

CITI TRENDS





Cautionary Note about Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of the federal securities laws and is intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements regarding expected sales, the outlook for Citi Trends' markets and the demand for its products. These projections and statements are based on management's estimates and assumptions with respect to future events and financial performance and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results could differ materially from those projected as a result of certain factors. A discussion of factors that could cause results to vary is included in the section entitled "Risk Factors" in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Citi Trends Investment Opportunity

1. GROWTH

2. Merchandising Initiatives

3. Operational Initiatives

4. Commitment to Return Excess Capital to Shareholders

Company Overview

- Retailer of value-priced, urban fashion apparel and accessories
- Large customer base focused on trend-setting fashions at a value; 70% African American
- Differentiated apparel & non-apparel for the entire family
- Current fashions and brands that are 20% to 70% below regular retail prices available in department stores and specialty stores
- Specialty store feel, but with value pricing
- A degree of insulation against e-commerce
  - Low price points
  - Convenient locations
  - Buy-now; wear-now customer

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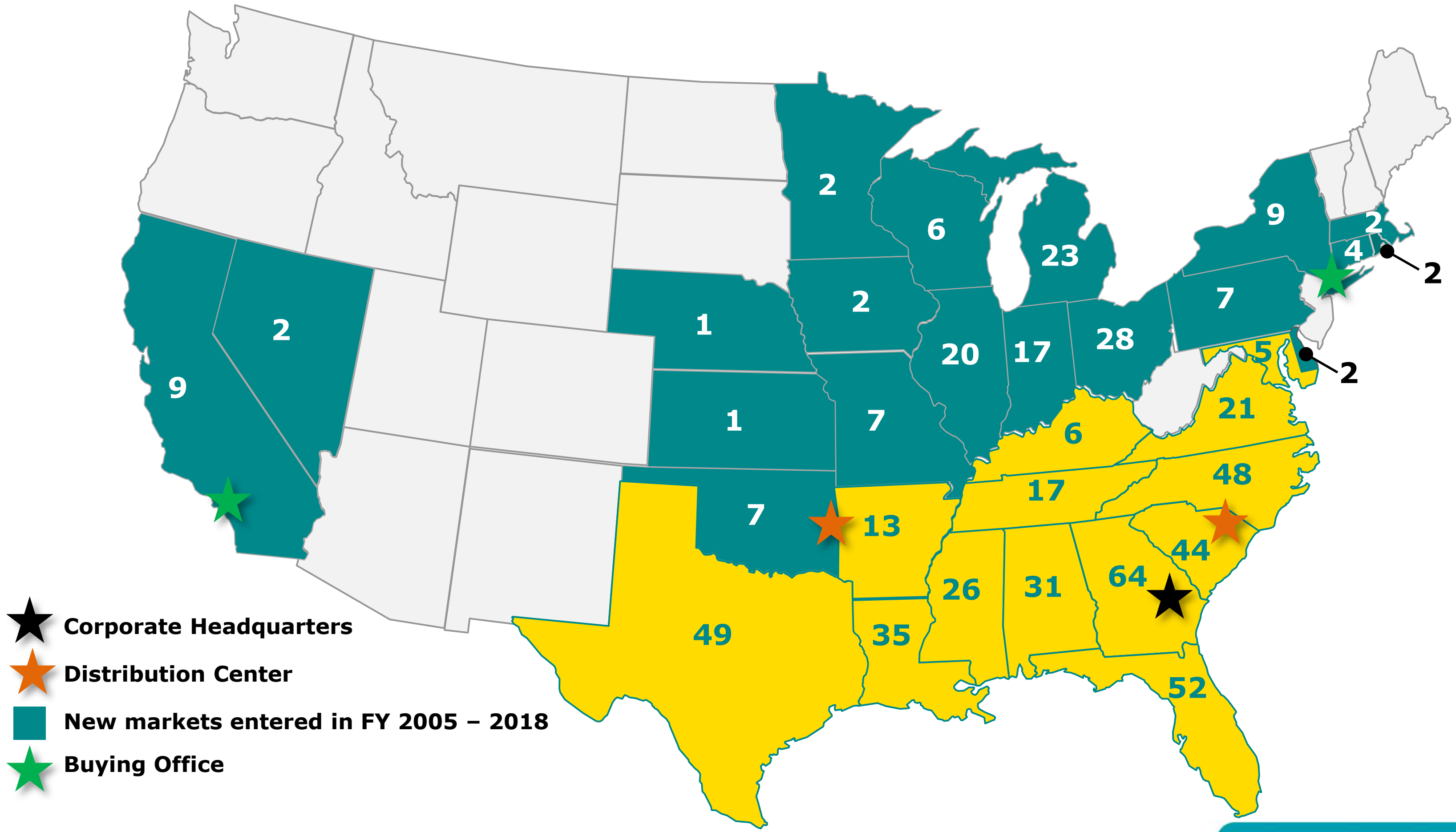
Store Locations

Existing store base of 562 locations



The Citi Trends Customer

- Serving the under-served low-to-moderate income consumer
- Serving the entire family with apparel, footwear, accessories and home
- High focus on current fashions, but has to be at a value
- Spends a higher proportion of income on apparel than other consumers

Brands At Off-Price Values

Levi's®
PUMA
FILA
baby phat
akademiks
JORDAN
NFL
Hello Kitty
Deréon
SOUTHPOLE®
Reebok™
NBA
U.S. POLO ASSN.
SINCE 1890
ROCAWEAR
BLACK PYRAMID

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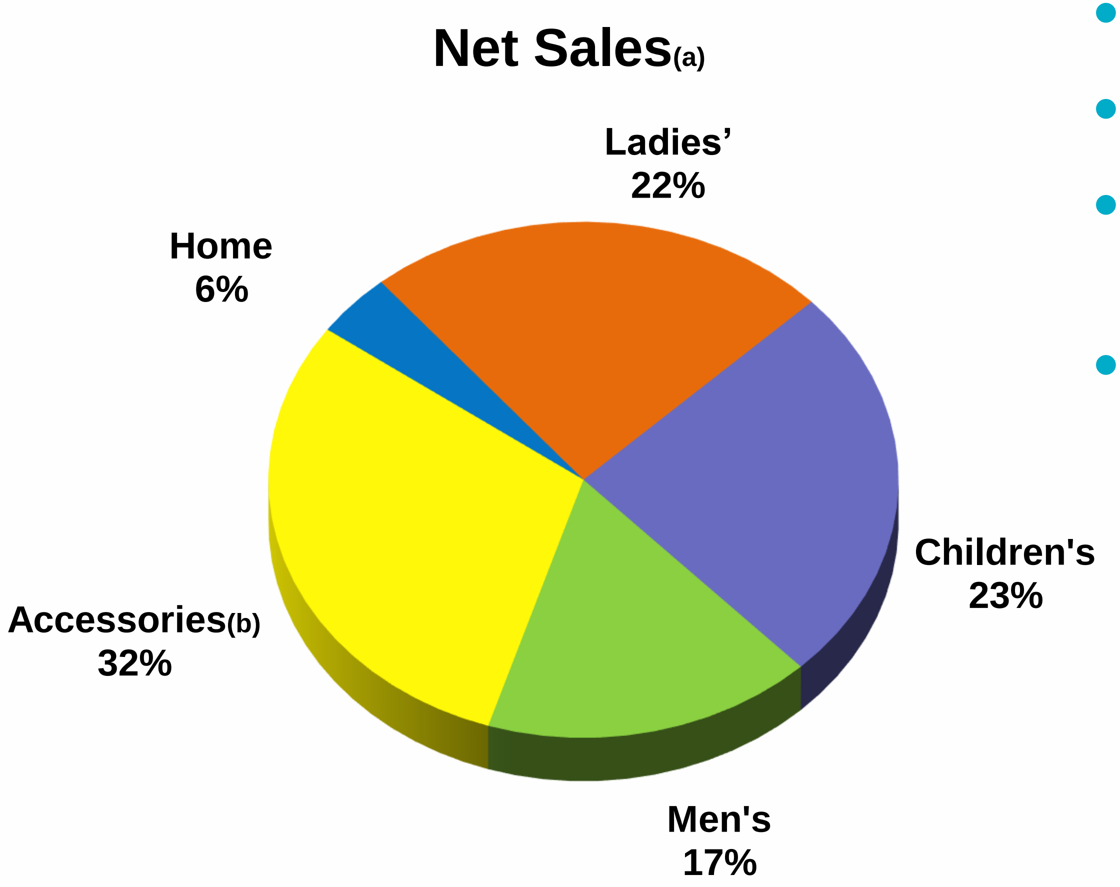
Family–Focused Merchandise Offering



- Value-priced apparel
- Growth in non-apparel
- Destination focus for the entire family
- Differentiated from competitors

a) Fiscal 2018
b) Includes footwear, handbags, jewelry and other categories

The Citi Trends Investment Opportunity

1. GROWTH

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4. Commitment to Return Excess Capital to Shareholders

1. GROWTH

- Store base potential up to 800
  - Concept travels well – top 20 profitable stores are represented by 16 different cities
  - African American-dominant locations
  - Only 6 existing stores are 4-wall negative
  - 50% cash-on-cash ROI in year 1 for stores opened in the last four years
- 2019 test in Hispanic-dominant markets with appropriate mix
- 2019 test of expanded home category
- Relocations and expansions will continue opportunistically
  - 100 in last 10 years

Opportunity in Hispanic-Dominant Markets

- Already have Hispanic penetration in existing stores:
  - 36 existing stores with at least 40% Hispanic population within 3 miles
  - Sales in such stores are 9% higher than the Company average
  - 4-wall profit is virtually identical to the Company average
  - 200 existing stores have bilingual signage
- Opportunity is significant

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2. Merchandising Initiatives

- Store-level planning by merchandise category
  - New ranking system allows for improved allocation at each level of the merchandise hierarchy
  - Management resources dedicated to store planning
  - First division on the system experienced 2% comparable store sales increase on 2% less inventory, with a 100 basis points improvement in gross margin
- Markdown optimization program – late 2019
- Apparel – fashion at a value
- Push limits of non-apparel categories:
  - Accessories comp store sales increased for 10th consecutive year in 2018
  - Home – double digit comp store sales increases for 22 consecutive quarters

Store Level Ranking System Results – First Division

First Division on the System

Results – In Units – Full Year of 2018

	Number of Stores in Group	Comp Inventory Change	Comp Sales Change
Increased by 2 ranking levels	2	17%	20%
Increased by 1 ranking level	113	6%	4%
Maintained rank level	274	-1%	3%
Decreased by 1 ranking level	119	-8%	1%
Decreased by 2 ranking levels	15	-14%	-1%
Total	523	-2%	2%

Division's gross margin improvement = 100 basis points

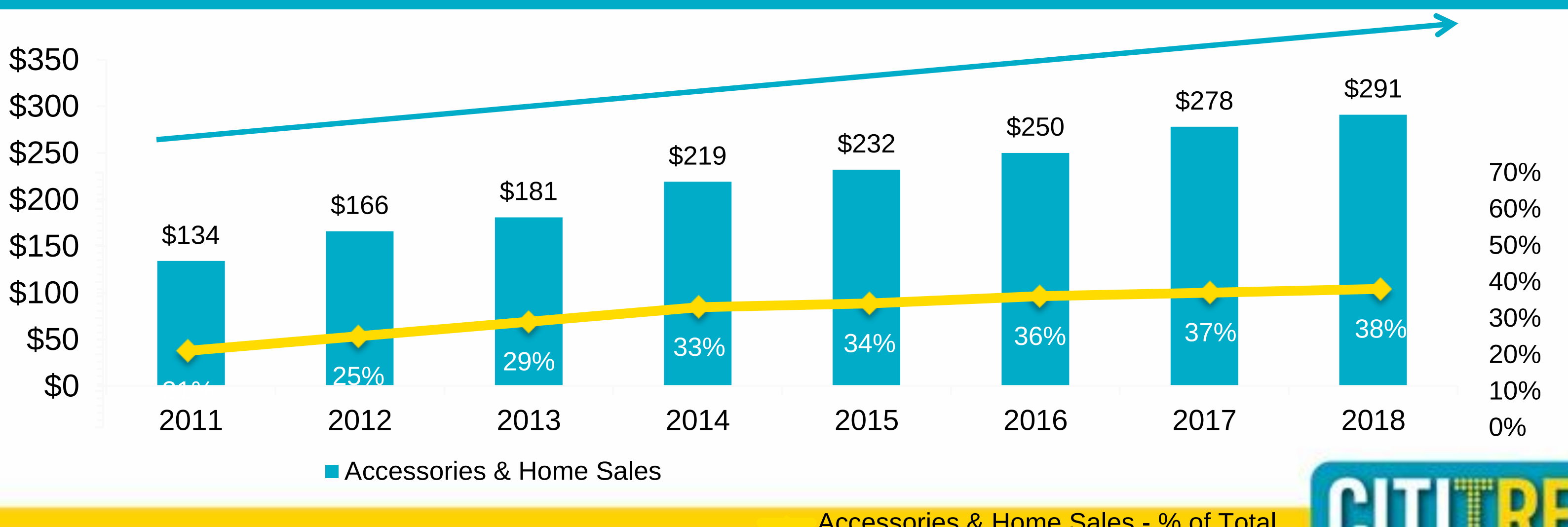
Inventory Turn Improvement

- Merchandising system initiatives provide opportunity to improve inventory turnover
- Goal – 6% improvement in turn annually each of next three years
- Turn improvement should lead to:
  - More timely response to fashion changes
  - Fewer markdowns
  - Higher free cash flow

Strategy to Diversify into Complementary Product Lines

Our strategy to grow sales of the non-apparel categories of accessories (including footwear) and home products has contributed positively to revenue growth and diversification

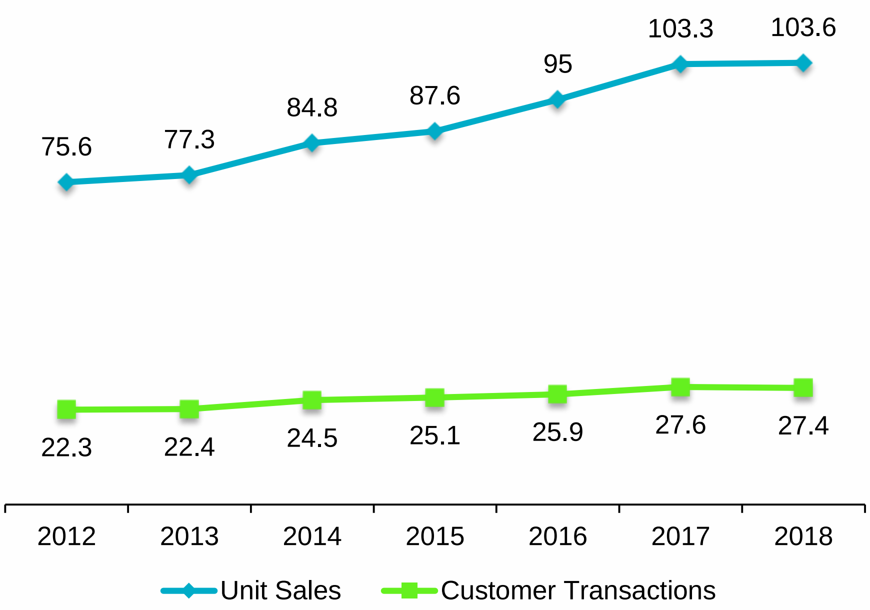
Accessories & Home ($ in millions)



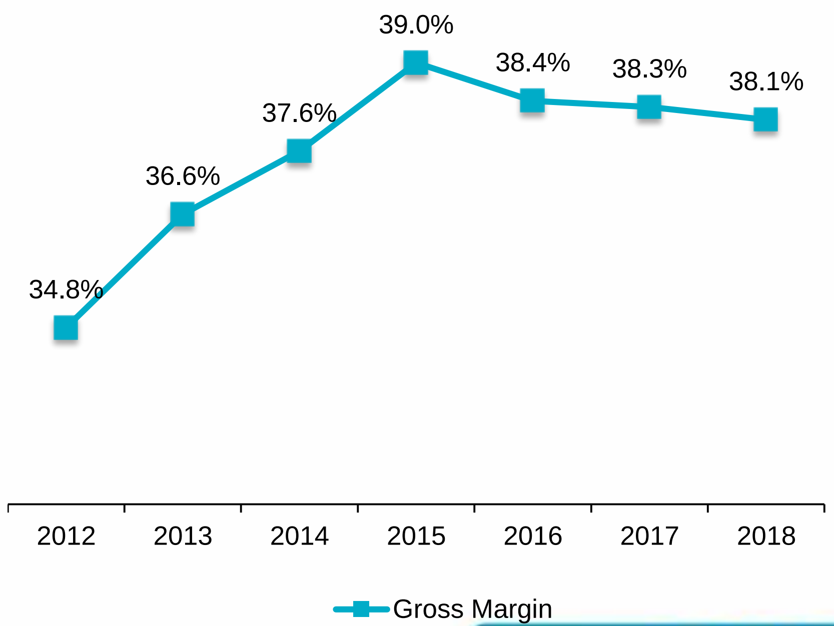
Strategy Has Driven Substantially Improved Performance

Our merchandising strategies have been a vital factor in driving significant increases in total customer transactions and units sold, as well as improving gross margins significantly due to reduced markdowns

Customer Transactions & Total Units Sold (mm)



Gross Margin Trend



3. Operational Initiatives

- Packing system upgrade at distribution center
  - Expected payroll reduction - $500k annually starting Q2 2019

- Freight consultant engaged
  - Implement a Transportation Management System
  - Leverage consultant's relationship with shippers
  - Expand the number of in-bound trucking options
  - Reconsider the current out-bound-to-store model

- Expense consultant engaged
  - Address categories with greatest opportunity (waste management, supplies, signage, packaging, etc.)
  - Leverage consultant's relationships with suppliers

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4. Return of Excess Capital

- Began returning excess cash to stockholders in 2015 - by
  - Initiating a regular dividend
  - Completing a $15 million share buyback
- Enhanced our capital return program in 2017 – while ensuring adequate reserves to fund growth initiatives and meet other contingencies – by
  - Increasing the regular dividend 33% to $0.32 annually
  - Initiating (and subsequently completing) an additional $25 million share buyback
- Continued capital return program in 2018 – authorized (and subsequently completed) another $25 million share buyback, and authorized an additional $25 million buyback in November 2018
- 22% decline in outstanding shares from 15.6 million at the beginning of 2015 to 12.2 million at the end of 2018; $94 million returned to shareholders in the form of dividends and share buybacks
- $77.1 million of cash and investment securities as of Q4 2018
- Expected annual free cash flow of $20 million to $25 million should allow continued capital returns

Long-Term Goals

- Expectations of:
  - Consistent comparable store sales growth in a range around 3%
    - System initiatives
    - Expand growth categories
  - Store square footage growth of 4% to 5%
    - Opportunity in Hispanic-dominated markets
  - 12% to 15% annual earnings growth
  - Return excess capital to shareholders
    - $94 million returned since the beginning of 2015
    - 22% decline in outstanding shares during that timeframe
  - $4 Earnings per share goal within 5 years

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Results of Operations – Fiscal Year

- Comp store sales increases of 1.6% and 4.5% in 2018 and 2017, respectively; comp decreases in 2016 & 2015 less than 1%; comp increase in 2014 of 7.5%
- Gross margin improvement from 2013 due to stronger inventory management
- Expense leverage due to comparable store sales increases and strong expense controls
- Significant improvement in earnings since 2013

($ in millions, except per share data)	2013	2014	2015	2016	2017	2018
Sales	$622.2	$670.8	$683.8	$695.2	$755.2	$769.6
Gross Profit	$227.8	$252.4	$267.0	$267.0	$289.2	$293.2
Gross Margin	36.6%	37.6%	39.0%	38.4%	38.3%	38.1%
SG&A – adjusted for proxy costs	$206.1	$221.0	$224.2	$230.7	$244.5	$247.9
SG&A (adjusted) as % of Sales	33.1%	32.9%	32.8%	33.2%	32.4%	32.2%
Adjusted EBITDA	$21.6	$ 31.4	$ 42.8	$ 36.3	$ 44.7	$45.3
Income Per Share (adjusted)	$0.03	$ 0.60	$ 1.03	$ 0.91	$ 1.26	$1.64

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Reconciliations of Non-GAAP Financial Measures

APPENDIX

Reconciliation of Non-GAAP Financial Measure

EBITDA[1] & Adjusted EBITDA reconciled to Net Income (Loss) ($ in thousands)

	2013	2014	2015	2016	2017	2018
Net income (loss)	$464	$8,966	$15,527	$13,331	$14,574	$21,374
Plus:						
Interest expense	194	200	242	159	150	154
Income tax expense	-	2,144	8,787	6,020	8,926	4,954
Depreciation and amortization	21,974	20,177	18,577	17,090	18,883	18,886
Less:						
Interest Income	(281)	(187)	(339)	(571)	(883)	(1,353)
Income tax benefit	(754)	-	-	-	-	-
EBITDA	21,597	31,300	42,794	36,029	41,650	44,015
Asset impairment	1,542	83	-	313	507	1,274
Proxy Contest Expenses	-	-	-	-	2,516	-
Gain on sale of former distribution center	(1,526)	-	-	-	-	-
Adjusted EBITDA	$21,613	$31,383	$42,794	$36,342	$44,673	$45,289

[1] **Earnings before interest, taxes, depreciation & amortization.**

Reconciliation of Non-GAAP Financial Measure

The Company makes reference in these slides to expenses and income per diluted share adjusted for proxy contest expenses and the effect of the Tax Cuts and Jobs Act. The Company believes that excluding proxy contest expenses and their related tax effects and the effect of the Tax Cuts and Jobs Act from its financial results reflects operating results that are more indicative of the Company's ongoing operating performance while improving comparability to prior periods, and as such, may provide investors with an enhanced understanding of the Company's past financial performance and prospects for the future. This information is not intended to be considered in isolation or as a substitute for expenses or income per diluted share prepared in accordance with generally accepted accounting principles (GAAP).

	Fifty-Three Weeks Ended February 3, 2018			
	As Reported	**Adjustment (1)**	**Adjustment (2)**	**As Adjusted**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net sales	$ 755,241	$ -	$ -	$ 755,241
Cost of sales (exclusive of depreciation shown separately below)	(466,022)	-	-	(466,022)
Selling, general and administrative expenses	(247,062)	2,516	-	(244,546)
Depreciation and impairment	(19,390)	-	-	(19,390)
Income from operations	22,767	2,516	-	25,283
Interest income	883	-	-	883
Interest expense	(150)	-	-	(150)
Income before income taxes	23,500	2,516	-	26,016
Income tax expense	(8,926)	(956)	1,609	(8,273)
Net income	$ 14,574	$ 1,560	$ 1,609	$ 17,743
Basic net income per common share	$ 1.04			$ 1.26
Diluted net income per common share	$ 1.03			$ 1.26
Weighted average number of shares outstanding				
Basic	14,058			14,058
Diluted	14,116			14,116

(1) Proxy contest expenses and related tax effects
(2) Tax Cuts and Jobs Act effect

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