

Kirkland's
Bring happiness home.

Investor Presentation

December 2021

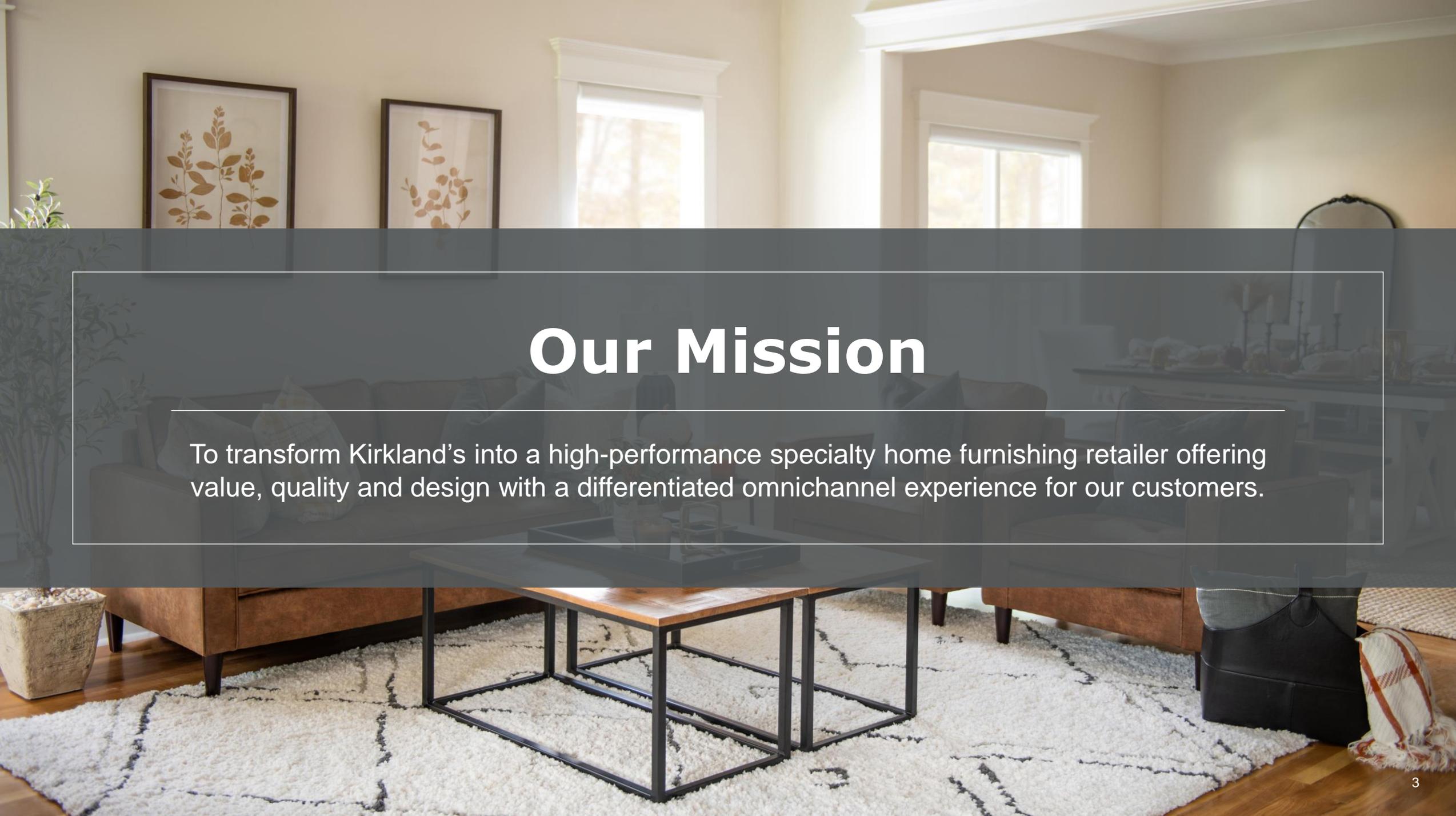




Safe Harbor Statement

Kirkland's
Bring happiness home.

Except for historical information contained herein, the statements in this presentation, including all statements related to future initiatives, financial goals and expectations or beliefs regarding any future period, are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause Kirkland's actual results to differ materially from forecasted results. Those risks and uncertainties include, among other things, risks associated with the Company's progress and anticipated progress towards its long-term objectives and the success of its plans in response to the novel coronavirus ("COVID-19") pandemic, the spread of COVID-19 and its impact on the Company's revenues and supply chain, risks associated with COVID-19 and governmental responses to it, the impact of store closures, the effectiveness of the Company's marketing campaigns, risks related to changes in U.S. policy related to imported merchandise, particularly with regard to the impact of tariffs on goods imported from China and strategies undertaken to mitigate such impact, the Company's ability to retain its management team, continued volatility in the price of the Company's common stock, the competitive environment in the home décor industry in general and in Kirkland's specific market areas, inflation, fluctuations in cost and availability of products, interruptions in supply chain and distribution systems, including the Company's e-commerce systems and channels, the ability to control employment and other operating costs, availability of suitable retail locations and other growth opportunities, disruptions in information technology systems including the potential for security breaches of Kirkland's or its customers' information, seasonal fluctuations in consumer spending, and economic conditions in general. Those and other risks are more fully described in Kirkland's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K filed on March 26, 2021 and subsequent reports. Forward-looking statements included in this presentation are as of the date made. Any changes in assumptions or factors on which such statements are based could produce materially different results. Kirkland's disclaims any obligation to update any such factors or to publicly announce results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.



Our Mission

To transform Kirkland's into a high-performance specialty home furnishing retailer offering value, quality and design with a differentiated omnichannel experience for our customers.

Shifting Brand Proposition Into White Space



Executing On Our Long-Term Strategy

Experienced management team driving fundamental change in the business

Where We Started

- > Brand failed to evolve with declining relevancy and performance
- > Similar merchandise to big box competitors with much broader product selections
- > Accessory-driven assortment meant customers didn't think of us for full decorating projects
- > Declining customer base
- > Infrastructure not built to support ecommerce growth
- > Inconsistent financial performance

Where We Aim to Be

- > Merchandise-driven brand transformation offering high-quality, highly-styled home furnishings at a value
- > Become a true home furnishings specialty retailer with a curated point of view, helping customers furnish entire rooms
- > Focus on acquiring high-value home furnishings customers
- > Create an omnichannel customer experience on par with specialty retailer competitors
- > Right-size margins, store footprint and operating expenses to increase long-term profitability

Four Core Components to Repositioning Our Brand

Comprehensive collaborative approach to delivering the Kirkland's of the future



Merchandise



Customer



Experience



Infrastructure



Merchandise

Kirkland's
Bring happiness home.

Establish a Clear Point of View



Solidify Kirkland's as a casual, lifestyle brand with highly curated merchandise

- Elevating design and quality to improve uniqueness of product



Evolve into home furnishings assortment comparable with Pottery Barn and Crate & Barrel, but at a value price point

- Increase product mix to allow entire room decoration
- Use our growing third-party drop ship business to build a curated, extended aisle online



Methodical evolution of merchandise with opening price points familiar to our existing customer base, while adding higher quality and designed options



Improve Quality & Design, While Increasing Direct Sourcing

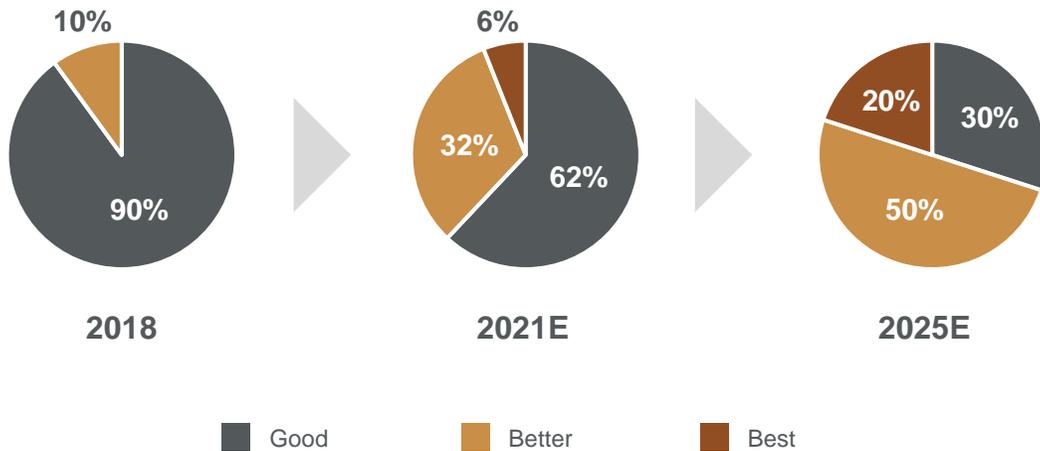
Quality & Design

- Setting quality standards across all merchandise categories
- Adding external design support for new collections
- Transitioning assortment to drive average ticket growth
- Improve packaging and testing

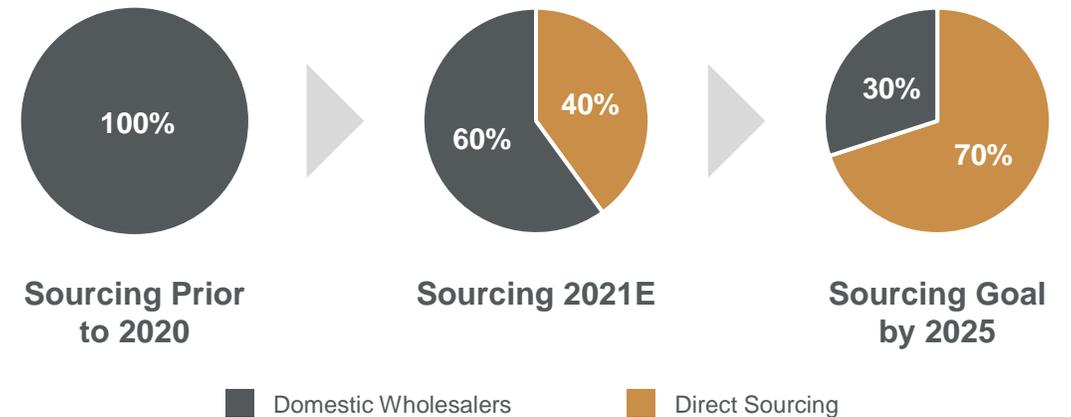
Direct Sourcing

- By 2025, we expect direct sourced product to make up 70% of our assortment
- Each item moved to direct sourcing gained on average 500 bps of margin improvement

Assortment Evolution



Direct Sourcing Evolution





To be considered a home furnishings option, we needed to add categories and increase the mix of furniture in our assortment

In 2019, we added rugs, tabletop and dining furniture as sellable displays



We expect furniture will grow from 12% of our mix to 25+%; other growing categories include textiles and outdoor



We anticipate the category mix changes will:

- Result in multi-year growth of average ticket
- Strengthen our business in the first half of the year to balance the strong seasonal business in Q3/Q4



Customer

Kirkland's
Bring happiness home.



On average, our current customer shops 2.7 times per year and spends \$164



Top tier customers spend on average \$300 per year, shop both online and in-store, are more likely to buy furniture and spread spend more evenly throughout the year



Merchandise changes and significant pull back on discounting resulted in the loss of unprofitable customers (as expected)



Beginning to drive customer acquisition growth as merchandise reaches a level to support claim of improved quality and design



Enhanced Loyalty Program Driving Customer Retention



Reintroduced loyalty program in October 2020



Recognized by Newsweek as #1 Loyalty Program in the Home Décor sector in February 2021



Approximately 75% of sales are made by loyalty customers, with 6 million customers active within last two years



The current loyalty program is a reward-based program



Future enhancements will focus on adding extra benefits for top tier customers, which may include VIP shopping hours, advance shopping of new collections and other more targeted benefits



Experience

Kirkland's
Bring happiness home.



Our website platform is functional, but needs to be upgraded in order to allow an improved experience, which includes:

- Improved checkout with more payment options
- Improved search functionality
- AI tools which allow in room viewing of merchandise
- Quicker adoption of new technology

Our stores remain a critical piece of the fulfillment of ecommerce orders, which:

- Allows the customer to reserve product online and pick up at their convenience
- Improves our profitability with 40-50% of our ecommerce fulfilled in store
- Adds an opportunity for store add on sales which average 20% of in store fulfilled ecommerce sales



Stores need training and technology to execute a true omnichannel experience, which includes:

- Selling mindset, instead of transaction-based
- Design assistance
- Focus on extended aisle options available online (additional colors, sizes and categories not carried in store) and ability to assist customer with orders

Our physical stores have an average age of nine years, many with darker walls and carpet

- We expect to refresh 30-40 stores annually within a \$3-4 million capital spend
- Refreshes include lighter walls, wood flooring and LED lighting, enabling a cleaner backdrop for upgraded merchandise

Delivery Experience



Currently, our merchandise is available to be picked up in store or shipped via parcel to customer's home



White glove delivery will be key to the customer experience and opens markets outside of our store base for oversized product



Adding additional ecommerce hubs or shipping parcel from stores will be options to improve efficiency of product delivery to customers' homes



Consistency of timely, seamless deliveries of undamaged product is of the utmost importance



Digital Transformation

Key system investments are needed to support our strategy



Customer Data Platform

Deliver a 360-degree view of our customer



Omnichannel Capabilities

Create a seamless customer experience in-store and online



Ecommerce Platform

Deliver a best-in-our-class, online customer experience



Distributed Order Management Solution

Optimize our inventory network-wide



Supply Chain & Logistics Technology

Improve our customer & store on-time delivery to industry standards

Immediate focus on foundational systems, as well as improved data and analytics



Infrastructure

Kirkland's
Bring happiness home.

Infrastructure Improvements

In 2020, we accelerated changes to our operating model which significantly improved profitability and will allow sales growth to flow through at a higher rate. Those changes included:



Closed 59 underperforming stores



Removed \$45 million of operating expenses, improving unit economics of remaining stores



Successful rent negotiations



Closed centralized ecommerce fulfillment center and opened three smaller hubs



Rationalizing Store Base

In 2019, we had 59 EBITDA negative stores and a four-wall average EBITDA of \$136K.

For the twelve months ending October 2021, we have 0 stores with negative EBITDA and a four-wall average EBITDA of \$278K.

In the next 3-5 years, we expect to close market exit stores as profitability deteriorates, relocate or close the relo potential stores and refresh the remaining store base.

Potential exists to return to white space markets as our store operating model and price points evolve.

Our existing store base breakdown is as follows:



HIGH PERFORMING

165

PRIORITY REFRESH



MID PERFORMING

124

REFRESH



LOW PERFORMING

52

RELO POTENTIAL



LOW PERFORMING

28

MARKET EXIT

\$45M Operating costs removed in 2020

Key areas of focus

Store Payroll

Changed our labor model and reduced operating hours post COVID closures

Corporate

Approximately 30% headcount reduction, reduced office space, professional fees and travel

Other

Zero-based review to support need of all expenses

Key transformational funding requirements

Store Staffing

Upgrade talent and availability for design and product assistance

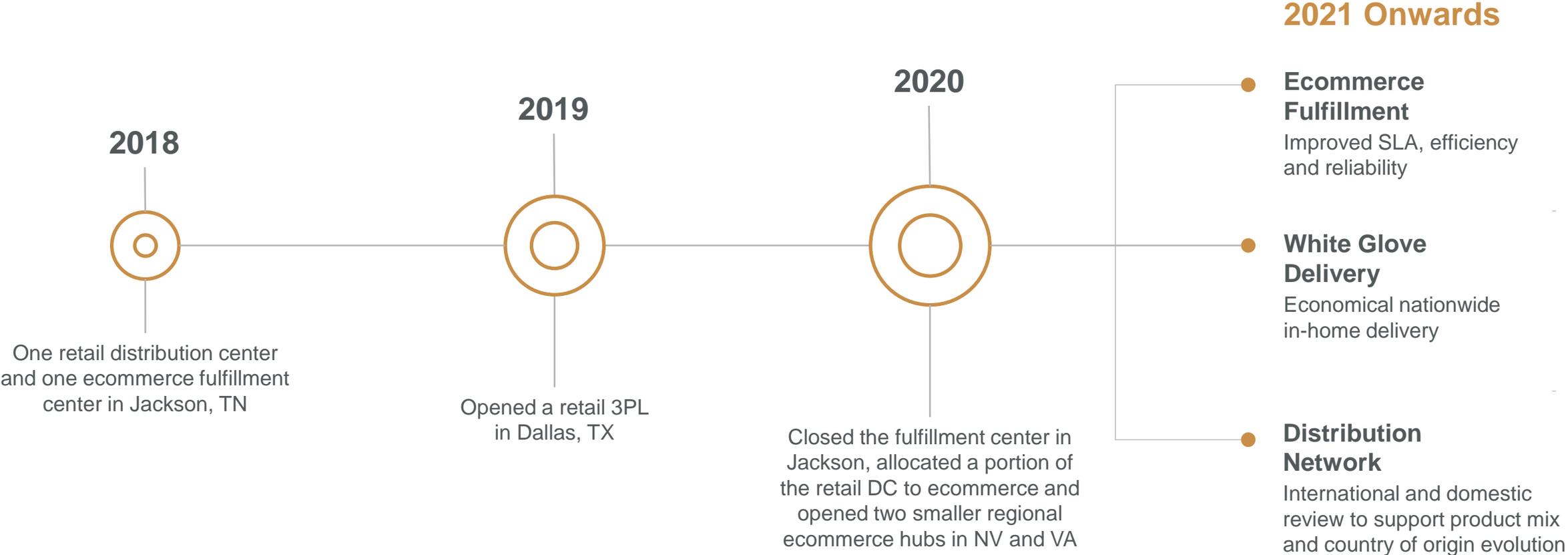
Marketing

Support brand awareness and customer acquisition

Technology

Enable execution through SAAS models

Investments to be funded through shift to online sales, diligent overhead management, and topline growth. Expect to leverage operating costs as a percent of sales annually.



Strong Leadership Team



Steve "Woody" Woodward
PRESIDENT & CEO

- Over three decades of senior leadership and merchandising experience at notable retailers
- Former President and Chief Merchandising Officer of Crate and Barrel
- Previously served as EVP of Merchandising at The Bombay Company



Nicole Strain
EXECUTIVE VP & CFO

- More than 15 years of executive-level finance experience
- Former VP of Finance at Logan's Roadhouse, where she also served as interim CFO
- Licensed CPA



Michael Holland
SENIOR VP & CTO

- Three decades of executive-level IT experience
- Former Senior VP and CIO of FULLBEAUTY Brands and rue21
- Held senior-level IT positions at Timberland, Phillips-Van Heusen and Grafton-Fraser



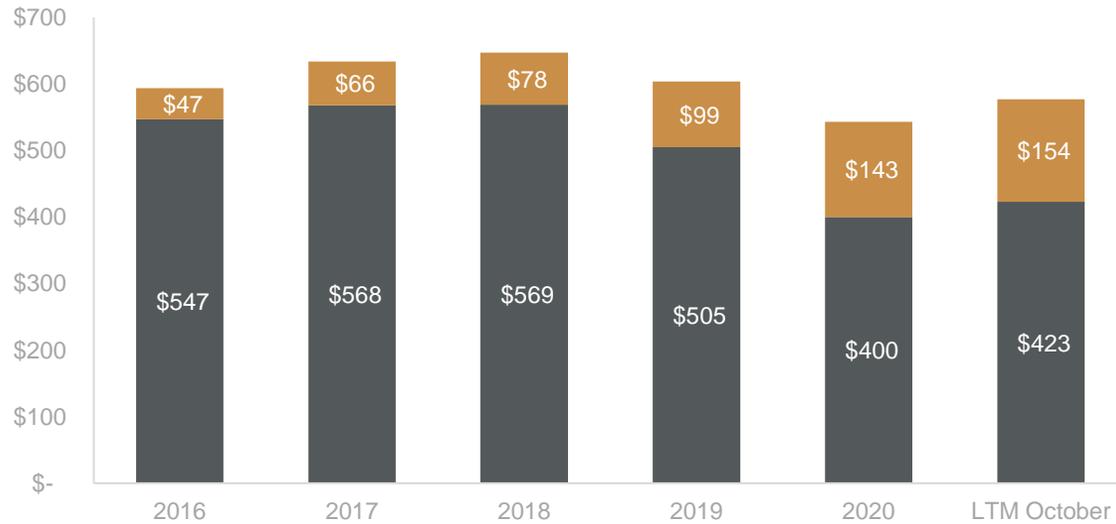
Financials

Kirkland's
Bring happiness home.

Historical Performance

Revenue (millions)

■ Stores ■ Ecomm



- Strategy shifted from store to online growth
- Closed 14% of the store base in 2020
- Positioned to accelerate growth

Adjusted EBITDA (millions)



- Competition and the lack of relevance fully realized in 2019
- Reset began in 2019; accelerated in 2020
- LTM October – full year benefit of new operating model with improved flow through

Comparable Sales Growth

- Stabilize store comps and focus on ecommerce growth in the range of 25-35% annually
- Expect ecommerce to expand to 50% of revenue by 2025

Expand Gross Margins

- Continue disciplined evolution of discount strategy (lower discounts)
- Expand direct sourcing to 70% of purchases by 2025
- Improve supply chain efficiency
- Leverage occupancy and other fixed costs

Leverage Top-Line Growth to Improve Profitability

- Disciplined cost management, while investing in marketing and technology to support sales growth
- Low-to-mid double-digit annual EBITDA margin by 2023
- High-single-digit annual operating margin by 2023

Use Strong Cash Flow Generation to Return Excess Cash to Shareholders



Investment Highlights



- ✓ Large and **growing market** opportunity
- ✓ Differentiated merchandise filling **white space** in the market
- ✓ Building brand awareness and **market share** growth
- ✓ Driving **digital growth** and optimizing store footprint to create an **omnichannel customer experience**
- ✓ Efficient operating model driving **higher profitability**
- ✓ **Strong management team** to execute brand transformation and deliver improved shareholder returns

Contact Us

Kirkland's

Nicole Strain
(615) 872-4800



Cody Slach and Cody Cree
KIRK@gatewayir.com
(949) 574-3860

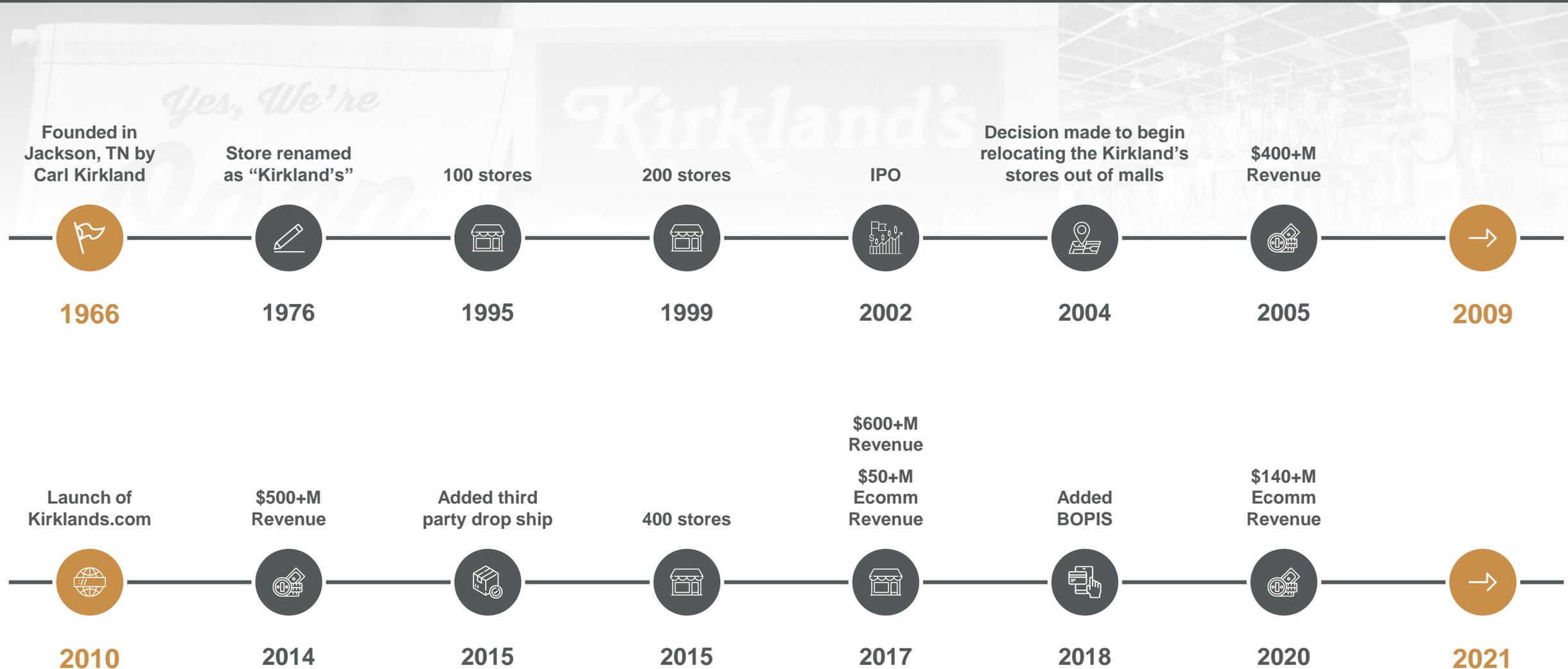




Appendix

Kirkland's
Bring happiness home.

Kirkland's History





GAAP to Non-GAAP Reconciliation

This presentation includes non-GAAP financial measures.

The following slides provide reconciliations of these non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with generally accepted accounting principles ("GAAP") in the U.S.

These measures are not in accordance with, and are not intended as alternatives to, GAAP. The Company uses these non-GAAP financial measures internally in analyzing our financial results and believes that they provide useful information to analysts and investors, as a supplement to GAAP measures, in evaluating our operational performance. Our management uses these non-GAAP financial measures in order to have comparable financial results to analyze changes in our underlying business. In addition, certain other items may be excluded from non-GAAP financial measures when the company believes this provides greater clarity to management and investors.

Non-GAAP measures are intended to provide additional information only and do not have any standard meanings prescribed by GAAP. Use of these terms may differ from similar measures reported by other companies. Each non-GAAP measure has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

GAAP to Non-GAAP Reconciliations

FY 2016 – LTM October 30, 2021

	52-Week Period Ended	52-Week Period Ended	52-Week Period Ended	52-Week Period Ended	53-Week Period Ended	52-Week Period Ended
<i>(In 000s, expect per share data)</i>	October 30, 2021	January 30, 2021	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017
Operating income (loss)	\$ 39,467	\$ 8,287	\$ (53,041)	\$ 4,881	\$ 9,352	\$ 16,999
Depreciation and amortization	20,981	23,256	27,720	29,453	27,150	25,322
EBITDA	60,448	31,543	(25,321)	34,334	36,502	42,321
Non-GAAP adjustments, net of tax:						
Closed store and lease termination costs in cost of sales ⁽¹⁾	(2,072)	(1,135)	(278)	-	-	-
Asset impairment ⁽²⁾	1,114	9,387	19,229	-	-	-
Stock-based compensation expense ⁽³⁾	1,580	1,171	3,254	2,015	-	-
CEO Transition Costs ⁽⁴⁾	-	-	-	2,144	-	-
Severance charges ⁽⁵⁾	564	1,161	2,624	100	-	-
Other costs included in operating expenses ⁽⁶⁾	235	439	1,035	-	-	-
Total adjustments in operating expenses	3,493	12,158	26,142	4,259	-	-
Total non-GAAP adjustments	1,421	11,023	25,864	4,259	-	-
Adjusted EBITDA	61,869	42,566	543	38,593	36,502	42,321
Depreciation and amortization	20,981	23,256	27,720	29,453	27,150	25,322
Adjusted operating income (loss)	\$ 40,888	\$ 19,310	\$ (27,177)	\$ 9,140	\$ 9,352	\$ 16,999

1) Costs associated with closed stores and lease termination costs, including gains on lease terminations, amounts paid to third-parties for rent reduction negotiations and lease termination fees paid to landlords for store closings.

2) Impairment charges include both right-of-use asset and property and equipment impairment charges.

3) Stock-based compensation expense includes amounts expensed related to equity incentive plans. The company began excluding all equity incentive plan costs starting with the 52-week period ended February 2, 2019.

4) CEO transition costs during the 52-week period ended February 2, 2019 include severance charges related to the departure of the former CEO, cash bonus, legal fees, search fees and other costs associated with the transition.

5) Severance charges include expenses related to severance agreements. This also includes permanent store closure compensation costs.

6) Other costs include executive transition costs, corporate lease negotiation fees associated with rent reduction during the 52-week period ended January 30, 2021 and write-offs of excess and obsolete supplies during the 52-week period ended February 1, 2020.