floor of 1.0%) and $400.0 million in aggregate principal amount with a fixed rate of 5.0% per annum. Upon entering into the refinancing, we made a prepayment of $93.4 million on the Original Term Loan using cash on hand.

As a result, we refinanced $900.0 million in aggregate principal amount of term loans then outstanding with a new Term Loan totaling $900.0 million (the "New Term Loan"). Additionally, we may continue to request additional term loans or incremental equivalent debt borrowings, all of which are uncommitted, in an aggregate amount up to the greater of (1) $250.0 million and (2) an aggregate principal amount such that, on a pro forma basis (giving effect to such borrowings), our senior secured leverage ratio will not exceed 2.5 to 1.0.

The New Term Loan will amortize in an annual amount equal to 1.0% of the principal amount of the New Term Loan, payable quarterly commencing on May 1, 2018. Proceeds from the New Term Loan were reduced by a $4.5 million OID, which was presented as a reduction of the outstanding balance on the New Term Loan on the balance sheet and was to be amortized to interest expense over the contractual life of the New Term Loan. The New Term Loan extends the maturity date of the Original Term Loan from June 18, 2021 until April 9, 2025, subject to a maturity provision that would accelerate the maturity of the New Term Loan to April 1, 2022 if any of the Company's obligations under its Senior Notes remain outstanding on April 1, 2022.

The New Term Loan bears interest at a rate per annum equal to an applicable margin plus, at the Company's option, either LIBOR (with a floor of 1.0%) or the base rate (with a floor of 2.0%). In October 2018, we amended the New Term Loan resulting in a reduction in the interest rate margin of 25 basis points. As a result of the amendment, the margins for borrowings under the New Term Loan are 3.25% for LIBOR and 2.25% for the base rate and the OID was eliminated. In connection with the October 2018 amendment of the New Term Loan, we incurred deferred financing costs of $1.1 million, which will be amortized over the life of the New Term Loan using the interest method. The maturity date for the New Term Loan remains April 9, 2025, and all other material provisions of the New Term Loan remain unchanged. For the first six months ended August 4, 2018, we recorded a loss on extinguishment of debt totaling $11.9 million consisting of the elimination of unamortized deferred financing costs and OID related to the Original Term Loan.

The interest rate on the New Term Loan is based on 1-month LIBOR, which was 2.23% at August 3, 2019, plus the applicable margin of 3.25%, resulting in a total interest rate of 5.48%. We have two interest rate swap agreements where the variable rates due under the New Term Loan have been exchanged for a fixed rate, including an interest rate swap entered into during June 2018. At August 3, 2019, the total notional amount under these interest rate swaps is $710.0 million. Please see Note 15 for additional information on our interest rate swaps.

As a result of our interest rate swaps, 80% of the variable interest rate under the New Term Loan has been converted to a fixed rate and, as of August 3, 2019, the New Term Loan had a weighted average interest rate of 5.73%.

In October 2017, we amended our ABL Facility, which now provides for a senior secured revolving credit facility of $550.0 million, with possible future increases to $650.0 million under an expansion feature, that matures in October 2022, and is guaranteed, jointly and severally, by Tailored Brands, Inc. and certain of our U.S. subsidiaries. The ABL Facility has several borrowing and interest rate options including the following indices: (i) adjusted LIBOR, (ii) Canadian Dollar Offered Rate ("CDOR") rate, (iii) Canadian prime rate or (iv) an alternate base rate (equal to the greater of the prime rate, the New York Federal Reserve Bank ("NYFRB") rate plus 0.5% or adjusted LIBOR for a one-month interest period plus 1.0%). Advances under the ABL Facility bear interest at a rate per annum using the applicable indices plus a varying interest rate margin of up to 1.75%. The ABL Facility also provides for fees applicable to amounts available to be drawn under outstanding letters of credit which range from 1.25% to 1.75%, and a fee on unused commitments of 0.25%. As of August 3, 2019, $45.0 million in borrowings were outstanding under the ABL Facility at a weighted average interest rate

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

of approximately 3.7%. During the six months ended August 3, 2019, the maximum borrowing outstanding under the ABL Facility was $100.0 million.

We utilize letters of credit primarily as collateral for workers compensation claims and to secure inventory purchases. At August 3, 2019, letters of credit totaling approximately $29.2 million were issued and outstanding. Borrowings available under the ABL Facility as of August 3, 2019 were $401.9 million.

The obligations under the Credit Facilities are secured on a senior basis by a first priority lien on substantially all of the assets of the Company, The Men's Wearhouse and its U.S. subsidiaries and, in the case of the ABL Facility, Moores The Suit People. The Credit Facilities and the related guarantees and security interests granted thereunder are senior secured obligations of, and will rank equally with all present and future senior indebtedness of the Company, the co-borrowers and the respective guarantors.

Senior Notes

The Senior Notes are guaranteed, jointly and severally, on an unsecured basis by Tailored Brands, Inc. and certain of our U.S. subsidiaries. The Senior Notes and the related guarantees are senior unsecured obligations of the Company and the guarantors, respectively, and will rank equally with all of the Company's and each guarantor's present and future senior indebtedness. The Senior Notes will mature in July 2022. Interest on the Senior Notes is payable on January 1 and July 1 of each year.

We may redeem some or all of the Senior Notes at any time on or after July 1, 2017 at the redemption prices set forth in the indenture governing the Senior Notes. Upon the occurrence of certain specific changes of control, we may be required to offer to purchase the Senior Notes at 101% of their aggregate principal amount plus accrued and unpaid interest thereon to the date of purchase.

During the second quarter of 2018, we completed a partial redemption of $175.0 million in face value of our Senior Notes. The Senior Notes were redeemed at a redemption price equal to $1,035 per $1,000 principal amount, plus accrued and unpaid interest. As a result, we recorded a net loss on extinguishment totaling $8.1 million, which is included as a separate line in the condensed consolidated statement of earnings. The net loss on extinguishment reflects a $6.1 million loss upon repurchase of the Senior Notes and the elimination of unamortized deferred financing costs totaling $2.0 million related to the Senior Notes.

For the six months ended August 4, 2018, as a result of the partial redemption of $175.0 million in face value of our Senior Notes as well as the repurchase and retirement of $17.6 million in face value of Senior Notes through open market transactions, we recorded a net loss on extinguishment totaling $8.9 million, which is included as a separate line in the condensed consolidated statement of earnings. The net loss on extinguishment reflects a $6.7 million loss upon repurchase and the elimination of unamortized deferred financing costs totaling $2.2 million related to the Senior Notes.

Long-Term Debt

The following table provides details on our long-term debt as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Term Loan (net of unamortized OID of $0.0 million at August 3, 2019, $4.3 million at August 4, 2018, and $0.0 million at February 2, 2019)	$ 883,880	$ 891,210	$ 891,000
Senior Notes	228,607	228,607	228,607
ABL Facility	45,000	104,500	48,500
Less: Deferred financing costs related to the Term Loan and Senior Notes	(2,836)	(7,940)	(3,246)
Total long-term debt, net	1,154,651	1,216,377	1,164,861
Current portion of long-term debt	(9,000)	(9,000)	(11,619)
Total long-term debt, net of current portion	$ 1,145,651	$ 1,207,377	$ 1,153,242

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5. Revenue Recognition

Adoption of ASC 606

Effective February 4, 2018, we adopted ASC 606, *Revenue from Contracts with Customers* and all related amendments ("ASC 606"), to all contracts using the modified retrospective approach. We recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained earnings. The adoption had no impact to our previously reported results of operations or cash flows.

The following table depicts the cumulative effect of the changes made to our February 3, 2018 balance sheet for the adoption of ASC 606 (in thousands):

	Reported Balance at February 3, 2018	Impact of Adoption of ASC 606	Adjusted Balance at February 3, 2018
Assets:			
Accounts receivable, net	$ 79,783	$ (303)	$ 79,480
Inventories	851,931	(17,837)	834,094
Other current assets	78,252	2,753	81,005
Liabilities:			
Accrued expenses and other current liabilities	285,537	32,378	317,915
Deferred taxes, net and other liabilities	164,191	(11,941)	152,250
Equity:			
Accumulated deficit	(479,166)	(35,824)	(514,990)

The adoption of ASC 606 primarily impacted the timing of revenue recognition related to our customer loyalty program, gift cards and e-commerce sales within our retail segment, as discussed in more detail below. In addition, for our corporate apparel segment, certain deferred revenue balances along with related inventory amounts were eliminated as part of the cumulative adjustment to opening retained earnings. Also, for estimated sales returns, we recognize allowances for estimated sales returns on a gross basis rather than a net basis on the condensed consolidated balance sheets.

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Revenues

The following table depicts the disaggregation of revenue by major source (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales:				
Men's tailored clothing product	$ 332,476	$ 356,504	$ 675,431	$ 712,241
Men's non-tailored clothing product	228,761	229,105	457,743	464,711
Women's clothing product	16,964	17,447	36,178	37,029
Other [(1)]	2,699	2,732	6,327	5,451
Total retail clothing product	580,900	605,788	1,175,679	1,219,432
Rental services	120,329	125,095	214,069	225,322
Alteration services	34,916	37,031	71,059	75,452
Retail dry cleaning services [(2)]	—	—	—	2,551
Total alteration and other services	34,916	37,031	71,059	78,003
Total retail sales	736,145	767,914	1,460,807	1,522,757
Corporate apparel clothing product	53,343	55,516	110,068	118,637
Total net sales	$ 789,488	$ 823,430	$ 1,570,875	$ 1,641,394

(1) Other consists of franchise and licensing revenues and gift card breakage. Franchise revenues are generally recognized at a point in time while licensing revenues consist primarily of minimum guaranteed royalty amounts recognized over an elapsed time period.

(2) On March 3, 2018, we completed the divestiture of our MW Cleaners business. Please see Note 2 for additional information.

Please see Note 16 for additional information regarding our reporting segments.

Retail Segment

For retail clothing product revenue, we transfer control and recognize revenue at a point in time, upon sale or shipment of the merchandise, net of actual sales returns and an accrual for estimated sales returns. For rental and alteration services, we transfer control and recognize revenue at a point in time, upon receipt by the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales, use and value added taxes we collect from our customers and are remitted to governmental agencies are excluded from revenue.

Loyalty Program

We maintain a customer loyalty program for our Men’s Wearhouse, Men’s Wearhouse and Tux, Jos. A. Bank and Moores brands in which customers receive points for purchases. Points are generally equivalent to dollars spent on a one-to-one basis, excluding any sales tax dollars, and, historically, did not expire. During the fourth quarter of 2018, we finalized our decision to implement an expiration policy for loyalty program points beginning in the second quarter of fiscal 2019, which was completed. Upon reaching 500 points, customers are issued a $50 rewards certificate which they may redeem for purchases at our stores or online. Generally, reward certificates earned must be redeemed no later than six months from the date of issuance. We believe our loyalty programs represents a customer option that is a material right and, accordingly, is a performance obligation in the contract with our customer. Therefore, we record our obligation for future point redemptions using a deferred revenue model.

When loyalty program members earn points, we recognize a portion of the transaction as revenue for merchandise product sales or services and defer a portion of the transaction representing the value of the related points. The value of the points is recorded in deferred revenue on our condensed consolidated balance sheet and recognized into revenue when the points are converted into a rewards certificate and the certificate is used.

We account for points earned and certificates issued that will not be redeemed by loyalty members, which we refer to as breakage. We review our breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns.

Our estimate of the expected usage of points and certificates requires significant management judgment. Current and future changes to our assumptions or to loyalty program rules may result in material changes to the deferred revenue balance as well as recognized revenues from the loyalty programs.

Gift Card Breakage

Proceeds from the sale of gift cards are recorded as a liability and are recognized as net sales from products and services when the cards are redeemed. Our gift cards do not have expiration dates. In addition, we recognize revenue for gift cards for which the likelihood of redemption is deemed to be remote and for which there is no legal obligation to remit the value of such unredeemed gift cards to any relevant jurisdictions (commonly referred to as gift card breakage) under the redemption recognition method. This method records gift card breakage as revenue on a proportional basis over the redemption period based on our historical gift card breakage rate. We review our gift card breakage estimate based on our historical redemption patterns.

Sales Returns

Revenue from merchandise product sales is reported net of sales returns, which includes an estimate of future returns based on historical return rates, with a corresponding reduction to cost of sales. Our refund liability for sales returns was $5.3 million at August 3, 2019, which is included in accrued and other current liabilities and represents the expected value of the refund that will be due to our customers. We also have a corresponding asset included in other current assets that represents the right to recover products from customers associated with sales returns of $2.7 million at August 3, 2019.

Corporate Apparel Segment

For our corporate apparel segment, we sell corporate clothing and uniforms to workforces under a contract or by purchase order. We transfer control and recognize revenue at a point in time, generally upon delivery of the product to the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales, use and value added taxes we collect from our customers and are remitted to governmental agencies are excluded from revenue.

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Contract Liabilities

The following table summarizes the opening and closing balances of our contract liabilities (in thousands):

	Balance at February 2, 2019	Increase (Decrease)	Balance at August 3, 2019
Contract liabilities	$ 122,828	$ 20,442	$ 143,270

	Balance at February 3, 2018 As Adjusted	Increase (Decrease)	Balance at August 4, 2018
Contract liabilities	$ 141,552	$ 21,858	$ 163,410

Contract liabilities include cash payments received from customers in advance of our performance, including amounts which are refundable. These liabilities primarily consist of customer deposits related to rental product or custom clothing transactions since we typically receive payment from our customers prior to our performance and deferred revenue related to our loyalty programs and unredeemed gift cards. These amounts are primarily included as "Customer deposits, prepayments and refunds payable," "Loyalty program liabilities" and "Unredeemed gift cards," respectively, within the accrued expenses and other current liabilities line item on our condensed consolidated balance sheet. Please see Note 9 for additional information on our accrued expenses and other current liabilities.

The amount of revenue recognized for the three months and six months ended August 3, 2019 that was included in the respective opening contract liability balance was $15.3 million and $67.5 million, respectively. The amount of revenue recognized for the three and six months ended August 4, 2018 that was included in the opening contract liability balance was $62.4 million and $104.1 million, respectively. This revenue primarily consists of recognition of deposits for completed transactions as well as redeemed certificates related to our loyalty program and gift card redemptions.

6. Supplemental Cash Flows

Supplemental disclosure of cash flow information is as follows (in thousands):

	For the Six Months Ended	
	August 3, 2019	August 4, 2018
Cash paid for interest	$ 35,764	$ 41,481
Cash paid for income taxes, net	$ 25,520	$ 15,664

We had unpaid capital expenditure purchases included in accounts payable and accrued expenses and other current liabilities of approximately $8.4 million and $6.3 million at August 3, 2019 and August 4, 2018, respectively. Capital expenditure purchases are recorded as cash outflows from investing activities in the condensed consolidated statement of cash flows in the period they are paid. Please see Note 12 for other cash flow disclosures related to leases.

7. Inventories

The following table provides details on our inventories as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Finished goods	$ 678,955	$ 675,405	$ 682,610
Raw materials and merchandise components	167,997	111,105	147,816
Total inventories	$ 846,952	$ 786,510	$ 830,426

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8. Income Taxes

Our effective income tax rate increased to19.4% for the second quarter of 2019 from16.7% for the second quarter of 2018 primarily due to the release of $3.1 million of state valuation allowances in the second quarter of 2018.

Our effective income tax rate increased to23.6% for the first six months of 2019 from18.4% for the first six months of 2018 primarily due to an increase in the discrete tax expense related to the net excess shortfalls from share-based awards vesting in the first six months of 2019.

Additionally, we are currently undergoing several tax audits; however, we currently do not believe these audits will result in any material charge to tax expense in the future.

9. Other Current Assets, Accrued Expenses and Other Current Liabilities and Deferred Taxes, net and Other Liabilities

The following table provides details on our other current assets as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Prepaid expenses	$ 41,032	$ 57,197	$ 56,361
Tax receivable	11,404	17,401	584
Other	11,446	12,893	13,767
Total other current assets	$ 63,882	$ 87,491	$ 70,712

The decrease in prepaid expenses as of August 3, 2019, is due to the impact on prepaid rent resulting from the adoption of Accounting Standards Codification 842, *Leases* (“ASC 842”), effective February 3, 2019. Please see Note 12 for additional information.

The following table provides details on our accrued expenses and other current liabilities as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Customer deposits, prepayments and refunds payable	$ 65,280	$ 66,261	$ 40,620
Accrued salary, bonus, sabbatical, vacation and other benefits	61,946	69,839	81,503
Loyalty program liabilities	44,273	63,295	44,434
Sales, value added, payroll, property and other taxes payable	28,144	24,197	25,547
Unredeemed gift cards	26,438	28,152	32,178
Accrued workers compensation and medical costs	23,266	26,146	23,974
Accrued dividends	10,046	10,918	10,480
Unrealized loss on interest rate swaps	5,304	1,735	1,625
Accrued interest	2,011	2,379	1,828
Accrued royalties	1,532	1,398	1,286
Other	21,570	18,999	18,554
Total accrued expenses and other current liabilities	$ 289,810	$ 313,319	$ 282,029

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The following table provides details on our deferred taxes, net and other liabilities as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Deferred and other income tax liabilities, net	$ 49,846	$ 80,413	$ 53,479
Unrealized loss on interest rate swaps	24,949	—	7,605
Deferred rent and landlord incentives	—	58,801	57,505
Unfavorable lease liabilities	—	2,357	1,797
Other	3,166	4,913	4,636
Total deferred taxes, net and other liabilities	$ 77,961	$ 146,484	$ 125,022

The elimination of deferred rent and landlord incentives and unfavorable lease liabilities is due to the adoption of ASC 842, effective February 3, 2019. Please see Note 12 for additional information.

10. Accumulated Other Comprehensive (Loss) Income

The following table summarizes the components of accumulated other comprehensive (loss) income for the six months ended August 3, 2019 (in thousands):

	Foreign Currency Translation	Cash Flow Hedges	Pension Plan	Total
BALANCE— February 2, 2019	$ (29,820)	$ (4,314)	$ 155	$ (33,979)
Other comprehensive loss before reclassifications	(8,914)	(22,841)	—	(31,755)
Amounts reclassified from accumulated other comprehensive loss	—	(721)	—	(721)
Tax effect	—	5,883	—	5,883
Net current-period other comprehensive loss	(8,914)	(17,679)	—	(26,593)
BALANCE— August 3, 2019	$ (38,734)	$ (21,993)	$ 155	$ (60,572)

The following table summarizes the components of accumulated other comprehensive (loss) income for the six months ended August 4, 2018 (in thousands):

	Foreign Currency Translation	Cash Flow Hedges	Pension Plan	Total
BALANCE— February 3, 2018	$ (11,116)	$ 145	$ 189	$ (10,782)
Other comprehensive (loss) income before reclassifications	(21,967)	3,395	—	(18,572)
Amounts reclassified from accumulated other comprehensive income	—	1,684	—	1,684
Tax effect	—	(1,110)	—	(1,110)
Net current-period other comprehensive (loss) income	(21,967)	3,969	—	(17,998)
BALANCE— August 4, 2018	$ (33,083)	$ 4,114	$ 189	$ (28,780)

Amounts reclassified from other comprehensive (loss) income for the six months ended August 3, 2019 and August 4, 2018 relate to changes in the fair value of our interest rate swaps which is recorded within interest expense in the condensed consolidated statement of earnings and changes in the fair value of cash flow hedges related to inventory purchases, which is recorded within cost of sales in the condensed consolidated statement of earnings.

11. Share-Based Compensation Plans

For a discussion of our share-based compensation plans, please see Note 14 in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

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Non-Vested Deferred Stock Units and Performance Units

The following table summarizes the activity of time-based and performance-based awards (collectively, "DSUs") for the six months ended August 3, 2019:

	Units		Weighted-Average Grant-Date Fair Value	
	Time-Based	Performance-Based	Time-Based	Performance-Based
Non-Vested at February 2, 2019	939,086	336,906	$ 22.60	$ 18.59
Granted	162,162	—	5.55	—
Vested[(1)]	(416,566)	(28,686)	21.81	17.43
Forfeited	(100,902)	(43,704)	22.44	18.30
Non-Vested at August 3, 2019	583,780	264,516	$ 18.45	$ 18.77

(1) Includes 137,694 shares relinquished for tax payments related to vested DSUs for the six months ended August 3, 2019.

As of August 3, 2019, we have unrecognized compensation expense related to non-vested DSUs of $9.5 million, which is expected to be recognized over a weighted-average period of 1.3 years.

Stock Options and Stock Appreciation Rights ("SARs")

The following table summarizes the activity of stock options for the six months ended August 3, 2019:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at February 2, 2019	1,252,072	$ 23.64
Granted	3,050,974	7.61
Exercised	—	—
Forfeited	(171,812)	11.02
Expired	(43,268)	28.28
Outstanding at August 3, 2019	4,087,966	$ 12.16
Exercisable at August 3, 2019	912,456	$ 24.91

During the first quarter of 2019, we granted SARs, which vest ratably over a period ofthree years, and will be settled in stock. Each vested SAR entitles the holder to the right of the difference between the value of our common stock on the date of exercise and the common stock price on the date of grant. We use the Black-Scholes option pricing model to estimate the fair value of SARs on the date of grant.

The following table summarizes the activity of SARs for the six months ended August 3, 2019:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at February 2, 2019	—	$ —
Granted	414,476	7.62
Exercised	—	—
Forfeited	—	—
Expired	—	—
Outstanding at August 3, 2019	414,476	$ 7.62
Exercisable at August 3, 2019	—	$ —

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The weighted-average grant date fair value of the 3,050,974 stock options and 414,476 SARs granted during the six months ended August 3, 2019 was $3.00 and $3.01 per share, respectively. The following table summarizes the weighted-average assumptions used to fair value the stock options and SARs at the date of grant using the Black-Scholes option model for the six months ended August 3, 2019:

	For the Six Months Ended August 3, 2019
Risk-free interest rate	2.39%
Expected lives	5.0 years
Dividend yield	4.34%
Expected volatility	62.32%

As of August 3, 2019, we have unrecognized compensation expense related to non-vested stock options and SARs of $10.6 million, which is expected to be recognized over a weighted-average period of 1.7 years.

Cash Settled Awards

We have granted stock-based awards to certain employees, which vest over a period of three years, and will be settled in cash ("cash settled awards"). The fair value of the cash settled awards at each reporting period is based on the price of our common stock. The fair value of the cash settled awards will be remeasured at each reporting period until the awards are settled. Cash settled awards are classified as liabilities in the condensed consolidated balance sheets. At August 3, 2019, the liability associated with the cash settled awards was $1.3 million with $1.2 million recorded in accrued expenses and other current liabilities and $0.1 million recorded in other liabilities in the condensed consolidated balance sheets.

The following table summarizes the activity of cash settled awards, based on their initial grant date values, for the six months ended August 3, 2019 (in thousands):

	Cash Settled Awards
Non-Vested at February 2, 2019	$ 5,072
Granted	4,255
Vested	(2,350)
Forfeited	(514)
Non-Vested at August 3, 2019	$ 6,463

As of August 3, 2019, we have unrecognized compensation expense related to non-vested cash settled awards of $3.0 million, which is expected to be recognized over a weighted-average period of 0.8 years.

Share-Based Compensation Expense

Share-based compensation expense, including cash settled awards, recognized for the three and six months ended August 3, 2019 was $2.4 million and $4.3 million, respectively. Share-based compensation expense, including cash settled awards, recognized for the three and six months ended August 4, 2018 was $5.5 million and $11.9 million, respectively.

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12. Leases

Adoption of ASC 842

Effective February 3, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments ("ASC 842") using the modified retrospective approach. As part of the adoption, we made the following elections:

- We elected the package of practical expedients under which we did not reassess our prior conclusions about lease identification, lease classification and initial direct costs.
- We elected to not separate lease and non-lease components for all leases.
- We elected to exempt leases with an initial term of twelve months or less from balance sheet recognition.
- We elected the land easement practical expedient under which we did not reassess whether existing land easements not accounted for as leases under previous guidance are or contain leases under ASC 842.
- We did not elect the hindsight practical expedient for all leases.

In addition, in July 2018, the FASB approved an optional transition method that removed the requirement to restate prior period financial statements upon adoption of the standard with a cumulative-effect adjustment to retained earnings in the period of adoption and we elected to apply this transition method. As a result, the comparative period information has not been restated and continues to be reported under the accounting standards in effect for the period presented. The adoption of ASC 842 had no impact to our previously reported results of operations or cash flows.

The following table depicts the cumulative effect of the changes made to our February 2, 2019 balance sheet for the adoption of ASC 842 effective on February 3, 2019 (in thousands):

	Reported Balance at February 2, 2019	Impact of Adoption of ASC 842	Adjusted Balance at February 3, 2019
Assets:			
Other current assets	$ 70,712	$ (20,754)	$ 49,958
Operating lease right-of-use assets	—	896,270	896,270
Intangible assets, net	163,901	(6,682)	157,219
Current Liabilities:			
Accrued expenses and other current liabilities	282,029	(151)	281,878
Current portion of operating lease liabilities	—	183,726	183,726
Noncurrent Liabilities:			
Operating lease liabilities	—	745,116	745,116
Deferred taxes, net and other liabilities	125,022	(59,455)	65,567
Equity:			
Accumulated deficit	(468,048)	(402)	(468,450)

The adoption of ASC 842 primarily resulted in the recognition of operating lease liabilities totaling $928.8 million, based upon the present value of the remaining minimum rental payments using discount rates as of the adoption date, with $183.7 million within current liabilities and $745.1 million in noncurrent liabilities. In addition, we recorded corresponding right-of-use assets totaling $896.3 million based upon the operating lease liabilities adjusted for favorable lease intangible assets, previously included within intangible assets, net and deferred rent and unfavorable lease liabilities, previously included within deferred taxes, net and other liabilities. In addition, we recorded a $0.4 million cumulative effect of initially applying ASC 842 as an adjustment to the opening balance of accumulated deficit.

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Lease Information

We lease store locations, office and warehouse facilities, vehicles and equipment under various non-cancelable operating leases expiring in various years through 2030.

Substantially all of our stores are leased, generally for five toten year initial terms. Certain store leases includeone or more options to renew, with renewal terms that range from one to ten years. Management uses its judgment to determine if a renewal option is reasonably certain of being exercised including consideration of the significant investment related to the identification, opening and operation of these store locations. In addition, under our real estate leases, we pay costs such as real estate taxes and common area maintenance and certain of our lease agreements include rental payments based on a percentage of retail sales over contractual levels. These costs are generally considered variable lease payments, and are recognized when deemed probable of payment. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. In addition, we sublease certain real estate to third parties. Amounts related to subleases were immaterial to the condensed consolidated financial statements.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments. Operating lease right-of-use assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, lease incentives and impairment of operating lease right-of-use assets. To determine the present value of the lease payments, we estimated our incremental borrowing rate based on our current credit rating as well as comparisons to comparable borrowing rates of similarly-rated companies.

The components of lease cost are as follows (in thousands):

	For the Three Months Ended August 3, 2019	For the Six Months Ended August 3, 2019
Operating lease cost	$ 63,326	$ 126,230
Variable lease cost	18,397	37,658
Total lease cost	$ 81,723	$ 163,888

Operating lease expense is recognized on a straight-line basis over the lease term. Total lease costs for stores and our distribution network are included in cost of sales while other total lease costs are included in SG&A expenses.

Supplemental balance sheet information related to operating leases consists of the following (in thousands):

	August 3, 2019
Operating lease right-of-use assets	$ 918,541
Current portion of operating lease liabilities	$ 185,800
Noncurrent portion operating lease liabilities	763,865
Total operating lease liabilities	$ 949,665

Lease term and discount rate for operating leases were as follows:

	August 3, 2019
Weighted average remaining lease term	4.4 years
Weighted average discount rate	5.26%

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Supplemental disclosures of cash flow information consists of the following (in thousands):

	For the Six Months Ended August 3, 2019	
Cash paid for operating leases	$	127,844
Operating lease assets obtained in exchange for operating lease liabilities	$	1,017,124

At August 3, 2019, we have approximately $949.7 million of non-cancelable operating lease commitments and no finance leases. The following table summarizes the undiscounted annual future minimum lease payments, as of August 3, 2019, for each of the next five years and in the aggregate (in thousands):

	Operating Leases	
Year 1	$	234,651
Year 2		242,446
Year 3		204,721
Year 4		159,609
Year 5		114,716
Thereafter		149,230
Total lease payments	$	1,105,373
Less: Interest		(155,708)
Present value of lease liabilities	$	949,665

As of August 3, 2019, we executed certain real estate leases that had not yet commenced with lease liabilities totaling $1.1 million which are not reflected in the above table. These leases are expected to commence during fiscal 2019.

Disclosures Related to Periods Prior to Adoption of ASC 842

As previously disclosed in our 2018 Annual Report on Form 10-K and under the accounting standards then in effect, minimum future rental payments under non-cancelable leases as of February 2, 2019 for each of the next five years and in the aggregate are as follows (in thousands):

Fiscal Year	Operating Leases	
2019	$	239,711
2020		209,596
2021		175,962
2022		134,208
2023		88,187
Thereafter		141,084
Total lease payments	$	988,748

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13. Goodwill and Other Intangible Assets

Goodwill

Changes in the net carrying amount of goodwill, all of which relates to our retail segment, for the six months ended August 3, 2019 are as follows (in thousands):

	Total
Balance at February 2, 2019	$ 79,491
Translation adjustment	(208)
Balance at August 3, 2019	$ 79,283

Goodwill is evaluated for impairment at least annually. A more frequent evaluation is performed if events or circumstances indicate that impairment could have occurred. Such events or circumstances could include, but are not limited to, new significant negative industry or economic trends, unanticipated changes in the competitive environment, decisions to significantly modify or dispose of operations and a significant sustained decline in the market price of our stock. No triggering event occurred during the first six months ended August 3, 2019 that required an interim goodwill impairment test.

Intangible Assets

The gross carrying amount and accumulated amortization of our identifiable intangible assets are as follows (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Amortizable intangible assets:			
Carrying amount:			
Trademarks, tradenames and franchise agreements	$ 15,887	$ 16,055	$ 16,067
Favorable leases	—	12,876	11,844
Customer relationships	24,645	26,415	26,553
Total carrying amount	40,532	55,346	54,464
Accumulated amortization:			
Trademarks, tradenames and franchise agreements	(10,871)	(10,634)	(10,796)
Favorable leases	—	(5,420)	(5,162)
Customer relationships	(18,523)	(17,652)	(18,851)
Total accumulated amortization	(29,394)	(33,706)	(34,809)
Total amortizable intangible assets, net	11,138	21,640	19,655
Indefinite-lived intangible assets:			
Trademarks and tradename	144,171	144,241	144,246
Total intangible assets, net	$ 155,309	$ 165,881	$ 163,901

The elimination of favorable leases is due to the adoption of ASC 842, effective February 3, 2019. Please see Note 12 for additional information.

Amortization expense associated with intangible assets subject to amortization totaled $0.6 million and $1.2 million for the three and six months ended August 3, 2019. Amortization expense associated with intangible assets subject to amortization totaled $ 1.0 million and $2.0 million for the three and six months ended August 4, 2018. Amortization associated with intangible assets subject to amortization at August 3, 2019 is estimated to be $1.2 million for the remainder of fiscal 2019, $2.5 million for fiscal 2020, $2.5 million for fiscal 2021, $1.4 million for fiscal 2022 and $0.3 million for fiscal 2023.

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14. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-tier fair value hierarchy, categorizing the inputs used to measure fair value. The hierarchy can be described as follows: Level 1- observable inputs such as quoted prices in active markets; Level 2- inputs other than the quoted prices in active markets that are observable either directly or indirectly; and Level 3- unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

	Fair Value Measurements at Reporting Date Using			
(in thousands)	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
August 3, 2019—				
Assets:				
Derivative financial instruments	$ —	$ 2,787	$ —	$ 2,787
Liabilities:				
Derivative financial instruments	$ —	$ 30,717	$ —	$ 30,717
August 4, 2018—				
Assets:				
Derivative financial instruments	$ —	$ 8,240	$ —	$ 8,240
Liabilities:				
Derivative financial instruments	$ —	$ 1,932	$ —	$ 1,932
February 2, 2019—				
Assets:				
Derivative financial instruments	$ —	$ 3,074	$ —	$ 3,074
Liabilities:				
Derivative financial instruments	$ —	$ 9,307	$ —	$ 9,307

At August 3, 2019, derivative financial instruments are comprised of (1) interest rate swap agreements to minimize our exposure to interest rate changes on our outstanding indebtedness, (2) foreign currency forward exchange contracts primarily entered into to minimize our foreign currency exposure related to forecasted purchases of certain inventories denominated in a currency different from the operating entity's functional currency, (3) foreign currency forward exchange contracts primarily entered into to minimize our foreign currency exposure related to forecasted revenues from our UK operations denominated in a currency different from the UK's functional currency and (4) a foreign currency forward exchange contract primarily entered into to minimize our foreign currency exposure related to the British pound.

These derivative financial instruments are recorded in the condensed consolidated balance sheets at fair value based upon observable market inputs, primarily pricing models based on current market rates. Derivative financial instruments in an asset position are included within other current assets or other assets in the condensed consolidated balance sheets. Derivative financial instruments in a liability position are included within accrued expenses and other current liabilities or noncurrent liabilities in the condensed consolidated balance sheets. Please see Note 15 for further information regarding our derivative instruments.

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Assets and Liabilities that are Measured at Fair Value on a Non-Recurring Basis

Long-lived assets, such as property and equipment, and identifiable intangibles, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset.

During the six months ended August 3, 2019, we incurred $0.2 million asset impairment charges, which is included within SG&A expenses in our condensed consolidated statement of earnings, related to underperforming stores. In addition, we recognized a write-off of $2.9 million of rental product related to the closure of a Canadian distribution center, which is included within cost of sales in our condensed consolidated statement of earnings.

During the six months ended August 4, 2018, we incurred $0.3 million asset impairment charges, which is included within SG&A expenses in our condensed consolidated statement of earnings, related to underperforming stores. In addition, we recognized a write-off of $4.0 million of rental product related to the closure of a rental product distribution center, which is included within cost of sales in our condensed consolidated statement of earnings.

We estimated the fair value of the long-lived assets based on an income approach using projected future cash flows discounted using a weighted-average cost of capital analysis that reflects current market conditions, which we classify as Level 3 within the fair value hierarchy.

Fair Value of Financial Instruments

Our financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses and other current liabilities and our Term Loan and Senior Notes. Management estimates that, as of August 3, 2019, August 4, 2018, and February 2, 2019, the carrying value of our financial instruments, other than our Term Loan and Senior Notes, approximated their fair value due to the highly liquid or short-term nature of these instruments. We believe that the borrowings under our ABL Facility approximate their fair value because interest rates are adjusted on a short-term basis.

The fair values of our Term Loan were valued based upon observable market data provided by a third party for similar types of debt, which we classify as a Level 2 input within the fair value hierarchy. The fair value of our Senior Notes is based on quoted prices in active markets, which we classify as a Level 1 input within the fair value hierarchy. The table below shows the fair value and carrying value of our long-term debt, including current portion (in thousands):

	August 3, 2019		August 4, 2018		February 2, 2019	
	Carrying Amount(1)	Estimated Fair Value	Carrying Amount(1)	Estimated Fair Value	Carrying Amount(1)	Estimated Fair Value
Term Loan and Senior Notes, including current portion	$ 1,109,651	$ 996,169	$ 1,111,877	$ 1,133,454	$ 1,116,361	$ 1,120,296

(1) The carrying value of the Term Loan and Senior Notes, including current portion is net of deferred financing costs of $2.8 million, $7.9 million and $3.2 million as of August 3, 2019, August 4, 2018 and February 2, 2019, respectively.

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15. Derivative Financial Instruments

Effective February 3, 2019, we adopted ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. The adoption of ASU 2017-12 did not have an impact on our financial position, results of operations or cash flows.

In April 2017, we entered into an interest rate swap contract on an initial notional amount of $260.0 million that matures in June 2021 with periodic interest settlements. At August 3, 2019, the notional amount totaled $320.0 million. Under this interest rate swap contract, we receive a floating rate based on 1-month LIBOR and pay a fixed rate of 5.31% (including the applicable margin of 3.25%) on the outstanding notional amount.

In June 2018, we entered into an interest rate swap contract on an initial notional amount of $320.0 million that matures in April 2025 with periodic interest settlements. At August 3, 2019, the notional amount totaled $390.0 million. Under this interest rate swap contract, we receive a floating rate based on 1-month LIBOR and pay a fixed rate of 6.18% (including the applicable margin of 3.25%) on the outstanding notional amount.

We have designated each interest rate swap as a cash flow hedge of the variability of interest payments under the Term Loan due to changes in the LIBOR benchmark rate and the fair value of the swaps is reported as a component of accumulated other comprehensive (loss) income. For both swaps, changes in fair value are reclassified from accumulated other comprehensive (loss) income into earnings in the same period that the hedged item affects earnings. Over the next 12 months, $5.3 million of the amounts related to the interest rate swaps is expected to be reclassified from accumulated other comprehensive (loss) income into earnings within interest expense.

We also utilize derivative instruments to hedge our foreign exchange risk, specifically related to the British pound and Euro. At August 3, 2019, the notional amount of the British pound and Euro instruments totaled $21.2 million and $7.8 million, respectively, and mature at various times through December 2019. We have designated these instruments as cash flow hedges of the variability in exchange rates for those foreign currencies. The fair value of these hedges is reported as a component of accumulated other comprehensive (loss) income and changes in fair value are reclassified from accumulated other comprehensive (loss) income into earnings in the same period that the hedged item affects earnings. Over the next 12 months, $2.0 million of the amounts related to these cash flow hedges is expected to be reclassified as expense into cost of sales from accumulated other comprehensive (loss) income.

In addition, we are exposed to market risk associated with foreign currency exchange rate fluctuations as a result of our direct sourcing programs, specifically related to the Canadian dollar. As a result, from time to time, we may enter into derivative instruments to hedge this foreign exchange risk. We have not elected to apply hedge accounting to these derivative instruments. At August 3, 2019, the notional amount of these instruments totaled $6.5 million. Amounts related to these transactions were immaterial to our condensed consolidated financial statements.

Also, during the second quarter of 2019, we entered into a foreign currency forward hedge for our corporate apparel business to hedge our exposure to exchange rate risk related to the British pound for a notional amount of $56.0 million. We have not elected to apply hedge accounting to this derivative instrument. For the three and six months ended August 3, 2019, we recorded an unrealized gain of $1.3 million within SG&A in the condensed consolidated statement of earnings.

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The following table provides details on our derivative instruments recorded in the condensed consolidated balance sheets as of August 3, 2019, August 4, 2018 and February 2, 2019 (in thousands):

	August 3, 2019		August 4, 2018		February 2, 2019	
	Balance Sheet Location	Estimated Fair Value	Balance Sheet Location	Estimated Fair Value	Balance Sheet Location	Estimated Fair Value
Interest rate contracts	Other current assets	$ —	Other current assets	$ 1,478	Other current assets	$ 1,610
Interest rate contracts	Other assets	—	Other assets	5,430	Other assets	1,355
Foreign exchange contracts	Other current assets	2,787	Other current assets	1,332	Other current assets	109
Total assets		$ 2,787		$ 8,240		$ 3,074
Interest rate contracts	Accrued expenses and other current liabilities	$ 5,304	Accrued expenses and other current liabilities	$ 1,735	Accrued expenses and other current liabilities	$ 1,625
Interest rate contracts	Deferred taxes, net and other liabilities	24,949	Deferred taxes, net and other liabilities	—	Deferred taxes, net and other liabilities	7,605
Foreign exchange contracts	Accrued expenses and other current liabilities	464	Accrued expenses and other current liabilities	197	Accrued expenses and other current liabilities	77
Total liabilities		$ 30,717		$ 1,932		$ 9,307

The following table provides details on our derivative instruments recorded in the condensed consolidated statements of earnings and comprehensive (loss) income for the three and six months ended August 3, 2019 and August 4, 2018 (in thousands):

	Amount of Gain/(Loss) Recognized in Other Comprehensive Loss, net of tax		Location of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings	Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings	
	For the Three Months Ended			For the Three Months Ended	
	August 3, 2019	August 4, 2018		August 3, 2019	August 4, 2018
Derivatives in Cash Flow Hedging Relationships:					
Interest rate contracts	$ (12,943)	$ (255)	Interest expense	$ 99	$ 153
Foreign exchange contracts	955	798	Cost of sales	(176)	473
Total	$ (11,988)	$ 543		$ (77)	$ 626

	Amount of Gain/(Loss) Recognized in Other Comprehensive Loss, net of tax		Location of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings	Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings	
	For the Six Months Ended			For the Six Months Ended	
	August 3, 2019	August 4, 2018		August 3, 2019	August 4, 2018
Derivatives in Cash Flow Hedging Relationships:					
Interest rate contracts	$ (18,138)	$ 785	Interest expense	$ 113	$ 307
Foreign exchange contracts	1,052	1,845	Cost of sales	(706)	1,032
Total	$ (17,086)	$ 2,630		$ (593)	$ 1,339

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16. Segment Reporting

Our operations are conducted in two reportable segments, retail and corporate apparel, based on the way we manage, evaluate and internally report our business activities.

The retail segment includes the results from our four retail merchandising brands: Men's Wearhouse/Men's Wearhouse and Tux, Jos. A. Bank, Moores Clothing for Men ("Moores") and K&G. These four brands are operating segments that have been aggregated into the retail reportable segment. Prior to its divestiture, MW Cleaners was also aggregated in the retail segment as its operations did not have a significant effect on our revenues or expenses. Specialty apparel merchandise offered by our four retail merchandising concepts include suits, suit separates, sport coats, slacks, formalwear, business casual, denim, sportswear, outerwear, dress shirts, shoes and accessories for men. Women's career and casual apparel, sportswear and accessories, including shoes, and children's apparel is offered at most of our K&G stores. Rental product is offered at our Men's Wearhouse/Men's Wearhouse and Tux, Jos. A. Bank and Moores retail stores.

The corporate apparel segment includes the results from our corporate apparel and uniform operations conducted by Dimensions, Alexandra, and Yaffy in the UK and Twin Hill in the U.S., which provide corporate apparel uniforms and workwear to workforces. Please see Note 19 of Notes to the Condensed Consolidated Financial Statements for information concerning the divestiture of our corporate apparel business on August 16, 2019.

We measure segment profitability based on operating income, defined as income before interest expense, interest income, loss on extinguishment of debt, net and income taxes, before shared service expenses. Shared service expenses include costs incurred and directed primarily by our corporate offices that are not allocated to segments.

Additional net sales information is as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales:				
Men's Wearhouse[1]	$ 423,504	$ 445,197	$ 851,276	$ 893,006
Jos. A. Bank	166,065	172,427	332,951	341,503
K&G	82,689	83,645	170,386	172,925
Moores	63,887	66,645	106,194	112,772
MW Cleaners[2]	—	—	—	2,551
Total retail segment	736,145	767,914	1,460,807	1,522,757
Total corporate apparel segment	53,343	55,516	110,068	118,637
Total net sales	$ 789,488	$ 823,430	$ 1,570,875	$ 1,641,394

(1) Consists of Men's Wearhouse, Men's Wearhouse and Tux and Joseph Abboud.
(2) On March 3, 2018, we completed the divestiture of our MW Cleaners business. Please see Note 2 for additional information.

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Operating income by reportable segment, shared service expense, and the reconciliation to earnings before income taxes is as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Operating income:				
Retail	$ 109,347	$ 134,142	$ 187,538	$ 232,863
Corporate apparel	1,147	1,169	1,727	2,752
Shared service expense	(49,904)	(47,325)	(98,373)	(94,732)
Operating income	60,590	87,986	90,892	140,883
Interest income	157	122	253	207
Interest expense	(18,258)	(20,864)	(36,921)	(42,845)
Loss on extinguishment of debt, net	—	(8,122)	—	(20,833)
Earnings before income taxes	$ 42,489	$ 59,122	$ 54,224	$ 77,412

Total assets by reportable segment and shared services are as follows (in thousands):

	August 3, 2019	August 4, 2018	February 2, 2019
Segment assets:			
Retail	$ 2,182,982	$ 1,344,618	$ 1,375,902
Corporate apparel	167,705	186,285	175,488
Shared services (1)	324,011	297,928	269,100
Total assets (2)	$ 2,674,698	$ 1,828,831	$ 1,820,490

(1) Shared service assets consist primarily of cash and cash equivalents, assets related to our distribution network and tax-related assets.
(2) The increase in total assets, as of August 3, 2019, is related to the recognition of operating lease right-of-use assets resulting from the adoption of ASC 842, effective February 3, 2019. Please see Note 12 for additional information.

17. Legal Matters

On August 2, 2017, two American Airlines employees, Thor Zurbriggen and Dena Catan, filed a putative class action lawsuit against our Twin Hill subsidiary in the United States District Court for the Northern District of Illinois (Case No. 1:17-cv-05648). The complaint alleged claims for strict liability, negligence, and medical monitoring based on allegedly defective uniforms Twin Hill supplied to American Airlines for its employees. On September 28, 2017, the plaintiffs filed an amended complaint adding nine additional named plaintiffs, adding American Airlines, Inc. as a defendant, and adding claims for civil battery and intentional infliction of emotional distress. Plaintiffs filed a Seconded Amended Complaint on October 4, 2018 on behalf of 39 named plaintiffs, adding PSA Airlines, Inc. and Envoy Air Inc. as defendants, adding new factual allegations and adding a new claim of fraud against American. The Second Amended Complaint included plaintiffs from the *Onody* (Case No. 1:18-cv-02303) and *Joy* (Case No. 1:18-cv-05808) matters we reported in prior filings. As a result, on October 16, 2018, the judge dismissed the separate *Onody* and *Joy* matters. We have timely answered the Second Amended Complaint and the matter will proceed in due course. We believe that any lawsuit filed on the basis of the safety of the Twin Hill uniforms supplied to American Airlines is without merit, and we intend to contest this action vigorously. Twin Hill has substantial and convincing evidence of the uniforms' safety and fitness for their intended purpose, and we believe that there is no evidence linking any of the plaintiffs' alleged injuries to our uniforms. The range of loss, if any, is not reasonably estimable at this time. We do not currently believe, however, that it will have a material adverse effect on our financial position, results of operations or cash flows.

On September 27, 2017, Heather Poole and numerous other American Airlines employees filed a lawsuit against our Twin Hill subsidiary in the Superior Court for the State of California for the County of Alameda (Case No. RG17876798). The complaint attempts to allege claims for strict liability and negligence based on allegedly defective uniforms Twin Hill supplied to American Airlines for its employees. On December 11, 2017, the Company filed a demurrer to Plaintiff's complaint. On February 20, 2018, the Court granted our demurrer and dismissed the plaintiffs' Complaint. Plaintiffs filed

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an amended complaint on April 10, 2018 and again on April 27, 2018, which added allegations regarding Plaintiffs' alleged injuries and named Tailored Brands as a defendant. This case was consolidated for pretrial purposes only with other complaints containing identical allegations, including the *Agnello, Hughes, Mackonochie* and *Wagoner* cases that were disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019. We believe that any lawsuit filed on the basis of the safety of the Twin Hill uniforms supplied to American Airlines is without merit, and we intend to contest this action vigorously. Twin Hill has substantial and convincing evidence of the uniforms' safety and fitness for their intended purpose, and we believe that there is no evidence linking any of the plaintiffs' alleged injuries to our uniforms. The range of loss, if any, is not reasonably estimable at this time. We do not currently believe, however, that it will have a material adverse effect on our financial position, results of operations or cash flows.

In addition, we are involved in various routine legal proceedings, including ongoing litigation, incidental to the conduct of our business. Management does not believe that any of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

18. Condensed Consolidating Information

As discussed in Note 4, The Men's Wearhouse (the "Issuer") issued $600.0 million in aggregate principal amount of Senior Notes. The Senior Notes are guaranteed jointly and severally, on an unsecured basis by Tailored Brands, Inc. (the "Parent") and certain of our U.S. subsidiaries (the "Guarantors"). Our foreign subsidiaries (collectively, the "Non-Guarantors") are not guarantors of the Senior Notes. Each of the Guarantors is 100% owned and all guarantees are joint and several. In addition, the guarantees are full and unconditional except for certain automatic release provisions related to the Guarantors.

These automatic release provisions are considered customary and include the sale or other disposition of all or substantially all of the assets or all of the capital stock of any subsidiary guarantor, the release or discharge of a guarantor's guarantee of the obligations under the Term Loan other than a release or discharge through payment thereon, the designation in accordance with the Indenture of a guarantor as an unrestricted subsidiary or the satisfaction of the requirements for defeasance or discharge of the Senior Notes as provided for in the Indenture.

The tables in the following pages present the condensed consolidating financial information for the Parent, the Issuer, the Guarantors and the Non-Guarantors, together with eliminations, as of and for the periods indicated. The consolidating financial information may not necessarily be indicative of the financial positions, results of operations or cash flows had the Issuer, Guarantors and Non-Guarantors operated as independent entities.

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Tailored Brands, Inc.
Condensed Consolidating Balance Sheet
August 3, 2019
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ —	$ 1,158	$ 2,091	$ 16,227	$ —	$ 19,476
Accounts receivable, net	—	23,397	174,552	74,042	(206,815)	65,176
Inventories	—	130,301	485,873	230,778	—	846,952
Other current assets	9,744	31,154	27,632	45,885	(50,533)	63,882
Total current assets	9,744	186,010	690,148	366,932	(257,348)	995,486
Property and equipment, net	—	185,823	201,464	33,901	—	421,188
Operating lease right-of-use assets	—	479,760	376,922	61,859	—	918,541
Rental product, net	—	80,973	7,225	10,887	—	99,085
Goodwill	—	6,160	52,128	20,995	—	79,283
Intangible assets, net	—	—	146,937	8,372	—	155,309
Investments in subsidiaries	177,425	1,157,995	—	—	(1,335,420)	—
Other assets	—	5,250	485	4,271	(4,200)	5,806
Total assets	$ 187,169	$ 2,101,971	$ 1,475,309	$ 507,217	$ (1,596,968)	$ 2,674,698
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	$ 165,067	$ 79,695	$ 59,303	$ 90,696	$ (206,815)	$ 187,946
Accrued expenses and other current liabilities	11,523	157,294	123,864	57,764	(50,533)	299,912
Current portion of operating lease liabilities	—	98,618	73,346	13,836	—	185,800
Current portion of long-term debt	—	9,000	—	—	—	9,000
Total current liabilities	176,590	344,607	256,513	162,296	(257,348)	682,658
Long-term debt, net	—	1,145,651	—	—	—	1,145,651
Operating lease liabilities	—	405,847	308,974	49,044	—	763,865
Deferred taxes, net and other liabilities	6,016	28,441	28,172	19,532	(4,200)	77,961
Shareholders' equity	4,563	177,425	881,650	276,345	(1,335,420)	4,563
Total liabilities and shareholders' equity	$ 187,169	$ 2,101,971	$ 1,475,309	$ 507,217	$ (1,596,968)	$ 2,674,698

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Tailored Brands, Inc.
Condensed Consolidating Balance Sheet
August 4, 2018
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ —	$ 2,086	$ 2,215	$ 63,914	$ —	$ 68,215
Accounts receivable, net	—	25,994	321,918	50,882	(333,695)	65,099
Inventories	—	162,588	434,499	189,423	—	786,510
Other current assets	3,719	18,975	53,284	11,513	—	87,491
Total current assets	3,719	209,643	811,916	315,732	(333,695)	1,007,315
Property and equipment, net	—	191,503	201,939	33,665	—	427,107
Rental product, net	—	91,843	4,066	15,436	—	111,345
Goodwill	—	6,160	53,422	44,104	—	103,686
Intangible assets, net	—	—	154,580	11,301	—	165,881
Investments in subsidiaries	141,149	1,377,602	—	—	(1,518,751)	—
Other assets	—	12,290	655	81,087	(80,535)	13,497
Total assets	$ 144,868	$ 1,889,041	$ 1,226,578	$ 501,325	$ (1,932,981)	$ 1,828,831
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	$ 126,871	$ 237,341	$ 53,847	$ 61,617	$ (333,695)	$ 145,981
Accrued expenses and other current liabilities	13,049	146,213	124,928	35,788	—	319,978
Current portion of long-term debt	—	9,000	—	—	—	9,000
Total current liabilities	139,920	392,554	178,775	97,405	(333,695)	474,959
Long-term debt, net	—	1,207,377	—	—	—	1,207,377
Deferred taxes, net and other liabilities	4,937	147,961	47,365	26,756	(80,535)	146,484
Shareholders' equity	11	141,149	1,000,438	377,164	(1,518,751)	11
Total liabilities and shareholders' equity	$ 144,868	$ 1,889,041	$ 1,226,578	$ 501,325	$ (1,932,981)	$ 1,828,831

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Tailored Brands, Inc.
Condensed Consolidating Balance Sheet
February 2, 2019
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ —	$ 970	$ 1,496	$ 52,965	$ —	$ 55,431
Accounts receivable, net	—	23,954	264,884	82,204	(297,969)	73,073
Inventories	—	149,923	461,153	219,350	—	830,426
Other current assets	—	30,699	37,969	7,314	(5,270)	70,712
Total current assets	—	205,546	765,502	361,833	(303,239)	1,029,642
Property and equipment, net	—	194,290	209,814	35,068	—	439,172
Rental product, net	—	81,809	3,426	14,535	—	99,770
Goodwill	—	6,160	52,128	21,203	—	79,491
Intangible assets, net	—	—	153,712	10,189	—	163,901
Investments in subsidiaries	160,057	1,234,005	—	—	(1,394,062)	—
Other assets	—	7,590	665	5,059	(4,800)	8,514
Total assets	$ 160,057	$ 1,729,400	$ 1,185,247	$ 447,887	$ (1,702,101)	$ 1,820,490
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	$ 142,701	$ 201,799	$ 69,485	$ 112,963	$ (297,969)	$ 228,979
Accrued expenses and other current liabilities	6,697	146,683	109,654	40,233	(5,270)	297,997
Current portion of long-term debt	—	11,619	—	—	—	11,619
Total current liabilities	149,398	360,101	179,139	153,196	(303,239)	538,595
Long-term debt, net	—	1,153,242	—	—	—	1,153,242
Deferred taxes, net and other liabilities	7,028	56,000	45,069	21,725	(4,800)	125,022
Shareholders' equity	3,631	160,057	961,039	272,966	(1,394,062)	3,631
Total liabilities and shareholders' equity	$ 160,057	$ 1,729,400	$ 1,185,247	$ 447,887	$ (1,702,101)	$ 1,820,490

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Tailored Brands, Inc.
Condensed Consolidating Statement of Earnings (Loss)
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Three Months Ended August 3, 2019						
Net sales	$ —	$ 422,224	$ 371,325	$ 273,723	$ (277,784)	$ 789,488
Cost of sales	—	220,362	288,849	224,334	(277,784)	455,761
Gross margin	—	201,862	82,476	49,389	—	333,727
Operating expenses	652	129,357	130,373	42,220	(29,465)	273,137
Operating (loss) income	(652)	72,505	(47,897)	7,169	29,465	60,590
Other income and expenses, net	—	—	28,318	1,147	(29,465)	—
Interest (expense) income, net	(1,084)	(18,097)	1,100	(20)	—	(18,101)
(Loss) earnings before income taxes	(1,736)	54,408	(18,479)	8,296	—	42,489
(Benefit) provision for income taxes	(321)	11,417	(4,254)	1,381	—	8,223
(Loss) earnings before equity in net income of subsidiaries	(1,415)	42,991	(14,225)	6,915	—	34,266
Equity in earnings (loss) of subsidiaries	35,681	(7,310)	—	—	(28,371)	—
Net earnings (loss)	$ 34,266	$ 35,681	$ (14,225)	$ 6,915	$ (28,371)	$ 34,266
Comprehensive income (loss)	$ 14,872	$ 22,838	$ (14,225)	$ 364	$ (8,977)	$ 14,872
Three Months Ended August 4, 2018						
Net sales	$ —	$ 443,685	$ 386,319	$ 164,525	$ (171,099)	$ 823,430
Cost of sales	—	220,210	288,057	117,360	(171,099)	454,528
Gross margin	—	223,475	98,262	47,165	—	368,902
Operating expenses	1,083	132,573	132,681	29,064	(14,485)	280,916
Operating (loss) income	(1,083)	90,902	(34,419)	18,101	14,485	87,986
Other income and expenses, net	—	—	14,485	—	(14,485)	—
Interest (expense) income, net	(923)	(22,458)	2,131	508	—	(20,742)
Loss on extinguishment of debt, net	—	(8,122)	—	—	—	(8,122)
(Loss) earnings before income taxes	(2,006)	60,322	(17,803)	18,609	—	59,122
(Benefit) provision for income taxes	(461)	9,505	(2,557)	3,397	—	9,884
(Loss) earnings before equity in net income of subsidiaries	(1,545)	50,817	(15,246)	15,212	—	49,238
Equity in earnings (loss) of subsidiaries	50,783	(34)	—	—	(50,749)	—
Net earnings (loss)	$ 49,238	$ 50,783	$ (15,246)	$ 15,212	$ (50,749)	$ 49,238
Comprehensive income (loss)	$ 42,583	$ 50,681	$ (15,246)	$ 8,659	$ (44,094)	$ 42,583

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Six Months Ended August 3, 2019						
Net sales	$ —	$ 848,347	$ 784,433	$ 450,322	$ (512,227)	$ 1,570,875
Cost of sales	—	448,433	615,772	364,614	(512,227)	916,592
Gross margin	—	399,914	168,661	85,708	—	654,283
Operating expenses	1,496	269,003	265,206	70,868	(43,182)	563,391
Operating (loss) income	(1,496)	130,911	(96,545)	14,840	43,182	90,892
Other income and expenses, net	—	—	42,035	1,147	(43,182)	—
Interest (expense) income, net	(2,239)	(36,576)	2,575	(428)	—	(36,668)
(Loss) earnings before income taxes	(3,735)	94,335	(51,935)	15,559	—	54,224
(Benefit) provision for income taxes	(787)	19,484	(9,335)	3,454	—	12,816
(Loss) earnings before equity in net income of subsidiaries	(2,948)	74,851	(42,600)	12,105	—	41,408
Equity in earnings (loss) of subsidiaries	44,356	(30,495)	—	—	(13,861)	—
Net earnings (loss)	$ 41,408	$ 44,356	$ (42,600)	$ 12,105	$ (13,861)	$ 41,408
Comprehensive income (loss)	$ 14,815	$ 26,332	$ (42,600)	$ 3,536	$ 12,732	$ 14,815
Six Months Ended August 4, 2018						
Net sales	$ —	$ 889,932	$ 767,740	$ 292,192	$ (308,470)	$ 1,641,394
Cost of sales	—	445,183	579,000	211,555	(308,470)	927,268
Gross margin	—	444,749	188,740	80,637	—	714,126
Operating expenses	1,965	269,846	271,076	57,507	(27,151)	573,243
Operating (loss) income	(1,965)	174,903	(82,336)	23,130	27,151	140,883
Other income and expenses, net	—	—	27,151	—	(27,151)	—
Interest (expense) income, net	(1,687)	(46,124)	4,145	1,028	—	(42,638)
Loss on extinguishment of debt, net	—	(20,833)	—	—	—	(20,833)
(Loss) earnings before income taxes	(3,652)	107,946	(51,040)	24,158	—	77,412
(Benefit) provision for income taxes	(1,119)	20,578	(10,568)	5,374	—	14,265
(Loss) earnings before equity in net income of subsidiaries	(2,533)	87,368	(40,472)	18,784	—	63,147
Equity in earnings (loss) of subsidiaries	65,680	(21,688)	—	—	(43,992)	—
Net earnings (loss)	$ 63,147	$ 65,680	$ (40,472)	$ 18,784	$ (43,992)	$ 63,147
Comprehensive income (loss)	$ 45,149	$ 66,772	$ (40,472)	$ (306)	$ (25,994)	$ 45,149

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Tailored Brands, Inc.
Condensed Consolidating Statement of Cash Flows
For the Six Months Ended August 3, 2019
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 18,957	$ 204,479	$ 21,748	$ (193,077)	$ (18,784)	$ 33,323
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	—	(13,550)	(21,153)	(4,389)	—	(39,092)
Intercompany activities	—	(192,290)	—	(30,953)	223,243	—
Net cash used in investing activities	—	(205,840)	(21,153)	(35,342)	223,243	(39,092)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payments on new term loan	—	(7,120)	—	—	—	(7,120)
Proceeds from asset-based revolving credit facility	—	673,500	—	—	—	673,500
Payments on asset-based revolving credit facility	—	(677,000)	—	—	—	(677,000)
Intercompany activities	—	12,169	—	192,290	(204,459)	—
Cash dividends paid	(18,784)	—	—	—	—	(18,784)
Proceeds from issuance of common stock	879	—	—	—	—	879
Tax payments related to vested deferred stock units	(1,052)	—	—	—	—	(1,052)
Net cash (used in) provided by financing activities	(18,957)	1,549	—	192,290	(204,459)	(29,577)
Effect of exchange rate changes	—	—	—	(609)	—	(609)
Increase (decrease) in cash and cash equivalents	—	188	595	(36,738)	—	(35,955)
Cash and cash equivalents at beginning of period	—	970	1,496	52,965	—	55,431
Cash and cash equivalents at end of period	$ —	$ 1,158	$ 2,091	$ 16,227	$ —	$ 19,476

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Tailored Brands, Inc.
Condensed Consolidating Statement of Cash Flows
For the Six Months Ended August 4, 2018
(in thousands)

	Tailored Brands, Inc.	The Men's Wearhouse, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 21,132	$ 320,774	$ (2,235)	$ (122,936)	$ (18,744)	$ 197,991
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	—	(6,058)	(15,485)	(3,102)	—	(24,645)
Proceeds from divestiture of business	—	—	17,755	—	—	17,755
Intercompany activities	—	(142,775)	—	—	142,775	—
Net cash (used in) provided by investing activities	—	(148,833)	2,270	(3,102)	142,775	(6,890)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payments on original term loan	—	(993,420)	—	—	—	(993,420)
Proceeds from new term loan	—	895,500	—	—	—	895,500
Payments on new term loan	—	(4,500)	—	—	—	(4,500)
Proceeds from asset-based revolving credit facility	—	199,500	—	—	—	199,500
Payments on asset-based revolving credit facility	—	(95,000)	—	—	—	(95,000)
Repurchase and retirement of senior notes	—	(199,365)	—	—	—	(199,365)
Deferred financing costs	—	(5,644)	—	—	—	(5,644)
Intercompany activities	—	(18,744)	—	142,775	(124,031)	—
Cash dividends paid	(18,744)	—	—	—	—	(18,744)
Proceeds from issuance of common stock	4,113	—	—	—	—	4,113
Tax payments related to vested deferred stock units	(6,501)	—	—	—	—	(6,501)
Net cash (used in) provided by financing activities	(21,132)	(221,673)	—	142,775	(124,031)	(224,061)
Effect of exchange rate changes	—	—	—	(2,432)	—	(2,432)
(Decrease) increase in cash and cash equivalents	—	(49,732)	35	14,305	—	(35,392)
Cash and cash equivalents at beginning of period	—	51,818	2,180	49,609	—	103,607
Cash and cash equivalents at end of period	$ —	$ 2,086	$ 2,215	$ 63,914	$ —	$ 68,215

TAILORED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

19. Subsequent Event

On August 15, 2019, our Board of Directors approved and on August 16, 2019, we completed the sale of MWUK Limited, our UK corporate apparel operations conducted by Dimensions, Alexandra, and Yaffy to Project Dart Bidco Limited, pursuant to a Share Purchase Agreement entered into on August 16, 2019. In addition, we also completed the sale of Twin Hill Acquisition Company, Inc. ("Twin Hill"), to TH Holding Company, pursuant to a Stock Purchase Agreement entered into on August 16, 2019. The aggregate consideration paid for all of the outstanding equity of MWUK Limited and Twin Hill (collectively, the "corporate apparel business") was approximately $62 million, subject to certain working capital adjustments. Of the $62 million in total consideration, approximately $56 million was received upon closing and approximately $6 million is deferred to the first quarter of fiscal 2020. After consideration of initial working capital adjustments, we currently expect to record a pre-tax loss on disposition of the corporate apparel business in the range of $75 million to $85 million during the third quarter of fiscal 2019.

We reviewed the relevant authoritative guidance and determined that the corporate apparel business did not meet the held for sale criteria as of the end of the second quarter of 2019. Also, we determined that the sale of the corporate apparel business does represent a strategic shift that will have a major effect on our results of operations and, as a result, we expect to present the disposal as discontinued operations in our financial statements beginning in the third quarter of 2019.

The following table provides details on the assets and liabilities of our corporate apparel business as of August 3, 2019 (in thousands):

		August 3, 2019
ASSETS		
Cash and cash equivalents	$	8,255
Accounts receivable, net		33,485
Inventories		99,506
Other current assets		3,234
Property and equipment, net		13,973
Other assets		18,399
Total assets	$	176,852
LIABILITIES		
Accounts payable	$	16,267
Accrued expenses and other current liabilities		11,383
Other liabilities		15,706
Total liabilities	$	43,356

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We encourage you to read this "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") in conjunction with the corresponding section included in our Annual Report on Form 10-K for the year ended February 2, 2019. References herein to years are to our 52-week or 53-week fiscal year, which ends on the Saturday nearest January 31 in the following calendar year. For example, references to "2019" mean the 52-week fiscal year ending February 1, 2020.

Executive Overview

Background

We are a leading specialty retailer of men's tailored clothing, and the largest men's formalwear provider in the United States ("U.S.") and Canada. We help men look and feel their best by offering a broad selection of clothing including suits, suit separates, sport coats, slacks, formalwear, business casual, denim, sportswear, outerwear, dress shirts, shoes and accessories. We serve our customers through an expansive omni-channel network that includes over 1,400 stores in the U.S. and Canada as well as our branded e-commerce websites at www.menswearhouse.com, www.josbank.com, and www.josephabboud.com.

Our operations are conducted in two reportable segments, retail and corporate apparel, based on the way we manage, evaluate and internally report our business activities. Please see Note 16 of Notes to Condensed Consolidated Financial Statements and the discussion included in "Results of Operations" below for additional information and disclosures regarding our reportable segments. In addition, please see Note 19 of Notes to the Condensed Consolidated Financial Statements for information concerning the divestiture of our corporate apparel business on August 16, 2019.

Second Quarter Discussion

During the second quarter of 2019, comparable sales were negative as the retail environment remains challenging including traffic headwinds and macroeconomic concerns. However, we are seeing early customer response, which gives us confidence that unleashing the potential for this business to generate healthy positive comparable sales lies in our transformational strategies of providing personalized products and services, inspiring and seamless experiences in and across every channel, and brands that stand for more than just price.

After extensive review, on September 11, 2019, the Company announced its Board of Directors (the "Board") approved an update to the Company's capital allocation policy. Effective in the fourth quarter of 2019, our quarterly cash dividend will be suspended and redeployed for accelerated debt reduction and share repurchases. Suspending the quarterly cash dividend of $0.18 per share is expected to make available approximately $36.5 million of cash on an annualized basis. At August 3, 2019, the remaining balance available for share repurchases under the Board's 2013 authorization was $48.0 million.

Key operating metrics for the quarter ended August 3, 2019 include:

- Net sales decreased 4.1% primarily due to a decrease in retail segment comparable sales.
- Comparable sales decreased 4.3% at Men's Wearhouse, 3.3% at Jos. A. Bank, 1.3% at K&G and 2.5% at Moores. Overall, comparable sales for our retail segment decreased 3.6%.
- Operating income was $60.6 million for the second quarter of 2019 compared to operating income of $88.0 million in the second quarter of 2018.
- Diluted earnings per share were $0.68 for the second quarter of 2019 compared to diluted earnings per share of $0.97 in the second quarter of 2018.

Key liquidity metrics for the six months ended August 3, 2019 include:

- Cash and cash equivalents at the end of the second quarter of 2019 were $19.5 million, a decrease of $48.7 million compared to the end of the second quarter of 2018 primarily due to the decrease in sales and the use of cash on hand for costs related to our multi-year cost savings and operational excellence programs and debt reduction.
- Cash provided by operating activities was $33.3 million for the first six months of 2019 compared to $198.0 million for the first six months of 2018. The decrease was primarily driven by lower net earnings after adjusting for non-cash items, an increase in inventories primarily driven by higher levels of raw materials including fabric in support of basic, replenishment product as well as timing fluctuations in accounts payable, accrued liabilities and other current liabilities.
- Capital expenditures were $39.1 million for the first six months of 2019 compared to $24.6 million for the first six months of 2018.
- We had $45.0 million of borrowings outstanding on our revolving credit facility as of August 3, 2019.
- Dividends paid totaled $18.8 million for the first six months of 2019.

Items Affecting Comparability of Results

The following table depicts the effect on pretax income for certain items that have impacted the comparability of our results in 2019 and 2018 (dollars in millions):

	For the Three Months Ended		For the Six Months Ended	
	August 3, 2019	**August 4, 2018**	**August 3, 2019**	**August 4, 2018**
Costs related to multi-year cost savings and operational excellence programs(1)	$ 11.3	$ —	15.7	—
Divestiture of corporate apparel business (2)	(0.9)	—	(0.9)	—
Loss on extinguishment of debt (3)	—	8.1	—	20.0
Closure of rental product distribution center (4)	—	4.4	—	4.4
Loss on divestiture of MW Cleaners (5)	—	0.2	—	3.8
Total (6)	$ 10.4	$ 12.7	$ 14.8	$ 28.2

(1) For the three months ended August 3, 2019, consists of $6.1 million in consulting costs, $2.9 million of rental product write-offs related to the closure of a distribution center in Canada, $2.2 million in severance costs and $0.1 million in lease termination costs. For the six months ended August 3, 2019, consists of $9.1 million in consulting costs, $3.3 million in severance costs, $2.9 million of rental product write-offs related to the closure of a distribution center in Canada and $0.4 million in lease termination costs.

(2) For the three and six months ended August 3, 2019, consists of a $1.3 million favorable adjustment related to a derivative instrument offset by $0.4 million in transaction costs.

(3) For the three months ended August 4, 2018, consists of $8.1 million related to the partial redemption of our Senior Notes. For the six months ended August 4, 2018, consists of $11.9 million related to the refinancing of our Term Loan and $8.1 million related to the partial redemption of our Senior Notes. Please see Note 4 to the condensed consolidated financial statements for additional information.

(4) For the three and six months ended August 4, 2018, consists of $4.0 million of rental product write-offs, $0.2 million of accelerated depreciation and $0.2 million of severance costs.

(5) Please see Note 2 to the condensed consolidated financial statements for additional information.

(6) For the three months ended August 3, 2019, $2.9 million is included in cost of sales and $7.5 million is included in selling, general and administrative expenses ("SG&A"). For the six months ended August 3, 2019, $3.1 is included in cost of sales and $11.7 million is included in SG&A. For the three months ended August 4, 2018, $4.0 million is included in cost of sales, $0.6 million is included in SG&A and $8.1 million is included in loss on extinguishment of debt. For the six months ended August 4, 2018, $4.0 million is included in cost of sales, $4.2 million is included in SG&A and $20.0 million is included in loss on extinguishment of debt.

Update on 2019 Initiatives

As discussed above, during the second quarter of 2019, we have remained focused on initiatives to address three customer needs: delivering personalized products and services, creating inspiring and seamless experiences in and across every channel and building brands that stand for something more than just price. Addressing these areas are essential elements of our growth strategies and will require incremental investments in people, analytics and technology.

Also, we have completed the first phase of a comprehensive review of our operations including an assessment of SG&A expenses and business processes across the organization to identify cost savings opportunities. We are moving forward on several initiatives that we believe will generate cost savings in the latter half of fiscal 2019. However, many of the identified opportunities require additional testing and review to ensure we continue to deliver a superior customer experience and, therefore, we have developed a timeline to complete our testing later in 2019.

Store Data

The following table presents information with respect to retail apparel stores in operation during each of the respective fiscal periods:

	For the Three Months Ended		For the Six Months Ended		For the Year Ended
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018	February 2, 2019
Open at beginning of period:	1,462	1,476	1,464	1,477	1,477
Opened	1	—	1	1	3
Closed	(8)	(7)	(10)	(9)	(16)
Open at end of the period	1,455	1,469	1,455	1,469	1,464
Men's Wearhouse[1]	720	719	720	719	720
Men's Wearhouse and Tux	45	49	45	49	46
Jos. A. Bank [2]	476	487	476	487	484
K&G	88	88	88	88	88
Moores	126	126	126	126	126
	1,455	1,469	1,455	1,469	1,464

(1) Includes one Joseph Abboud store.
(2) Excludes franchise stores.

During the second quarter of 2019, we opened one Men's Wearhouse store and closed eight stores (six Jos. A. Bank stores, one Men's Wearhouse store and one Men's Wearhouse and Tux store).

Seasonality

Our sales and net earnings are subject to seasonal fluctuations and may vary by brand. Typically, our rental product revenues are heavily concentrated in the second and third quarters (prom and wedding season) while the fourth quarter is the seasonal low point. With respect to corporate apparel sales and operating results, seasonal fluctuations are not significant but the acquisition of new customers or existing customer decisions to rebrand or revise their corporate wear programs can cause significant variations in period results. Because of these fluctuations, results for any quarter are not necessarily indicative of the results that may be achieved for the full year.

Results of Operations

For the Three Months Ended August 3, 2019 Compared to the Three Months Ended August 4, 2018

The following table sets forth our results of operations expressed as a percentage of net sales for the periods indicated:

	For the Three Months Ended (1)	
	August 3, 2019	August 4, 2018
Net sales:		
Retail clothing product	73.6 %	73.6 %
Rental services	15.2	15.2
Alteration and other services	4.4	4.5
Total retail sales	93.2	93.3
Corporate apparel clothing product	6.8	6.7
Total net sales	100.0 %	100.0 %
Cost of sales(2):		
Retail clothing product	44.6	42.8
Rental services	16.4	15.5
Alteration and other services	96.3	91.1
Occupancy costs	14.2	13.3
Total retail cost of sales	56.6	53.9
Corporate apparel clothing product	72.6	73.2
Total cost of sales	57.7	55.2
Gross margin(2):		
Retail clothing product	55.4	57.2
Rental services	83.6	84.5
Alteration and other services	3.7	8.9
Occupancy costs	(14.2)	(13.3)
Total retail gross margin	43.4	46.1
Corporate apparel clothing product	27.4	26.8
Total gross margin	42.3	44.8
Advertising expense	4.2	4.7
Selling, general and administrative expenses	30.4	29.4
Operating income	7.7	10.7
Interest income	0.0	0.0
Interest expense	(2.3)	(2.5)
Loss on extinguishment of debt, net	—	(1.0)
Earnings before income taxes	5.4	7.2
Provision for income taxes	1.0	1.2
Net earnings	4.3 %	6.0 %

(1) Percentage line items may not sum to totals due to the effect of rounding.
(2) Calculated as a percentage of related sales.

Net Sales

Total net sales decreased $33.9 million, or 4.1%, to $789.5 million for the second quarter of 2019 as compared to the second quarter of 2018.

Total retail sales decreased $31.8 million, or 4.1%, to $736.1 million for the second quarter of 2019 as compared to the second quarter of 2018 primarily due to a $24.9 million decrease in clothing product sales, driven by a decrease in comparable sales at all of our retail brands, a $4.8 million decrease in rental service revenues primarily reflecting the continuing trend to purchase suits for special occasions, and a $2.1 million decrease in alteration and other services revenues. The decrease in total retail sales is further described below:

(in millions)	Amount Attributed to
$ (18.0)	4.3% decrease in comparable sales at Men's Wearhouse.
(5.2)	3.3% decrease in comparable sales at Jos. A. Bank.
(1.0)	1.3% decrease in comparable sales at K&G.
(1.6)	2.5% decrease in comparable sales at Moores[1].
(0.7)	Decrease in non-comparable sales.
(1.2)	Decrease in net sales resulting from change in U.S./Canadian dollar exchange rate.
(4.1)	Other (primarily decrease in alteration revenues).
$ (31.8)	Decrease in total retail sales.

(1) Comparable sales percentages for Moores are calculated using Canadian dollars.

Comparable sales is defined as net sales from stores open at least twelve months at period end, excluding stores where the square footage has changed by more than 25% within the past year, and includes e-commerce sales. We operate our business using an omni-channel approach and do not differentiate e-commerce sales from our other channels.

The decrease in comparable sales at Men's Wearhouse resulted from decreases in transactions for clothing, average unit retail (net selling price) and units per transaction. Rental service comparable sales at Men’s Wearhouse decreased 3.1%, primarily reflecting the continuing trend to purchase suits for special occasions. The decrease at Jos. A. Bank resulted primarily from a decrease in average unit retail partially offset by an increase in both transactions and units per transaction. The decrease at K&G resulted primarily from a decrease in both units per transaction and transactions partially offset by an increase in average unit retail. The decrease at Moores resulted primarily from a decrease in both transactions and average unit retail partially offset by an increase in units per transaction.

Total corporate apparel clothing product sales decreased $2.2 million for the second quarter of 2019 as compared to the second quarter of 2018 primarily due to the impact of a weaker British pound this year compared to last year of approximately $2.1 million.

Gross Margin

Procurement and distribution costs are included in determining our retail and corporate apparel clothing product gross margins. Our gross margin may not be comparable to other specialty retailers, as some companies exclude costs related to their distribution network from cost of sales while others, like us, include all or a portion of such costs in cost of sales and exclude them from SG&A expenses. Distribution costs are not included in determining our rental services gross margin but are included in SG&A expenses.

Our total gross margin decreased $35.2 million, or 9.5%, to $333.7 million in the second quarter of 2019 as compared to the second quarter of 2018 primarily as a result of lower sales. Total retail segment gross margin decreased $34.9 million, or 9.9%, in the second quarter of 2019 compared to same period last year.

For the retail segment, total gross margin as a percentage of related sales decreased to 43.4% in the second quarter of 2019 from 46.1% in the second quarter of 2018 primarily due to increased promotional activities and deleveraging of occupancy costs as a percent of sales.

Occupancy costs, which includes store related operating lease costs, utilities, repairs and maintenance, security, property taxes and depreciation, increased $2.8 million primarily due to increased lease costs and the impact of store refreshes and other enhancements of our store fleet. Occupancy costs as a percentage of retail sales increased to 14.2% in the second quarter of 2019 as compared to 13.3% in the second quarter of 2018.

Corporate apparel gross margin decreased $0.3 million, or 2.0%, to $14.6 million for the second quarter of 2019 compared to the second quarter of 2018. For the corporate apparel segment, total gross margin as a percentage of related sales increased to 27.4% in the second quarter of 2019 from 26.8% in the second quarter of 2018.

Advertising Expense

Advertising expense decreased to $33.2 million in the second quarter of 2019 from $38.7 million in the second quarter of 2018, a decrease of $5.5 million, or 14.2%. The decrease in advertising expense was primarily driven by reductions in television advertising reflecting a shift to digital advertising as well as the timing of marketing spend. As a percentage of total net sales, advertising expense decreased to 4.2% in the second quarter of 2019 from 4.7% in the second quarter of 2018.

Selling, General and Administrative Expenses

SG&A expenses decreased to $240.0 million in the second quarter of 2019 from $242.3 million in the second quarter of 2018, a decrease of $2.3 million, or 0.9%. As a percentage of total net sales, these expenses increased to 30.4% in the second quarter of 2019 from 29.4% in the second quarter of 2018 primarily due to deleveraging from lower sales. The components of this 1.0% increase in SG&A expenses as a percentage of total net sales and the related dollar changes were as follows:

%	in millions		Attributed to
0.9	$	6.9	For the second quarter of 2019, we incurred certain costs that impact the comparability of our results totaling $7.5 million. These costs consisted of $8.4 million related to our multi-year cost savings and operational excellence programs offset by a $0.9 million net favorable adjustment primarily related to a derivative instrument entered into for our corporate apparel business. For the second quarter of 2018, these costs consisted of $0.4 million related to the closure of a rental product distribution center and a $0.2 million unfavorable final working capital adjustment related to the divestiture of our MW Cleaners business. As a percentage of sales, these costs increased to 1.0% in the second quarter of 2019 from 0.1% in the second quarter of 2018.
0.1		(3.3)	Store salaries decreased $3.3 million and increased as a percentage of sales to 12.4% in the second quarter of 2019 from 12.3% in the second quarter of 2018 primarily due to deleveraging from lower sales.
—		(5.9)	Other SG&A expenses decreased $5.9 million primarily due to lower incentive and share-based compensation costs. As a percentage of sales, other SG&A expenses were flat at 16.9% in the second quarter of 2019 compared to the second quarter of 2018.
1.0	**$**	**(2.3)**	**Total**

In the retail segment, SG&A expenses decreased $4.6 million primarily due to lower store salaries and lower incentive and share-based compensation costs. As a percentage of related net sales, SG&A expenses increased to 24.0% in the second quarter of 2019 from 23.6% in the second quarter of 2018 due to deleveraging from lower sales.

In the corporate apparel segment, SG&A expenses decreased $0.3 million. As a percentage of related net sales, SG&A expenses increased to 24.6% in the second quarter of 2019 from 24.1% in the second quarter of 2018.

Shared service expenses represent costs not specifically related to the operations of our business segments and are included in SG&A. Shared service expenses increased $2.6 million primarily related to costs for our multi-year cost savings and operational programs partially offset by lower incentive and share-based compensation costs. As a percentage of total net sales, SG&A expenses increased to 6.3% in the second quarter of 2019 from 5.7% in the second quarter of 2018.

Net Loss on Extinguishment of Debt

There was no net loss on extinguishment of debt for the second quarter of 2019. For the second quarter of 2018, the net loss on extinguishment of debt was $8.1 million and consisted of a $6.1 million loss upon repurchase and the elimination of unamortized deferred financing costs of $2.0 million.

Provision for Income Tax

Our effective income tax rate increased to 19.4% for the second quarter of 2019 from 16.7% for the second quarter of 2018 primarily due to the release of $3.1 million of state valuation allowances in the second quarter of 2018.

For the second quarters of 2019 and 2018, the statutory tax rates in U.S., Canada, UK and Hong Kong were approximately 21%, 26%, 19% and 16.5%, respectively. For the second quarters of 2019 and 2018, tax expense for our operations in foreign jurisdictions totaled $1.2 million and $3.4 million, respectively.

Our income tax expense and effective income tax rate in future periods may be impacted by many factors, including our geographic mix of earnings and changes in tax laws.

In addition, if our financial results in fiscal 2019 generate a loss or certain deferred tax liabilities decrease, we may need to establish additional valuation allowances on our U.S. deferred tax assets, which could have a material impact on our financial condition and results of operations. Lastly, we are currently undergoing several tax audits, however, we currently do not believe these audits will result in any material charge to tax expense in the future.

Net Earnings

Net earnings were $34.3 million for the second quarter of 2019 compared with net earnings of $49.2 million for the second quarter of 2018.

For the Six Months Ended August 3, 2019 Compared to the Six Months Ended August 4, 2018

The following table sets forth our results of operations expressed as a percentage of net sales for the periods indicated:

	For the Six Months Ended (1)	
	August 3, 2019	August 4, 2018
Net sales:		
Retail clothing product	74.8 %	74.3 %
Rental services	13.6	13.7
Alteration and other services	4.5	4.8
Total retail sales	93.0	92.8
Corporate apparel clothing product	7.0	7.2
Total net sales	100.0 %	100.0 %
Cost of sales(2):		
Retail clothing product	44.9	43.9
Rental services	15.3	15.1
Alteration and other services	94.9	87.1
Occupancy costs	14.3	13.3
Total retail cost of sales	57.2	55.2
Corporate apparel clothing product	73.0	73.6
Total cost of sales	58.3	56.5
Gross margin(2):		
Retail clothing product	55.1	56.1
Rental services	84.7	84.9
Alteration and other services	5.1	12.9
Occupancy costs	(14.3)	(13.3)
Total retail gross margin	42.8	44.8
Corporate apparel clothing product	27.0	26.4
Total gross margin	41.7	43.5
Advertising expense	5.0	4.9
Selling, general and administrative expenses	30.9	30.1
Operating income	5.8	8.6
Interest income	0.0	0.0
Interest expense	(2.4)	(2.6)
Loss on extinguishment of debt, net	—	(1.3)
Earnings before income taxes	3.5	4.7
Provision for income taxes	0.8	0.9
Net earnings	2.6 %	3.8 %

(1) Percentage line items may not sum to totals due to the effect of rounding.
(2) Calculated as a percentage of related sales.

Net Sales

Total net sales decreased $70.5 million, or 4.3%, to $1,570.9 million for the first six months of 2019 as compared to the first six months of 2018.

Total retail sales decreased $62.0 million, or 4.1%, to $1,460.8 million for the first six months of 2019 as compared to the first six months of 2018 due to a $43.8 million decrease in clothing product sales primarily due to a decrease in comparable sales, an $11.3 million decrease in rental services revenue primarily reflecting a consumer shift to purchase suits for special occasions and a $6.9 million decrease in alteration and other services revenues. The decrease in total retail sales is further described below:

(in millions)	Amount Attributed to
$ (37.1)	4.4% decrease in comparable sales at Men's Wearhouse.
(6.3)	2.0% decrease in comparable sales at Jos. A. Bank.
(1.4)	0.9% decrease in comparable sales at K&G.
(3.5)	3.4% decrease in comparable sales at Moores[1].
(3.0)	Decrease in non-comparable sales.
(3.1)	Decrease in net sales resulting from change in U.S./Canadian dollar exchange rate.
(7.6)	Other (primarily resulting from a decrease in alterations revenue and the divestiture of MW Cleaners).
$ (62.0)	Decrease in total retail sales.

(1) Comparable sales percentages for Moores are calculated using Canadian dollars.

Comparable sales is defined as net sales from stores open at least twelve months at period end, excluding stores where the square footage has changed by more than 25% within the past year, and includes e-commerce sales. We operate our business using an omni-channel approach and do not differentiate e-commerce sales from our other channels.

The decrease in comparable sales at Men's Wearhouse resulted primarily from a decrease in both transactions for clothing and units per transaction partially offset by a slight increase in average unit retail. At Men's Wearhouse, rental service comparable sales decreased 4.4% primarily reflecting a consumer shift to purchase suits for special occasions. The decrease at Jos. A. Bank resulted primarily from a decrease in average unit retail partially offset by an increase in transactions, while units per transaction were flat. The decrease at K&G resulted from a decrease in both units per transaction and transactions partially offset by an increase in average unit retail. The decrease at Moores resulted from a decrease in transactions and units per transaction partially offset by an increase in average unit retail.

Total corporate apparel clothing product sales decreased $8.6 million for the first six months of 2019 as compared to the first six months of 2018 primarily due to a weaker British pound this year compared to last year of approximately $5.3 million as well as lower replenishment demand in the U.S.

Gross Margin

Procurement and distribution costs are included in determining our retail and corporate apparel clothing product gross margins. Our gross margin may not be comparable to other specialty retailers, as some companies exclude costs related to their distribution network from cost of sales while others, like us, include all or a portion of such costs in cost of sales and exclude them from SG&A expenses. Distribution costs are not included in determining our rental services gross margin but are included in SG&A expenses.

Our total gross margin decreased $59.8 million, or 8.4%, to $654.3 million in the first six months of 2019 as compared to the first six months of 2018 as a result of lower sales. Total retail segment gross margin decreased $58.2 million, or 8.5%, in the first six months of 2019 compared to the same period last year.

For the retail segment, total gross margin as a percentage of retail sales decreased to 42.8% in the first six months of 2019 from 44.8% in the first six months of 2018 primarily due to increased promotional activities and deleveraging of occupancy costs as a percent of sales.

Occupancy costs, which includes store related operating lease costs, common area maintenance, utilities, repairs and maintenance, security, property taxes and depreciation, increased $5.5 million primarily due to increased lease costs and the impact of store refreshes and other enhancements of our store fleet. Occupancy costs as a percentage of retail sales increased to 14.3% in the first six months of 2019 from 13.3% in the first six months of 2018.

Corporate apparel gross margin decreased $1.6 million, or 5.2%, in the first six months of 2019 as compared to the first six months of 2018. For the corporate apparel segment, total gross margin as a percentage of related sales increased to 27.0% in the first six months of 2019 from 26.4% in the first six months of 2018.

Advertising Expense

Advertising expense decreased to $78.2 million in the first six months of 2019 from $79.9 million in the first six months of 2018, a decrease of $1.7 million, or 2.1%. The decrease in advertising expense was driven primarily by reductions in television advertising reflecting a shift to digital advertising, as well as the timing of marketing spend partially offset by the launch of new brand campaigns for Men's Wearhouse and Jos. A. Bank and the impact of certain marketing test initiatives. As a percentage of total net sales, advertising expense was 5.0% in the first six months of 2019 compared to 4.9% in the first six months of 2018.

Selling, General and Administrative Expenses

SG&A expenses decreased to $485.2 million in the first six months of 2019 from $493.3 million in the first six months of 2018, a decrease of $8.2 million, or 1.7%. As a percentage of total net sales, these expenses increased to 30.9% in the first six months of 2019 from 30.1% in the first six months of 2018 primarily due to deleveraging from lower sales. The components of this 0.8% increase in SG&A expenses as a percentage of total net sales and the related dollar changes were as follows:

%	in millions	Attributed to
0.4	$ 7.5	For the first six months of 2019, we incurred certain costs that impact the comparability of our results totaling $11.7 million. These costs consisted of $12.6 million related to our multi-year cost savings and operational excellence programs offset by a $0.9 million net favorable adjustment primarily related to a derivative instrument entered into for our corporate apparel business. For the first six months of 2018, these costs totaled $4.2 million including a $3.8 million loss on divestiture of our MW Cleaners business and $0.4 million related to the closure of a rental product distribution center. As a percentage of sales, these costs increased to 0.7% in the first six months of 2019 from 0.3% in the first six months of 2018.
0.4	(3.6)	Store salaries decreased $3.6 million and increased as a percentage of sales to 12.8% in the first six months of 2019 from 12.4% in the first six months of 2018 primarily due to deleveraging from lower sales.
—	(12.1)	Other SG&A expenses decreased $12.1 million primarily due to lower incentive and share-based compensation costs as well as lower employee-related benefit and travel and entertainment costs. As a percentage of sales, other SG&A expenses were flat at 17.4% in the first six months of 2019 and 2018.
0.8	**$ (8.2)**	**Total**

In the retail segment, SG&A expenses decreased $11.3 million primarily due to lower incentive and share-based compensation costs as well as lower employee-related benefit and travel and entertainment costs. As a percentage of related net sales, SG&A expenses increased to 24.6% in the first six months of 2019 from 24.3% in the first six months of 2018 due to deleveraging from lower sales.

In the corporate apparel segment, SG&A expenses decreased $0.5 million. As a percentage of related net sales, SG&A expenses increased to 24.8% in the first six months of 2019 from 23.5% in the first six months of 2018.

Shared service expenses represent costs not specifically related to the operations of our business segments and are included in SG&A. Shared service expenses increased $3.6 million primarily related to costs for our multi-year cost savings and operational programs partially offset by lower incentive and share-based compensation costs. As a percentage of total net sales, SG&A expenses increased to 6.3% in the first six months of 2019 from 5.8% in the first six months of 2018.

Net Loss on Extinguishment of Debt

There was no net loss on extinguishment of debt in the first six months of 2019. The $20.8 million net loss on extinguishment of debt in the first six months of 2018 consists of the elimination of unamortized deferred financing costs and OID related to the refinancing and repricing of our Term Loan totaling $11.9 million and an $8.9 million loss on extinguishment related to our Senior Notes.

Provision for Income Tax

Our effective income tax rate increased to 23.6% for the first six months of 2019 from 18.4% for the first six months of 2018 primarily due to an increase in the discrete tax expense related to the net excess shortfalls from share-based awards vesting in the first six months of 2019.

For the first six months of 2019 and 2018, the statutory tax rates in U.S., Canada, UK and Hong Kong were approximately 21%, 26%, 19% and 16.5%, respectively. For the first six months of 2019 and 2018, tax expense for our operations in foreign jurisdictions totaled $3.6 million and $5.4 million, respectively.

Our income tax expense and effective income tax rate in future periods may be impacted by many factors, including our geographic mix of earnings and changes in tax laws.

In addition, if our financial results in fiscal 2019 generate a loss or certain deferred tax liabilities decrease, we may need to establish a valuation allowance on our U.S. deferred tax assets, which could have a material impact on our financial condition and results of operations. Lastly, we are currently undergoing several federal, foreign and state audits; however, we currently do not believe these audits will result in any material change to tax expense in the future.

Net Earnings

Net earnings were $41.4 million for the first six months of 2019 compared with net earnings of $63.1 million for the first six months of 2018.

Liquidity and Capital Resources

Our primary sources of working capital are cash flows from operations and available borrowings under our revolving credit agreement, as described below. The following table provides details on our cash and cash equivalents and working capital position as of August 3, 2019, August 4, 2018 and February 2, 2019:

	August 3, 2019	August 4, 2018	February 2, 2019
Cash and cash equivalents	$ 19,476	$ 68,215	$ 55,431
Working capital	$ 312,828	$ 532,356	$ 491,047

The decrease in working capital from August 3, 2019 compared to February 2, 2019 is primarily due to the adoption of new accounting guidance related to leases, specifically the current portion of operating lease liabilities which totals $185.8 million as of August 3, 2019. Please see Note 12 of the Notes to the Condensed Consolidated Financial Statements for additional information.

In 2014, The Men's Wearhouse entered into a term loan credit agreement that provided for a senior secured term loan in the aggregate principal amount of $1.1 billion (the "Original Term Loan") and a $500.0 million asset-based revolving credit agreement (the "ABL Facility", and together with the Original Term Loan, the "Credit Facilities") with certain of our U.S. subsidiaries and Moores the Suit People, one of our Canadian subsidiaries, as co-borrowers. Proceeds from the Original Term Loan were reduced by an $11.0 million OID, which was presented as a reduction of the outstanding balance on the Original Term Loan on the balance sheet and was to be amortized to interest expense over the contractual life of the Original Term Loan. In addition, in 2014, The Men's Wearhouse issued $600.0 million in aggregate principal amount of 7.00% Senior Notes due 2022 (the "Senior Notes").

In October 2017, The Men's Wearhouse amended the ABL Facility in part to increase the principal amount available to $550.0 million and extend the maturity date to October 2022. In April 2018, The Men's Wearhouse refinanced its Original Term Loan, and in October 2018, amended its term loan to reduce the interest rate margin. See Credit Facilities section below for additional information.

The Credit Facilities and the Senior Notes contain customary non-financial and financial covenants, including fixed charge coverage ratios, total leverage ratios and secured leverage ratios. Should our total leverage ratio and secured leverage ratio exceed certain thresholds specified in the agreements, we would be subject to certain additional restrictions, including limitations on our ability to make significant acquisitions and incur additional indebtedness. As of August 3, 2019, our total leverage ratio is below the maximum specified in the agreements, however, our secured leverage ratio is above the maximum level. As a result, we are now subject to additional restrictions, primarily related to the size of any incremental term loan facilities being limited to a maximum of $250 million. In addition, as a result of the refinancing of our Original Term Loan and amending of our ABL Facility, our ability to pay dividends on our common stock has increased from a maximum of $10.0 million per quarter to a maximum of $15.0 million per quarter.

Credit Facilities

In April 2018, we refinanced our Original Term Loan. Immediately prior to the refinancing, the Original Term Loan consisted of $593.4 million in aggregate principal amount with an interest rate of LIBOR plus 3.50% (with a floor of 1.0%) and $400.0 million in aggregate principal amount with a fixed rate of 5.0% per annum. Upon entering into the refinancing, we made a prepayment of $93.4 million on the Original Term Loan using cash on hand.

As a result, we refinanced $900.0 million in aggregate principal amount of term loans then outstanding with a new Term Loan totaling $900.0 million (the “New Term Loan”). Additionally, we may continue to request additional term loans or incremental equivalent debt borrowings, all of which are uncommitted, in an aggregate amount up to the greater of (1) $250.0 million and (2) an aggregate principal amount such that, on a pro forma basis (giving effect to such borrowings), our senior secured leverage ratio will not exceed 2.5 to 1.0.

The New Term Loan will amortize in an annual amount equal to 1.0% of the principal amount of the New Term Loan, payable quarterly commencing on May 1, 2018. Proceeds from the New Term Loan were reduced by a $4.5 million OID, which was presented as a reduction of the outstanding balance on the New Term Loan on the balance sheet and was to be amortized to interest expense over the contractual life of the New Term Loan. The New Term Loan extends the maturity date of the Original Term Loan from June 18, 2021 until April 9, 2025, subject to a maturity provision that would accelerate the maturity of the New Term Loan to April 1, 2022 if any of the Company’s obligations under its Senior Notes remain outstanding on April 1, 2022.

The New Term Loan bears interest at a rate per annum equal to an applicable margin plus, at the Company’s option, either LIBOR (with a floor of 1.0%) or the base rate (with a floor of 2.0%). In October 2018, we amended the New Term Loan resulting in a reduction in the interest rate margin of 25 basis points. As a result of the amendment, the margins for borrowings under the New Term Loan are 3.25% for LIBOR and 2.25% for the base rate and the OID was eliminated. In connection with the October 2018 amendment of the New Term Loan, we incurred deferred financing costs of $1.1 million, which will be amortized over the life of the New Term Loan using the interest method. The maturity date for the New Term Loan remains April 9, 2025, and all other material provisions of the New Term Loan remain unchanged.

The interest rate on the New Term Loan is based on 1-month LIBOR, which was 2.23% at August 3, 2019, plus the applicable margin of 3.25%, resulting in a total interest rate of 5.48%. We have two interest rate swap agreements where the variable rates due under the New Term Loan have been exchanged for a fixed rate, including an interest rate swap entered into during June 2018. At August 3, 2019, the total notional amount under these interest rate swaps is $710.0 million. Please see Note 15 for additional information on our interest rate swaps.

As a result of our interest rate swaps, 80% of the variable interest rate under the New Term Loan has been converted to a fixed rate and, as of August 3, 2019, the New Term Loan had a weighted average interest rate of 5.73%.

In October 2017, we amended our ABL Facility, which now provides for a senior secured revolving credit facility of $550.0 million, with possible future increases to $650.0 million under an expansion feature, that matures in October 2022, and is guaranteed, jointly and severally, by Tailored Brands, Inc. and certain of our U.S. subsidiaries. The ABL Facility has several borrowing and interest rate options including the following indices: (i) adjusted LIBOR, (ii) Canadian Dollar Offered Rate ("CDOR") rate, (iii) Canadian prime rate or (iv) an alternate base rate (equal to the greater of the prime rate, the New York Federal Reserve Bank (“NYFRB”) rate plus 0.5% or adjusted LIBOR for a one-month interest period plus 1.0%). Advances under the ABL Facility bear interest at a rate per annum using the applicable indices plus a varying interest rate margin of up to 1.75%. The ABL Facility also provides for fees applicable to amounts available to be drawn under outstanding letters of credit which range from 1.25% to 1.75%, and a fee on unused commitments of 0.25%. As of August 3, 2019, $45.0 million in borrowings were outstanding under the ABL Facility at a weighted average interest rate of approximately 3.7%.

We utilize letters of credit primarily as collateral for workers compensation claims and to secure inventory purchases. At August 3, 2019, letters of credit totaling approximately $29.2 million were issued and outstanding. Borrowings available under the ABL Facility as of August 3, 2019 were $401.9 million.

The obligations under the Credit Facilities are secured on a senior basis by a first priority lien on substantially all of the assets of the Company, The Men's Wearhouse and its U.S. subsidiaries and, in the case of the ABL Facility, Moores The Suit People. The Credit Facilities and the related guarantees and security interests granted thereunder are senior secured obligations of, and will rank equally with all present and future senior indebtedness of the Company, the co-borrowers and the respective guarantors.

The Senior Notes are guaranteed, jointly and severally, on an unsecured basis by Tailored Brands, Inc. and certain of our U.S. subsidiaries. The Senior Notes and the related guarantees are senior unsecured obligations of the Company and the guarantors, respectively, and will rank equally with all of the Company's and each guarantor's present and future senior indebtedness. The Senior Notes will mature in July 2022. Interest on the Senior Notes is payable in January and July of each year.

Cash Flow Activities

Operating activities — Net cash provided by operating activities was $33.3 million and $198.0 million for the first six months of 2019 and 2018, respectively. The $164.7 million decrease was driven by lower net earnings, after adjusting for certain non-cash items primarily related to last year's extinguishment of debt, an increase in inventories, and fluctuations in accounts payable, accrued expenses and other current liabilities primarily due to timing. The increase in inventories was primarily driven by higher levels of raw materials, including fabric in support of basic, replenishment product.

Investing activities — Net cash used in investing activities was $39.1 million and $6.9 million for the first six months of 2019 and 2018, respectively. The $32.2 million increase was primarily driven by $17.8 million of net proceeds from the divestiture of MW Cleaners and an increase in capital expenditures resulting from projects that shifted from fiscal 2018 to fiscal 2019.

Financing activities — Net cash used in financing activities was $29.6 million and $224.1 million for the first six months of 2019 and 2018, respectively. The $194.5 million decrease primarily reflects the impact of a reduction in debt repayments this year compared to last year.

Dividends — Cash dividends paid were $18.8 million and $18.7 million for the first six months of 2019 and 2018, respectively. During each of the quarters ended August 3, 2019 and August 4, 2018, we declared quarterly dividends of $0.18 per share.

Share repurchase program — In March 2013, the Board approved a share repurchase program for our common stock. At August 3, 2019, the remaining balance available under the Board's authorization was $48.0 million. During the first six months of 2019 and 2018, no shares were repurchased in open market transactions under the Board's authorization.

Capital allocation policy update — After extensive review, on September 11, 2019, the Company announced its Board approved an update to the Company's capital allocation policy. Effective in the fourth quarter of 2019, our quarterly cash dividend will be suspended and redeployed for accelerated debt reduction and share repurchases. Suspending the quarterly cash dividend of $0.18 per share is expected to make available approximately $36.5 million on an annualized basis.

Future Sources and Uses of Cash

Our primary uses of cash are to finance working capital requirements of our operations and to repay our indebtedness. In addition, we will use cash to fund capital expenditures, income taxes, operating leases, share repurchases and various other commitments and obligations, as they arise.

During the first six months of 2019, we borrowed and repaid amounts under our ABL Facility with the maximum borrowing outstanding at any point in time totaling $100.0 million.

Although we have not provided a full year outlook for capital expenditures in fiscal 2019, we continue to expect a moderate increase in capital expenditures compared to fiscal 2018. Capital expenditures will include costs for store refreshes and other enhancements of our store fleet, investments in technology, and investment in other corporate assets.

Additionally, market conditions may produce attractive opportunities for us to make acquisitions. Any such acquisitions may be undertaken as an alternative to opening new stores. We may use cash on hand, together with cash flow from operations, borrowings under our Credit Facilities and issuances of debt or equity securities, to take advantage of any acquisition opportunities.

Current and future domestic and global economic conditions could negatively affect our future operating results as well as our existing cash and cash equivalents balances. In addition, conditions in the financial markets could limit our access to further capital resources, if needed, and could increase associated costs. We believe based on our current business plan that our existing cash and cash flows from operations and availability under our ABL Facility will be sufficient to fund our operating cash requirements, repayment of current indebtedness, and capital expenditures.

Contractual Obligations

There have been no material changes to our contractual obligations as discussed in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements requires the appropriate application of accounting policies in accordance with generally accepted accounting principles. In many instances, this also requires management to make estimates and assumptions about future events that affect the amounts and disclosures included in our financial statements. We base our estimates on historical experience and various assumptions that we believe are reasonable under our current business model. However, because future events and conditions and their effects cannot be determined with certainty, actual results will differ from our estimates and such differences could be material to our financial statements. Other than the adoption of the new lease accounting standard as discussed in Note 12 of the Notes to the Condensed Consolidated Financial Statements, there have been no significant changes to our critical accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019 except as described below:

Goodwill and Other Indefinite-Lived Intangible Assets

As of August 3, 2019, goodwill totaled $79.3 million, with $58.3 million allocated to our Men's Wearhouse reporting unit and $21.0 million allocated to our Moores reporting unit. Goodwill is evaluated for impairment at least annually. A more frequent evaluation is performed if events or circumstances indicate that impairment could have occurred. Such events or circumstances could include, but are not limited to, new significant negative industry or economic trends, unanticipated changes in the competitive environment, decisions to significantly modify or dispose of operations and a significant sustained decline in the market price of our stock. We evaluated the recent decline in the market price of our stock and concluded it was not more likely than not that the fair value of our reporting units decreased below their carrying values. As such, there was no interim impairment evaluation that was considered necessary during the first six months of 2019.

If the current market price of our stock further decreases or does not increase from current levels in the near future, or if other events or circumstances change that would more likely than not reduce the fair value of our reporting units below their respective carrying values, all or a portion of our goodwill may be impaired in future periods and such an impairment charge could have a material effect on our results of operations and financial condition.

In addition, our indefinite-lived intangible assets are not subject to amortization but are reviewed at least annually for impairment, or more frequently, if events or circumstances indicate that impairment could have occurred. We estimate the fair values of these intangible assets based on an income approach using the relief-from-royalty method. This approach is dependent upon a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables. If events or circumstances change that would more likely than not reduce the fair value of our indefinite-lived intangible assets below their respective carrying values, we may be required to record an impairment charge, which could have a material effect on our results of operations and financial condition.

Other Matters

During 2018, the U.S. imposed tariffs on certain goods imported from China and expressed a willingness to impose further tariffs on additional goods imported from China. For tariffs enacted through the second quarter of 2019, we believe the impact has been immaterial to our results of operations. Additionally, on August 1, 2019, the U.S. announced tariffs on other categories of U.S. imports from China that became effective on September 1, 2019. We believe that we have mitigated the risk associated with tariffs primarily by reducing the penetration of Chinese-made direct-sourced product and through negotiations with certain vendors for production that remains in China. As a result, currently, we believe that existing tariffs on goods imported from China will have a minimal impact on our results of operations for fiscal 2019.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in foreign currency exchange rates and changes in interest rates.

We are exposed to market risk associated with foreign currency exchange rate fluctuations as a result of our direct sourcing programs and our operations in foreign countries. In connection with our direct sourcing programs, we may enter into merchandise purchase commitments that are denominated in a currency different from the functional currency of the operating entity. Our risk management policy is to hedge a portion of forecasted merchandise purchases for our direct sourcing programs that bear foreign exchange risk using foreign exchange forward contracts. In addition, we have entered into derivative instruments to hedge our foreign exchange risk, specifically related to the British pound and Euro.

As the foreign exchange forward contracts are with financial institutions, we are exposed to credit risk in the event of nonperformance by these parties but due to the creditworthiness of these major financial institutions, full performance is anticipated.

As discussed in Note 4 and Note 15 of the Notes to the Condensed Consolidated Financial Statements, we have undertaken steps to mitigate our exposure to changes in interest rates on our New Term Loan. As of August 3, 2019, 80% of the variable interest rate under the New Term Loan has been converted to a fixed rate. At August 3, 2019, the effect of one percentage point change in interest rates would result in an approximate $1.7 million change in annual interest expense on our New Term Loan.

In addition, borrowings under our ABL Facility bear a floating rate of interest. As of August 3, 2019, the outstanding borrowings under the ABL Facility were $45.0 million. At August 3, 2019, the effect of a one percentage point change in interest rates would result in an approximate $0.5 million change in annual interest expense on our ABL borrowings.

ITEM 4 — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer ("CEO") and principal financial officer ("CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective to ensure information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal second quarter ended August 3, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 17 of the Notes to the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

ITEM 6 — EXHIBITS

Exhibits filed with this quarterly report on Form 10-Q are incorporated herein by reference as set forth in the Index to Exhibits beginning on the next page.

EXHIBIT INDEX

Exhibit Number		Exhibit Index
31.1	—	Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer (filed herewith).
31.2	—	Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer (filed herewith).
32.1	—	Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer (furnished herewith). †
32.2	—	Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer (furnished herewith). †
101.1	—	The following financial information from Tailored Brands, Inc.'s Quarterly Report on Form 10-Q for the three and six months ended August 3, 2019 formatted in iXBRL (Inline eXtensible Business Reporting Language) and filed electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Earnings; (iii) the Condensed Consolidated Statements of Comprehensive (Loss) Income; (iv) the Condensed Consolidated Statements of Shareholders' (Deficit) Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.
104	—	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended August 3, 2019, formatted in Inline XBRL (included within Exhibit 101).

† This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Tailored Brands, Inc., has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: September 12, 2019

TAILORED BRANDS, INC.

By /s/ JACK P. CALANDRA

Jack P. Calandra

Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 31.1

Certifications

I, Dinesh S. Lathi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tailored Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 12, 2019

By /s/ DINESH S. LATHI
Dinesh S. Lathi
President and Chief Executive Officer

Exhibit 31.2

Certifications

I, Jack P. Calandra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tailored Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 12, 2019

By /s/ JACK P. CALANDRA
Jack P. Calandra
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Quarterly Report of Tailored Brands, Inc. (the "Company") on Form 10-Q for the period ending August 3, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dinesh S. Lathi, President and Chief Executive Officer of the Company, certify, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirement of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 12, 2019

By /s/ DINESH S. LATHI
Dinesh S. Lathi
President and Chief Executive Officer

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Quarterly Report of Tailored Brands, Inc. (the "Company") on Form 10-Q for the period ending August 3, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack P. Calandra, Chief Financial Officer of the Company, certify, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirement of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 12, 2019

By /s/ JACK P. CALANDRA
Jack P. Calandra
Executive Vice President, Chief Financial Officer and Treasurer