



**The Container Store**  
TCS - \$17.00– NYSE

**Recommendation: Cover Short Position**

**Reasons For Cover Short Recommendation**

**The Container Store hit our price target of \$17. We have over a 31% profit on our short recommendation on July 11, 2014 in just over 3 months.**

**Sell Short 7-11-14 @ \$24.75**

**Cover Short 10-20-14 @ \$17.00**

**Profit: +31% + \$7.75**

From our July 11, 2014 short recommendation:

- **TCS \$24.75:**
- **Missed on both top line and bottom line.**
- **Total sales up 9%, but store count was up 10% from 60 stores to 66 stores.**
- **Stores not growing same store sales.**
- **Lost \$0.07 last quarter versus a loss of \$0.07 a year earlier.**
- **Company looking for about \$0.50 in earnings, which makes this retailer trading at near 50 times this years earnings for a company with stores that are not growing.**
- **Earnings estimates being cut.**
- **While the stock price is down a lot from its high of \$47, it should never have traded that high in the first place and is still very overvalued.**
- **Merchandise is overpriced and competing products can be purchased far cheaper.**
- **Price target \$17.**



## What actually happened

Container Store Group Inc fell on news of it missing analyst estimates for EPS and its updated outlook for full-year 2014. The outlook ranged from the low-end to below analyst estimates.

The company reported 2Q FY revenue of \$193.2 million versus analyst expectations of \$199.24 million.

According to the company's press release, full "fiscal 2014 consolidated net sales are expected to be \$800 to \$810 million," while analysts had expected full year revenue at \$821.29 million.

"Net income is expected to be \$0.52 to \$0.57 per diluted common share based on estimated diluted common shares outstanding of 49 million."

After accounting for the sale of a building as part of a subsidiary, "adjusted net income is expected to be \$0.41 to \$0.46 per diluted common share based on estimated diluted common shares outstanding of 49 million. Adjusted EBITDA is expected to be \$95 to \$99 million."

The company indicated that comparable store sales will be "flat to down low single digits in the third quarter of fiscal 2014," with an expected "increase in the low to mid-single digit range in the fourth quarter of fiscal 2014."