

# WILLIAMS-SONOMA, INC. 2014 INVESTOR PRESENTATION

---

JULIE WHALEN  
EVP, CFO

PAT CONNOLLY  
Director & EVP, CMO

POTTERY BARN

pottery barn kids



WILLIAMS-SONOMA



west elm

Mark AND Graham

REJUVENATION

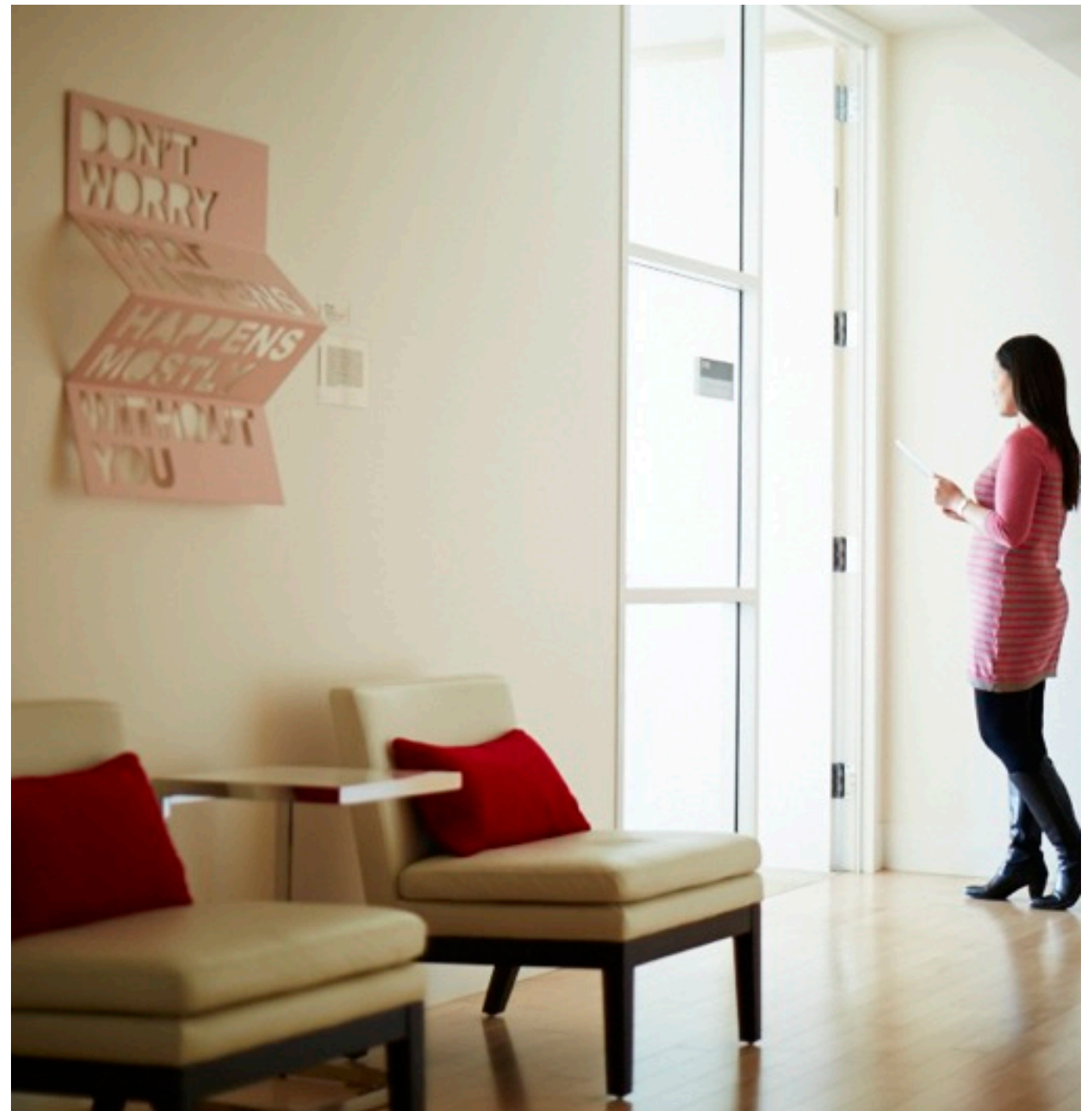


# WILLIAMS-SONOMA, INC.

## FORWARD-LOOKING STATEMENTS

---

The forward-looking statements included in this presentation may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements address the financial condition, results of operations, business initiatives and prospects of the Company and are subject to certain risks and uncertainties that could cause actual results to differ materially. Please refer to the company’s current press releases and SEC filings, including, but not limited to, reports on forms 10-K, 8-K, and 10-Q, for more information on the risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. The statements are current as of the date of this presentation, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise in the future.



# WILLIAMS-SONOMA, INC.

## S U M M A R Y

---

- Williams-Sonoma, Inc.'s multi-channel model creates a differentiated and profitable business that, together with consumer trends in the home market, offers opportunity for sustainable long-term growth.
- Approximately 50% of Williams-Sonoma, Inc.'s revenues comes from its ecommerce business, which is one of the most profitable ecommerce businesses in the U.S. and commands the dominant market share in its category.
- Demonstrated commitment to increasing shareholder value.



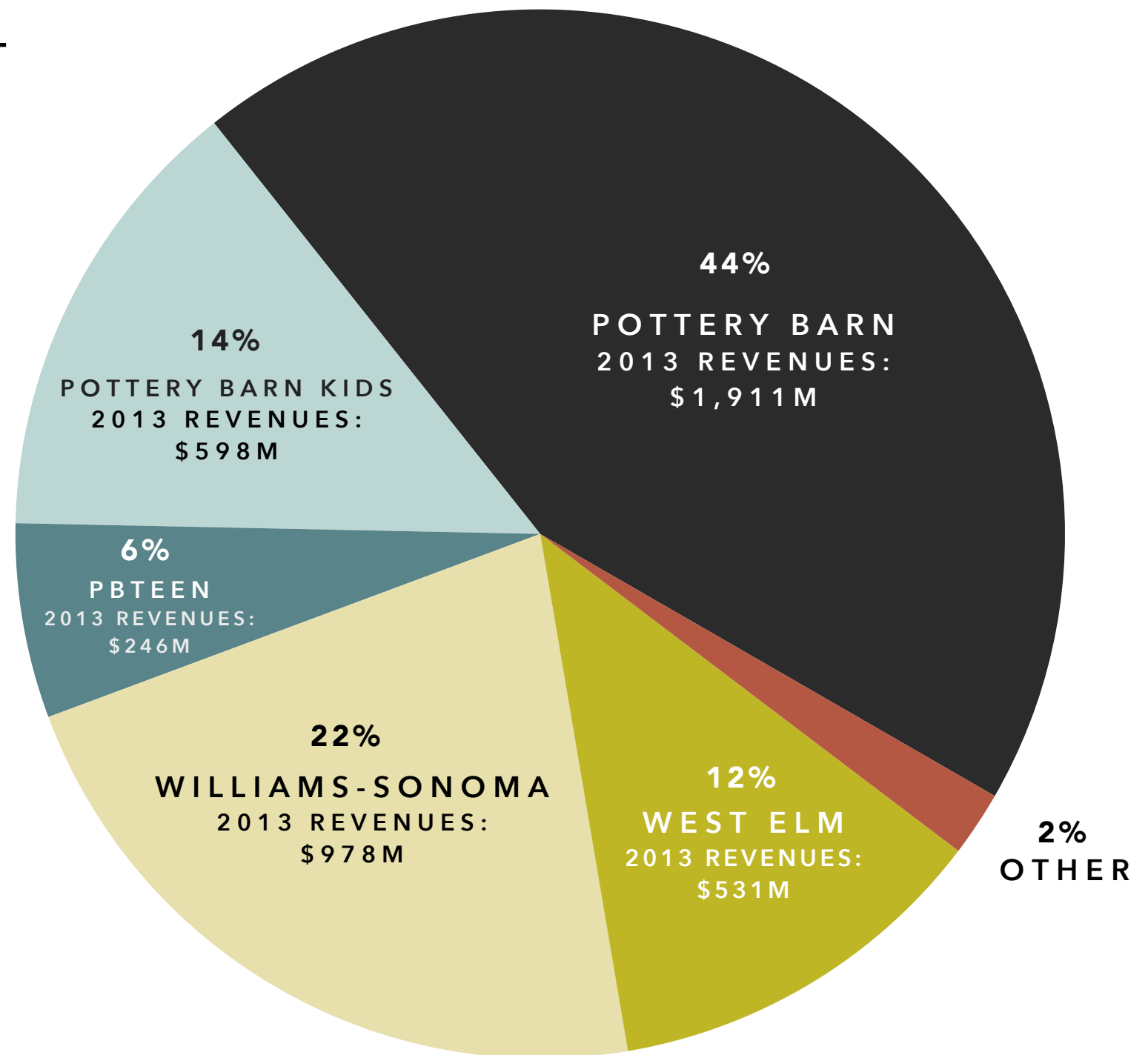
# WILLIAMS-SONOMA, INC.

## CORPORATE OVERVIEW

---

- 7 Unique brands with distinct points of view
- Total Revenues: \$4.4Bn in FY 2013
  - Retail: \$2.3Bn
    - 585 Company-owned stores
    - 27 Franchise stores
  - Ecommerce: \$2.1Bn\*
    - #21 in Internet Retailer Top 500
    - 48% Ecommerce penetration

*\*Reflects total direct revenues, of which more than 92% are from ecommerce.*





LAURA ALBER, PRESIDENT & CEO:

---

OUR *vision* FROM THE BEGINNING HAS BEEN  
TO *enhance* OUR CUSTOMERS' LIVES AT HOME. OUR  
CUSTOMERS LOVE THEIR HOMES, AND WE HAVE  
A SINGULAR FOCUS ON *helping* THEM MAKE THEIR  
HOMES A REFLECTION OF WHO THEY ARE.

# CREATING SHAREHOLDER VALUE

PRODUCT

---

LIFESTYLE  
MERCHANDISING

---

MULTI-CHANNEL  
MARKETING

---

ECOMMERCE  
EXCELLENCE

---

GROWTH

---

FINANCIAL  
DISCIPLINE

---

SOCIAL  
RESPONSIBILITY

---



WILLIAMS-SONOMA, INC.



# PRODUCT

# PRODUCT

## PRODUCT EXCELLENCE

---

- Our product is what separates us from others and brings our brands to life.
- Because we create and design approximately 90% of what we sell, our brands present to consumers a point of view on taste and style in the home that the customer wants to “make their own”.



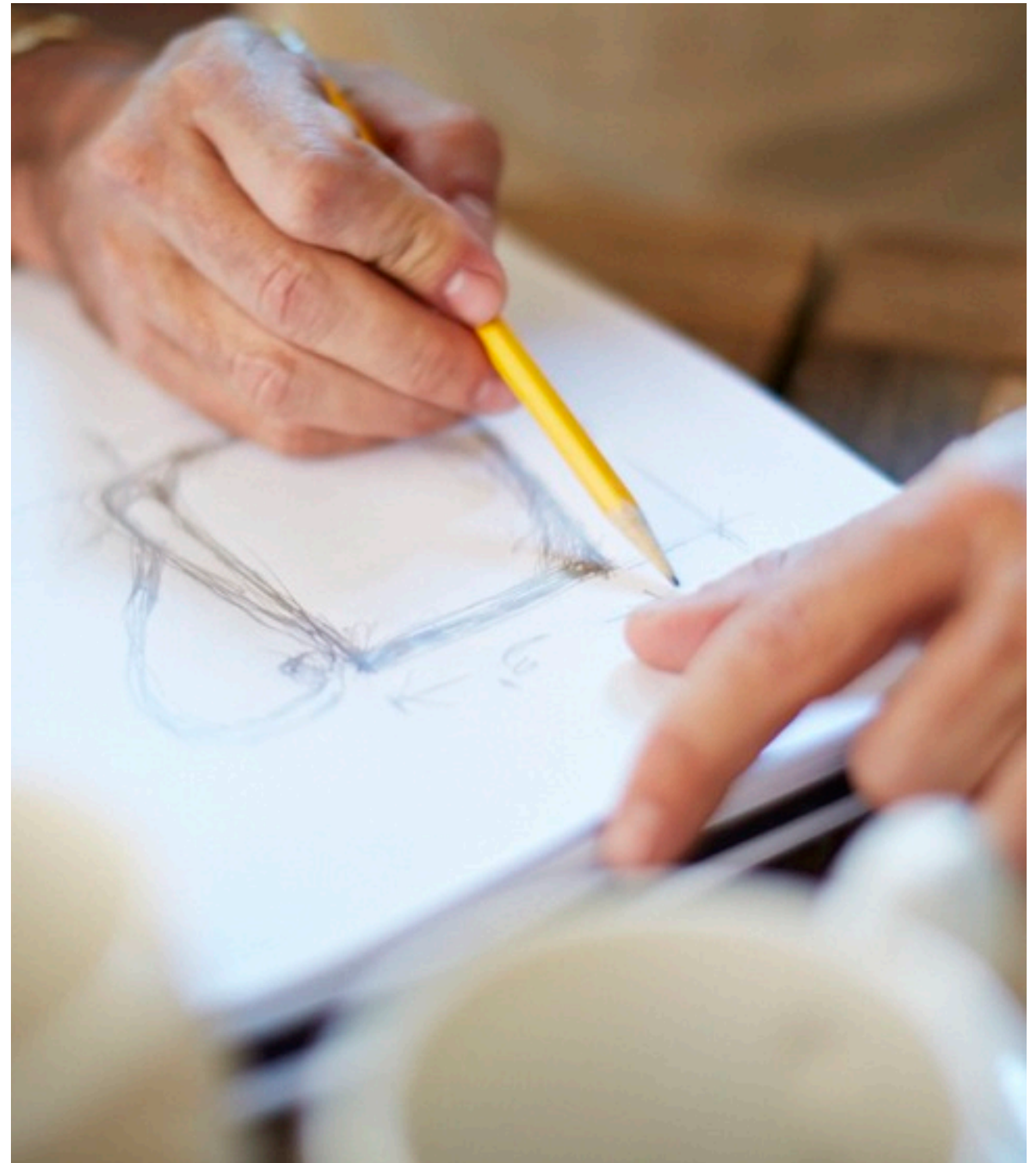


# PRODUCT

## GLOBAL SUPPLY CHAIN

---

- By year end, we expect to have approximately 1,000 associates in 14 countries, managing every aspect of our product sourcing – quality, packaging, global compliance, and logistics.
- This allows us to create unique, high quality product that is offered to the consumer at an outstanding value.



# PRODUCT

## GLOBAL SUPPLY CHAIN

---

- Over a period of decades, we have built a specialized supply chain that is designed to address the unique needs of home furnishings merchandise.
- We work with trusted suppliers and partners around the world. We directly import from over 50 countries.
- We are the 22<sup>nd</sup> largest container volume importer into the U.S.



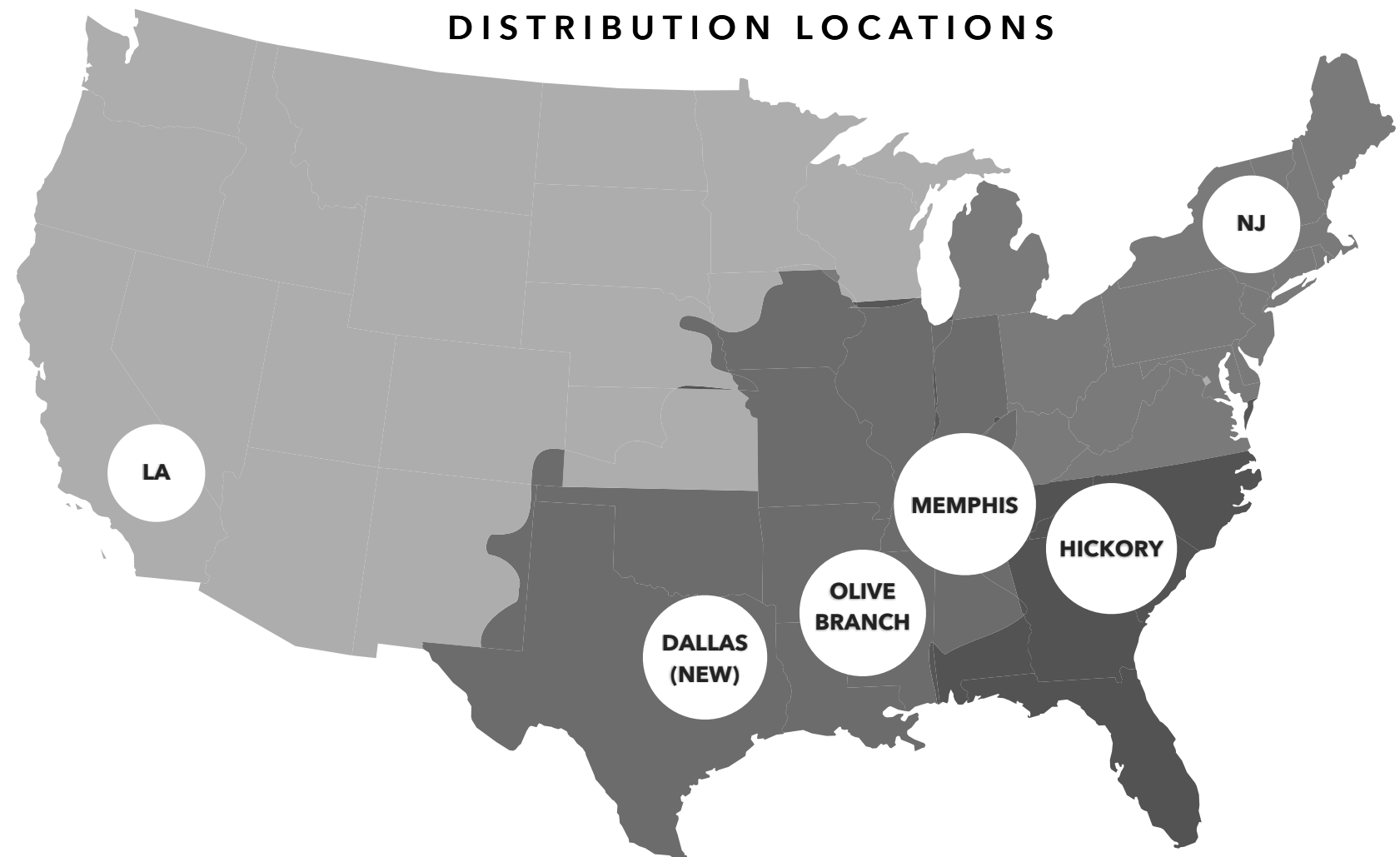


# PRODUCT

## GLOBAL SUPPLY CHAIN

---

- Our regionalized distribution infrastructure is highly efficient at delivering heavy, bulky, and fragile merchandise quickly and at the lowest possible cost.
- Last year, we shipped over 27 million cartons through the UPS system, giving us significant economies of scale and speed of delivery advantages.



# PRODUCT

## U.S. UPHOLSTERED FURNITURE MANUFACTURING

---

We have “disrupted” the traditional upholstered furniture business in the U.S.

- We make over 50% of our upholstered furniture ourselves in our own workshops.
- By eliminating the costly overhead of traditional furniture manufacturing, we can deliver exceptional style, quality and value.
- We make 80% of our product “to order”, eliminating costly inventory holding expense. By year end, our goal is to build custom orders in less than one week.







840,000

2013 DELIVERIES INTO THE HOME

# LIFESTYLE MERCHANDISING



# LIFESTYLE MERCHANDISING

## A CUSTOMIZED EXPERIENCE

---

- We have over 25 years of experience in presenting our product categories in an aspirational manner through our catalogs, retail stores and online.
- Our goal is to make it easy for the customer to visualize how our products will enhance their home.
- We build customer loyalty and strong bonds with our customers through clienteling, in-home appointments and personalized follow up.
- We have trained approximately 2,500 associates as Design Consultants and see this as an opportunity for substantial growth.

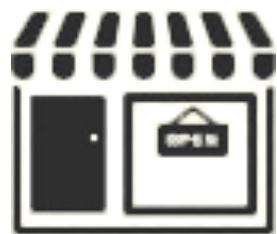


# MULTI-CHANNEL MARKETING



# MULTI-CHANNEL MARKETING

---



MULTI-CHANNEL CUSTOMERS

*spend 4-5x more*

THAN SINGLE-CHANNEL CUSTOMERS

# MULTI-CHANNEL MARKETING

## THE POWER OF OUR CHANNELS

- We market to our customers primarily through three channels.
- Multi-channel model developed over 40 years.
- Each channel has distinct advantages that together, create a competitive advantage.

### RETAIL



### CATALOG



### ONLINE

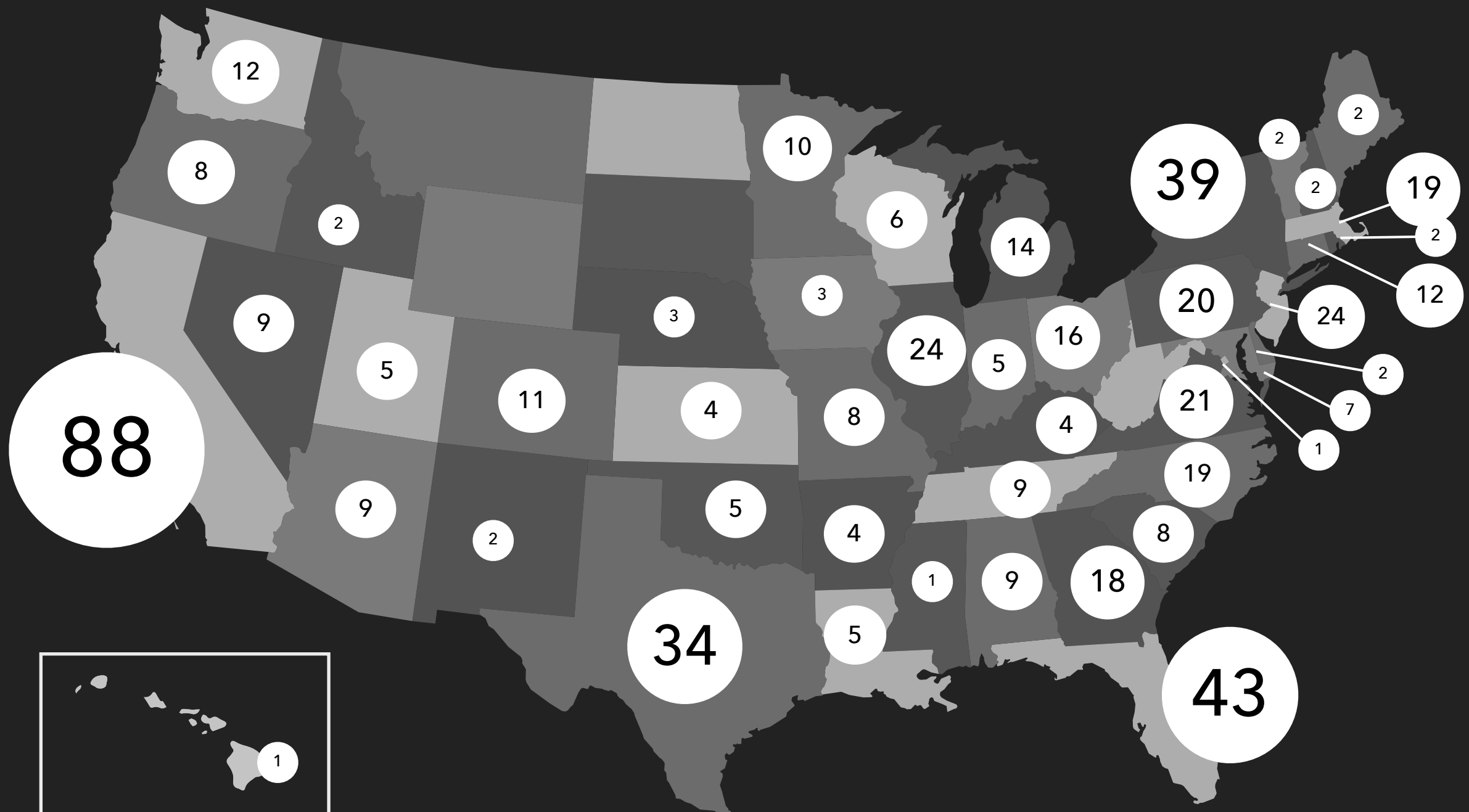




# RETAIL LOCATIONS

## U.S. RETAIL LOCATIONS

At the end of FY 2013, Williams-Sonoma, Inc. had 585 company-owned stores including 554 in the United States, 25 in Canada, 5 in Australia and 1 in the United Kingdom.



# MULTI-CHANNEL MARKETING

## RETAIL

---

- Stores are all in “A” malls or high traffic street locations.
- Our stores are billboards for our brands.
- 585 stores globally.





# MULTI-CHANNEL MARKETING

## CATALOGS

---

- We mail approximately 250 million catalogs a year.
- While we have significantly increased our digital marketing over the past 5 years, catalogs remain a key component of our marketing to customers.
- We have found no marketing vehicle that can match the revenue/contact of a catalog.
- Catalogs provide a superior browse experience, and in our opinion are the best marketing vehicle to convey the aspirational lifestyle of our brands.



# MULTI-CHANNEL MARKETING

## MARKETING SPEND EVOLUTION

Our approach to marketing spend has evolved, but catalogs remain very important.

IF WE WANT TO	THEN WE UTILIZE
ATTRACT NEW CUSTOMERS	EMARKETING
DRIVE LIFETIME VALUE	CATALOG & EMAIL
LAUNCH NEW BRAND	LEVERAGE THE DATABASE
TUNE	ATTRIBUTION

# ECOMMERCE EXCELLENCE



# ECOMMERCE EXCELLENCE

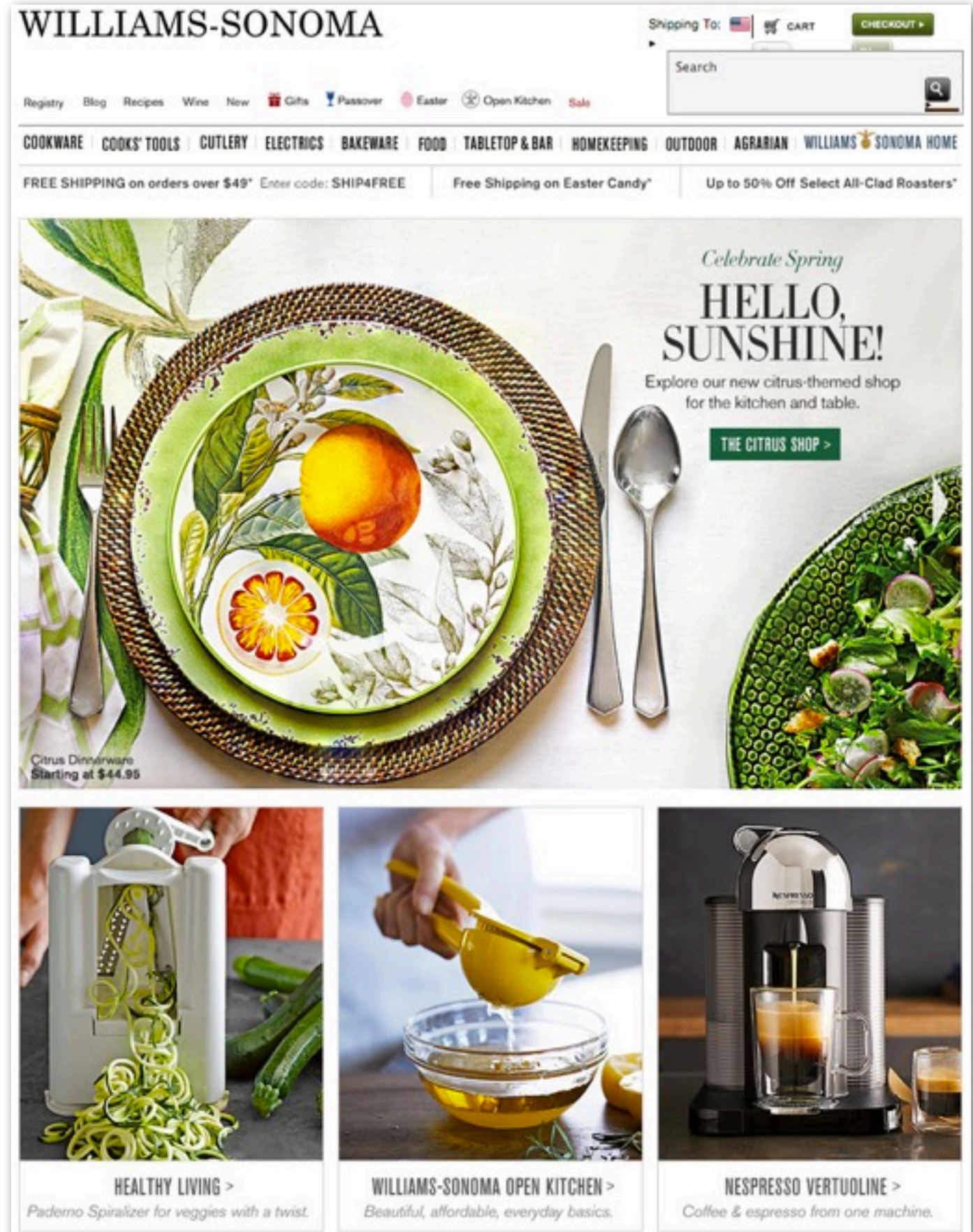
---

SINCE LAUNCHING OUR WEBSITES IN 2000,  
WE HAVE GROWN TO ALMOST  
*\$2 billion in ecommerce sales,*  
A 46% COMPOUND ANNUAL GROWTH RATE.

# ECOMMERCE EXCELLENCE

## OVERVIEW

- Direct sales overall are expected to be approximately 50% of total company revenues in fiscal 2014.
- We rank 21<sup>st</sup> on the Internet Retailer's Top 500 list with the highest ecommerce % of any multi-channel retailer.
- In 2013, WSM reported direct operating contribution of approximately 24%, the highest reported profit margin of any ecommerce company in the US.





# ECOMMERCE EXCELLENCE

## DATA-DRIVEN MARKETING

---

- We have a 20 year head start in database development and data-driven marketing with 57 million households in our database across all 3 channels.
- A direct selling culture is part of our company DNA. Our senior executives have extensive experience building our brands with data-driven marketing and merchandise presentation in both our catalogs and online.
- Brand portfolio of home-centered concepts provides low cost customer acquisition, cross-brand prospecting, and referral traffic.
- We have fully developed back-end systems in fulfillment, a state-of-the-art ecommerce platform, a sophisticated data science practice and best-in-class digital marketing.
- Breakthrough marketing analytics allow us to continually optimize marketing effectiveness.

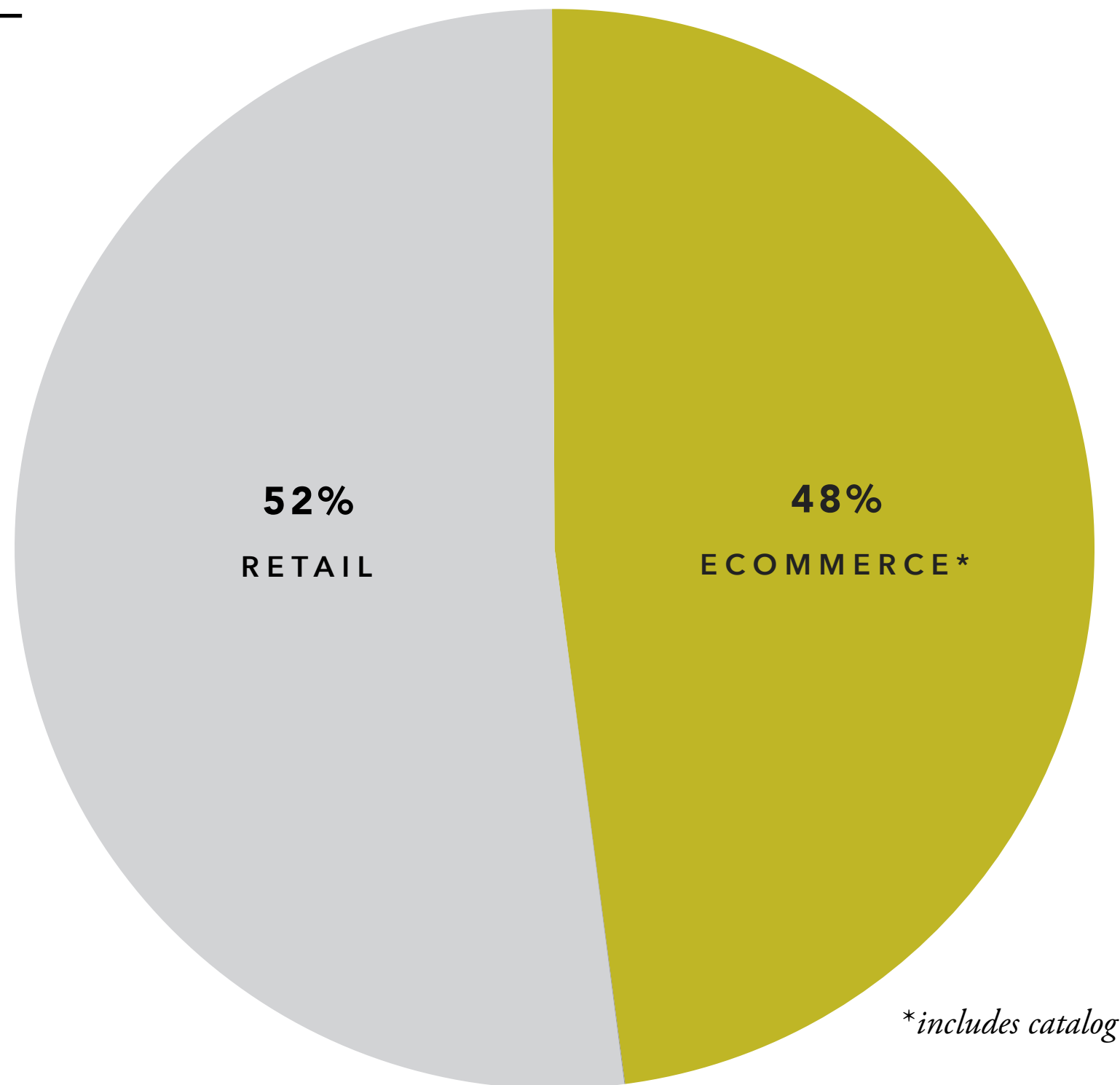


# ECOMMERCE EXCELLENCE

## REVENUE MIX BY CHANNEL

---

Direct to customer is expected to exceed 50% by the end of fiscal 2014.

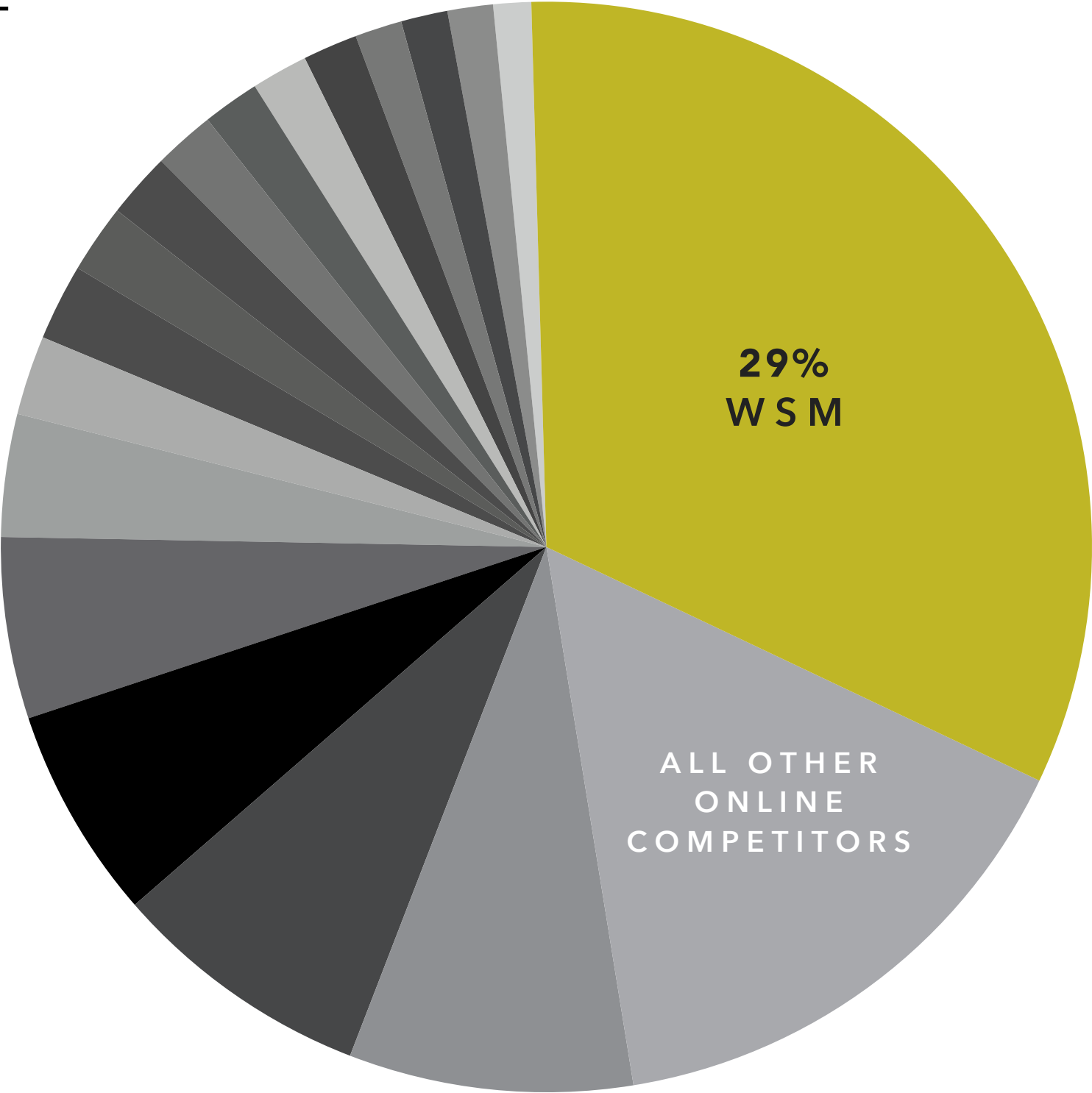


*\*includes catalog*

# ECOMMERCE EXCELLENCE

## ONLINE HOME FURNISHINGS

Internet Retailer Housewares/Home Furnishings  
Segment Revenue – Top 20 retailers represent 89%  
of the segment. *Source: Internet Retailer, excludes  
mass merchants.*



# ECOMMERCE EXCELLENCE

## TOP 500 ONLINE RETAILERS

In 2013, WSM grew to be the #21 online retailer.

*Source: Internet Retailer.*

TOP 500 RANK	2013 WEB SALES*	TOP 500 RANK, CONT.	2013 WEB SALES*
1. AMAZON.COM	\$67.855	14. COSTCO	\$3.086
2. APPLE	\$18.300	15. BEST BUY	\$3.040
3. STAPLES	\$10.400	16. HOME DEPOT	\$2.758
4. WALMART.COM	\$10.030	17. NEWEGG	\$2.730
5. SEARS	\$4.900	18. TARGET	\$2.300
6. LIBERTY INTERACTIVE	\$4.800	19. GAP	\$2.260
7. NETFLIX	\$4.375	20. SONY	\$2.100
8. MACY'S	\$4.150	21. WILLIAMS-SONOMA, INC	\$1.950
9. OFFICE DEPOT	\$4.100	22. SYMANTEC	\$1.856
10. DELL	\$3.550	23. KOHLS	\$1.760
11. CDW	\$3.390	24. NORDSTROMS	\$1.690
12. OFFICE MAX	\$3.200	25. L BRANDS	\$1.630
13. W.W. GRAINGER	\$3.100		

\*IN BILLIONS

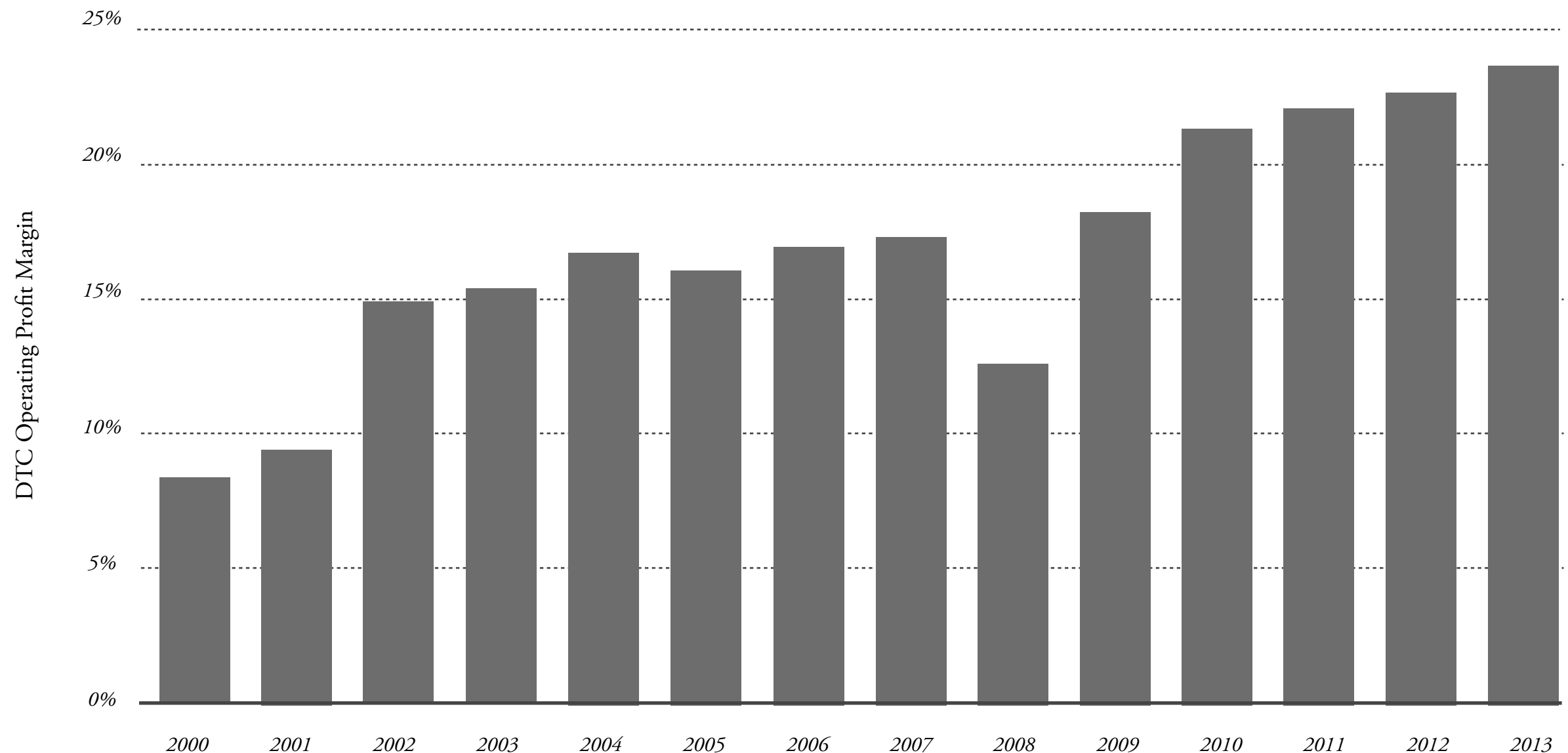


# ECOMMERCE EXCELLENCE

## CHANNEL PROFITABILITY

---

Direct channel operating margin reached approximately 24% in FY 2013.

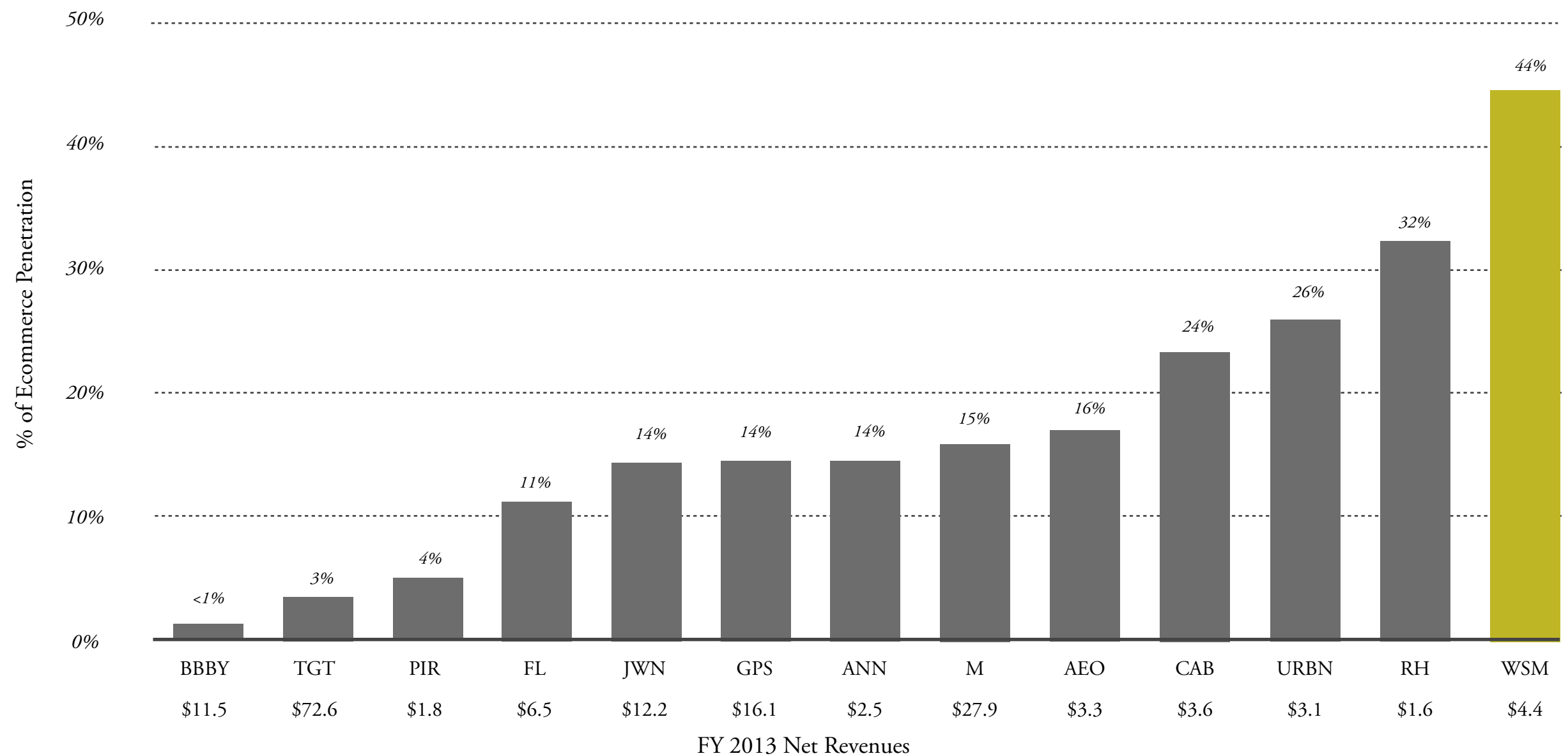


# ECOMMERCE EXCELLENCE

## ECOMMERCE PENETRATION

Ecommerce penetration across multi-channel retailers.

*\* As of April 29, 2014*



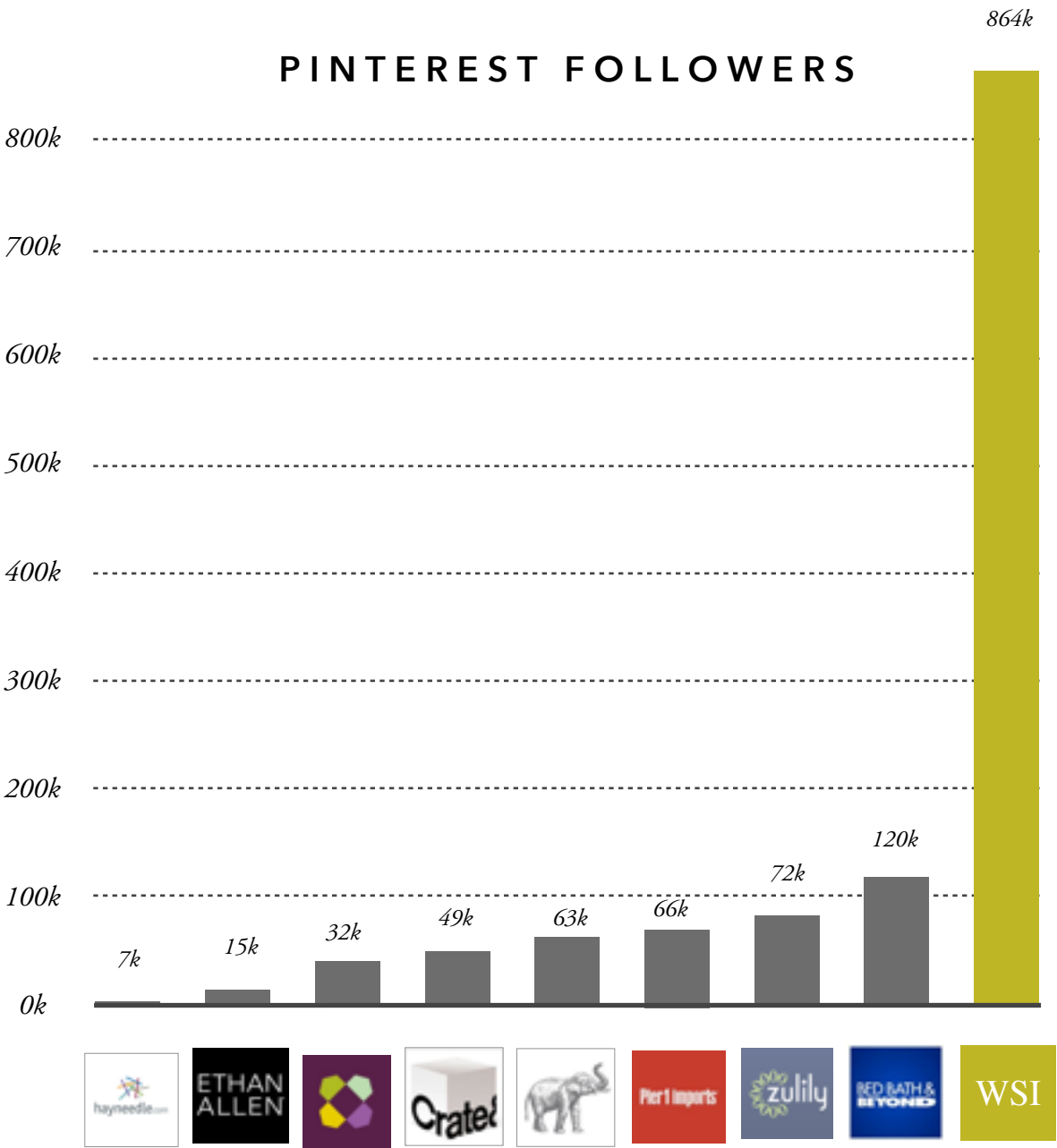
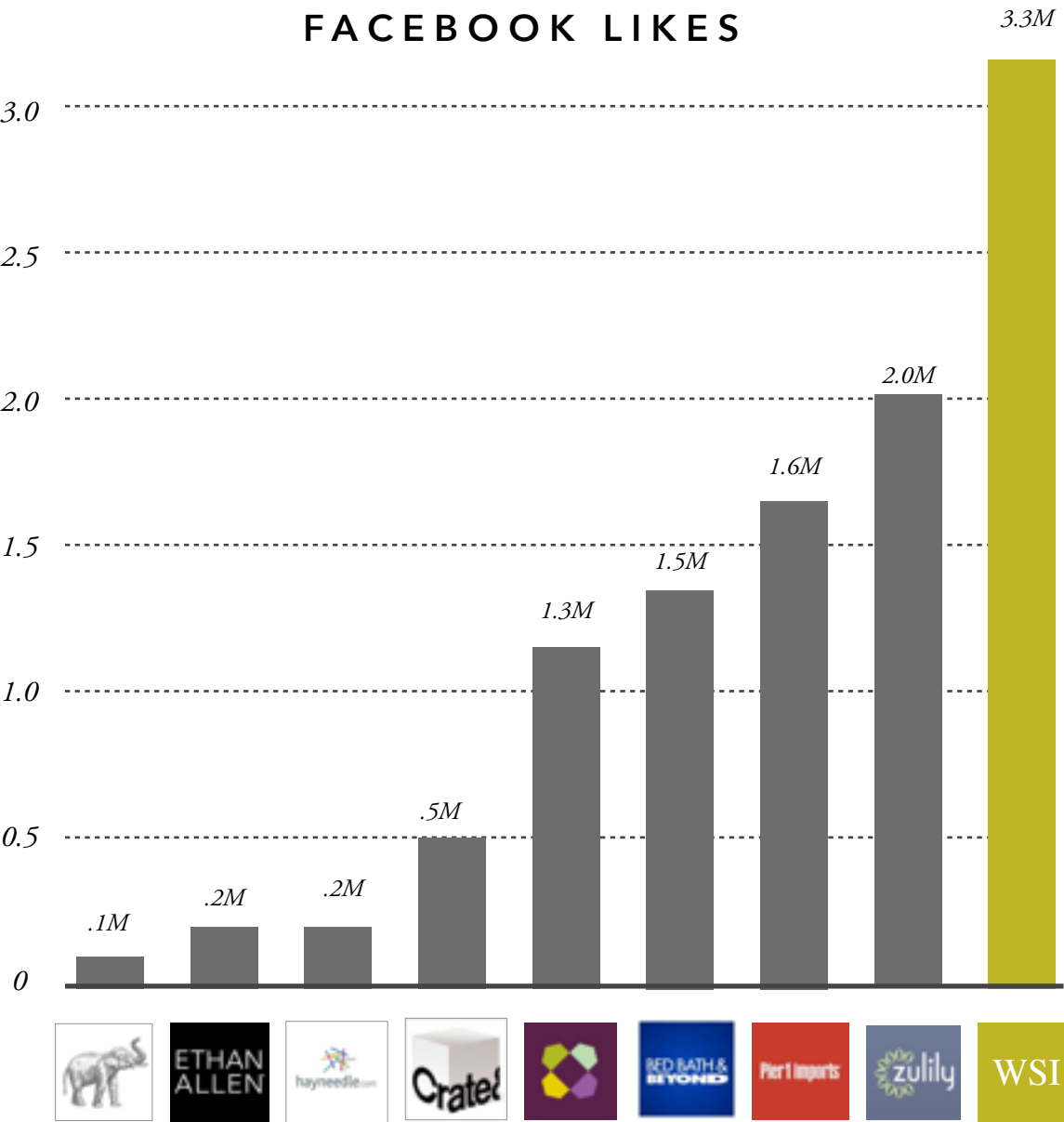


# ECOMMERCE EXCELLENCE

## SOCIAL MEDIA

We have a prominent social media presence that allows us to interact with our customers.

*\*As of April 29, 2014*



# GROWTH



# GROWTH

## FRAGMENTED INDUSTRY

---

- Home furnishings is a highly fragmented industry.
  - We currently have approximately 4% market share.
  - Ecommerce is outpacing overall segment growth.
  - We continue to take market share.
- Domestically, West Elm is our largest opportunity.
- Our new brands and brand extensions also contribute to growth.
- Developing a global business has the potential to double our size.

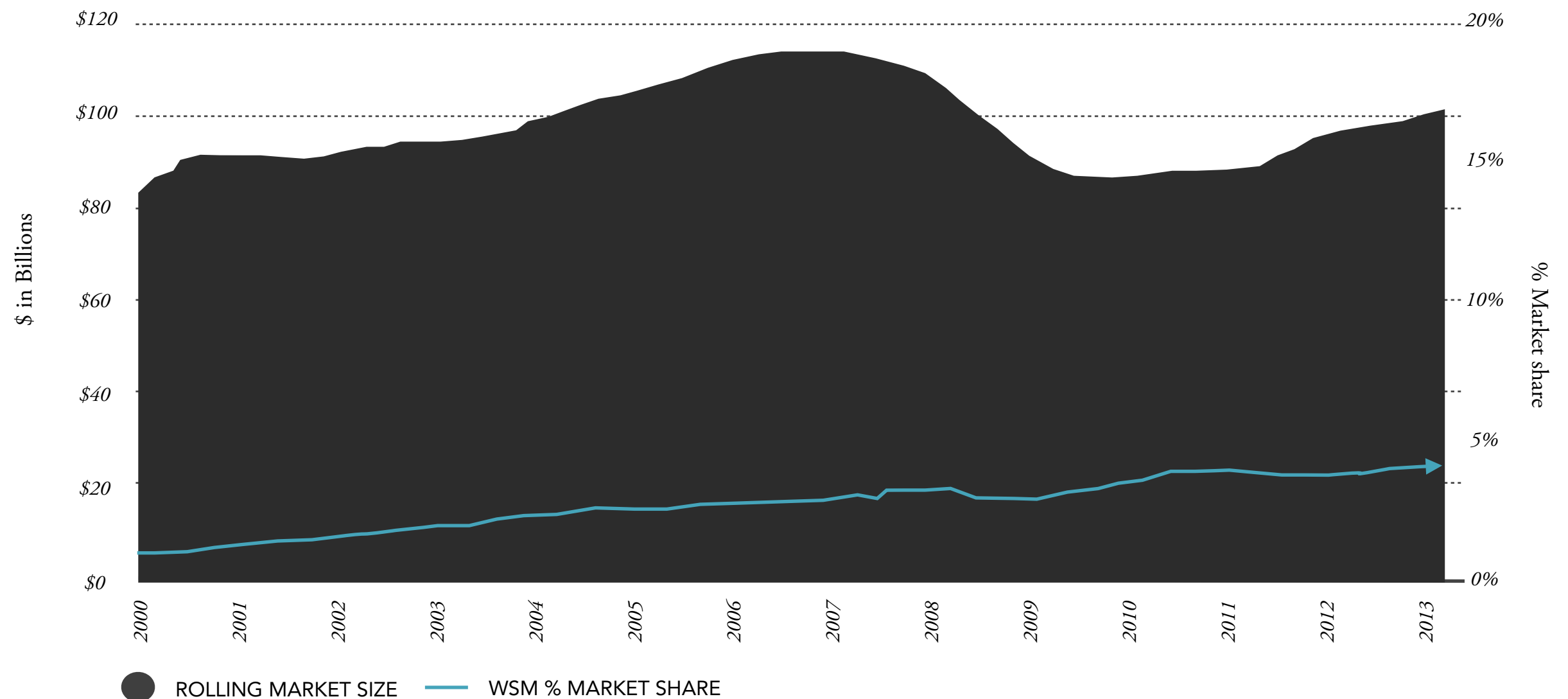


# GROWTH

## GROWTH OPPORTUNITY

We continue to take market share in a fragmented industry. The top 20 industry participants account for ~50% of the market

### U.S. CENSUS BUREAU ESTIMATE OF FURNITURE & HOME FURNISHINGS STORE SALES (NAICS 442)



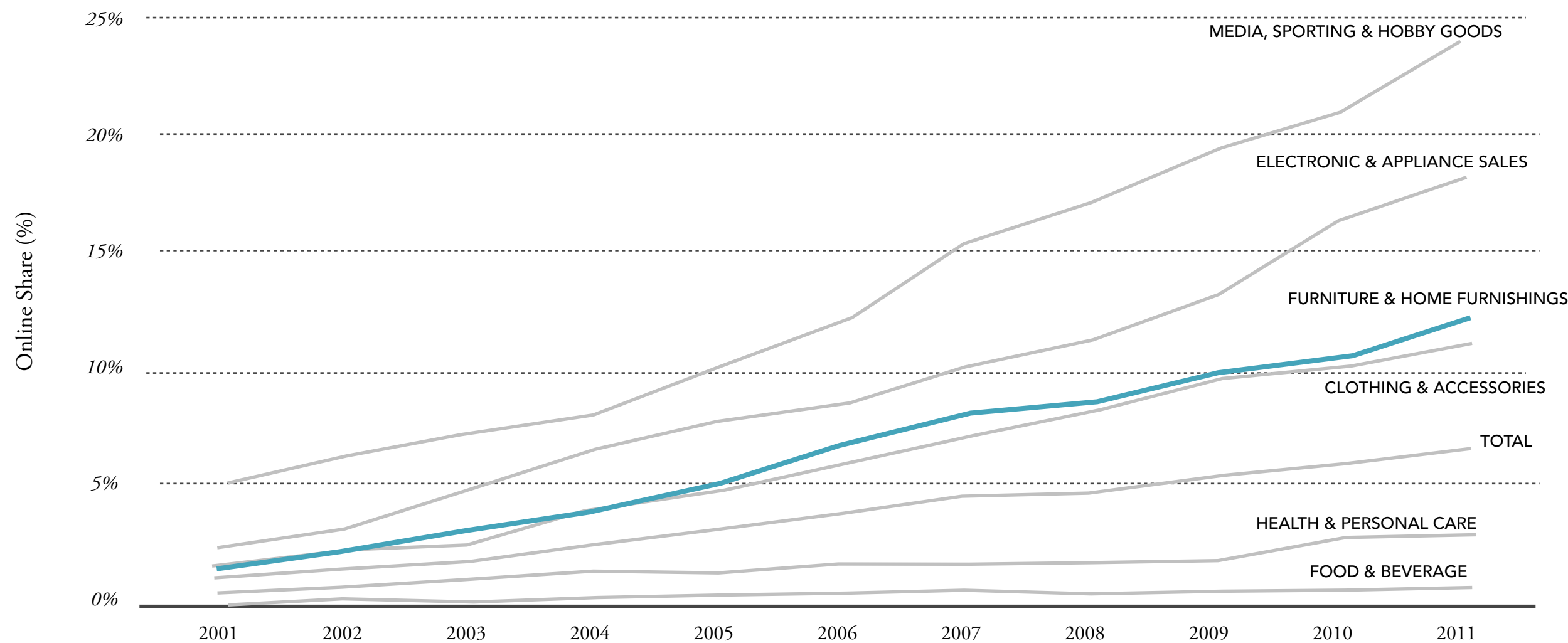
WILLIAMS-SONOMA, INC.

# ECOMMERCE EXCELLENCE

## SECULAR SHIFT IN SPENDING

Ecommerce penetration is accelerating across the retail industry.

ONLINE SALES OF RETAIL BY CATEGORY

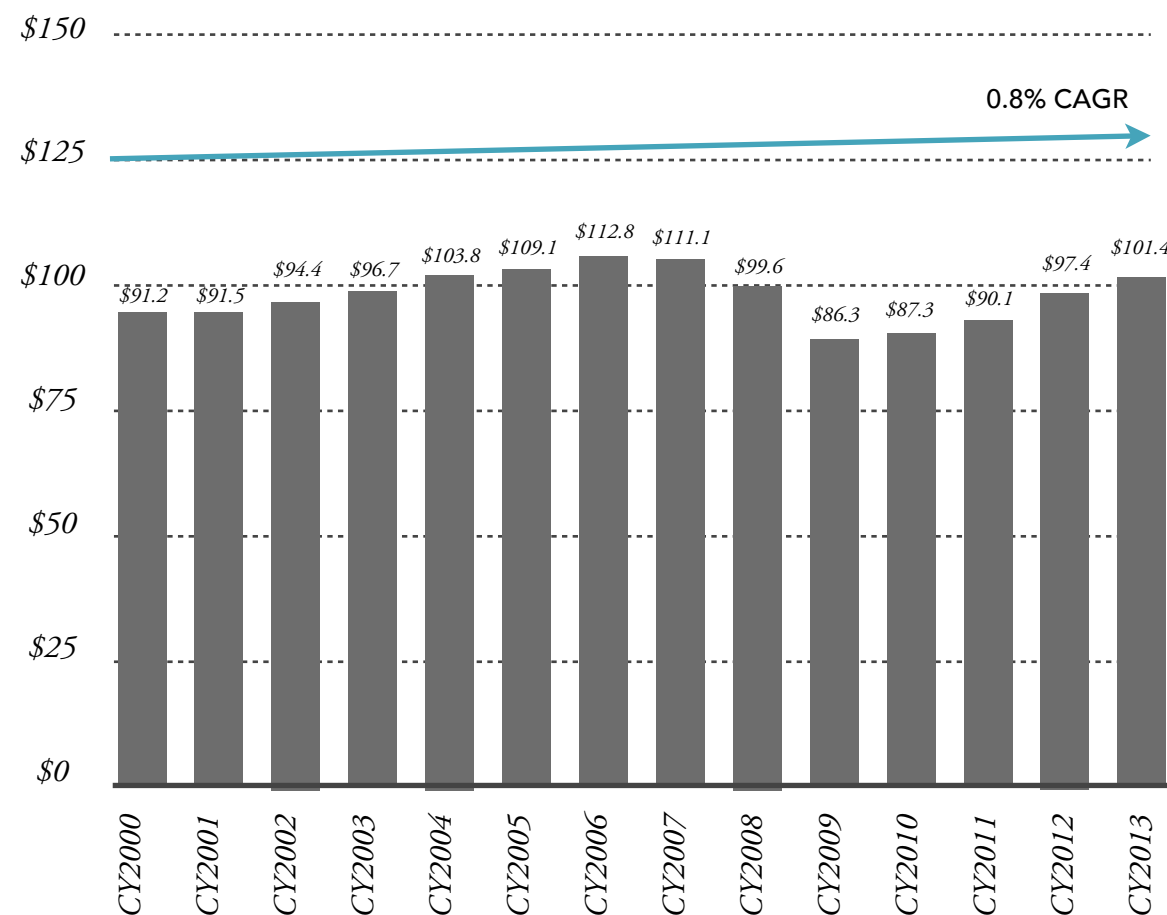


# GROWTH

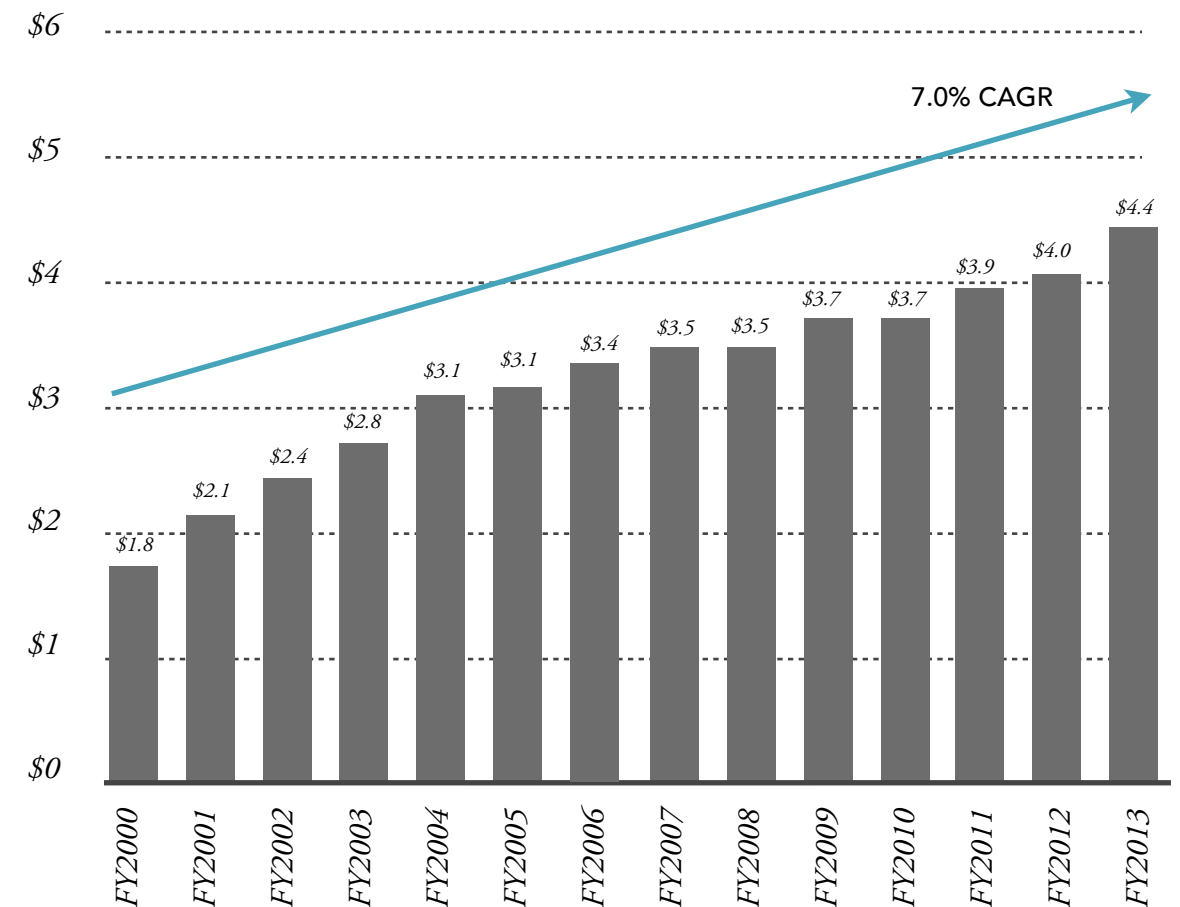
## COMPARATIVE MARKET PERFORMANCE

The U.S. home furnishings market has experienced relatively stagnant growth on a compound basis since 2000. Williams-Sonoma, Inc. has consistently outperformed the market. *Source: United States Census Bureau.*

U.S. FURNITURE & HOME  
FURNISHINGS STORES SALES (\$BN)



WSM SALES (\$BN)





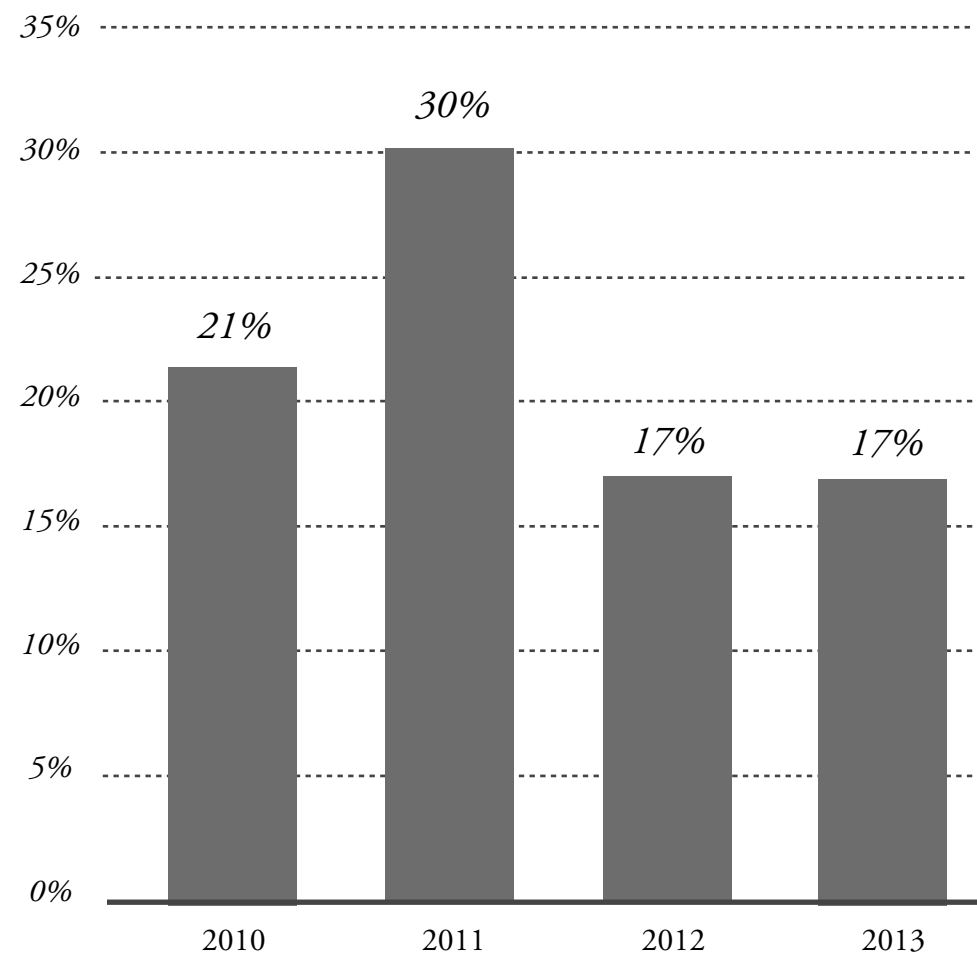
# GROWTH

## WEST ELM: ACCELERATED GROWTH

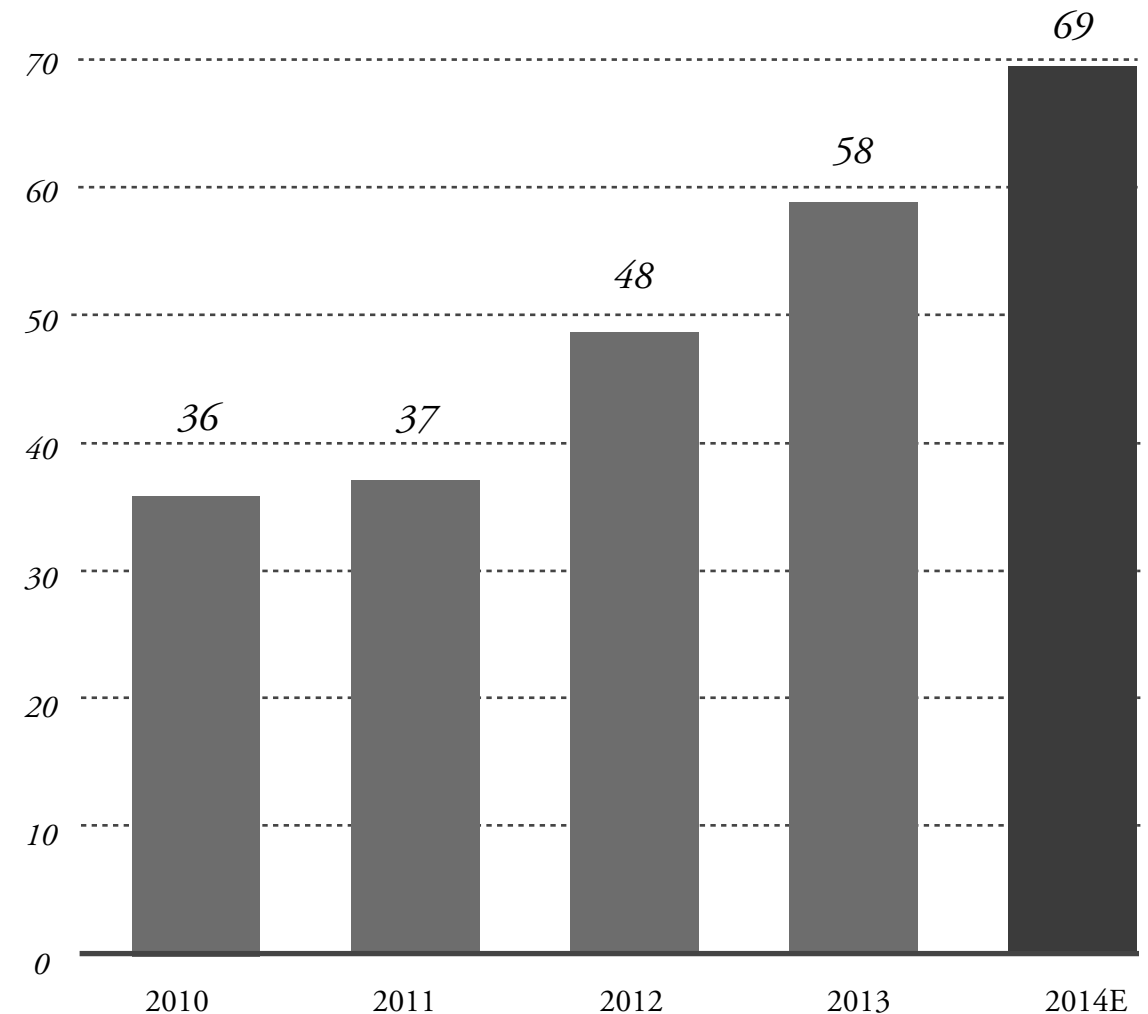
---

- Brand expected to exceed \$1Bn.
- Planning to enter 7 new domestic markets in 2014.
- Recently entered new markets including Australia and the UK.

Comparable Brand Revenue Growth



Store Count



# GROWTH

## GLOBAL BUSINESS SUMMARY

---

### CANADA

---



- Company-owned model.
- First stores opened in 2001.
- 25 stores.

### AUSTRALIA

---



- Company-owned model.
- 4 stores in Sydney opened May 2013.
- 1 store in Melbourne opened September 2013.
- Ecommerce launched May 2013.
- Planning 8 new stores in 2014.

### UNITED KINGDOM

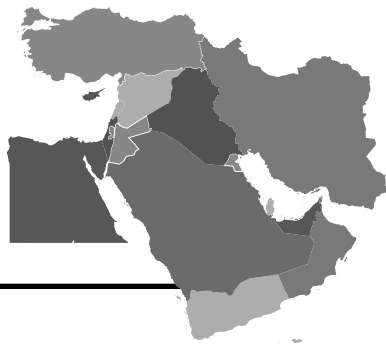
---



- Company-owned model.
- West Elm store opened in December 2013.
- West Elm Ecommerce launched January 2014.

### MIDDLE EAST

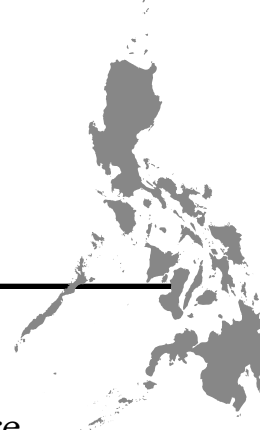
---



- Franchise model.
- Partnership with M.H. Alshaya.
- 27 stores opened since 2010 in five countries.

### PHILIPPINES

---



- Franchise model.
- Partnership with Store Specialists, Inc.
- Pottery Barn and Pottery Barn Kids scheduled to open in 2014.

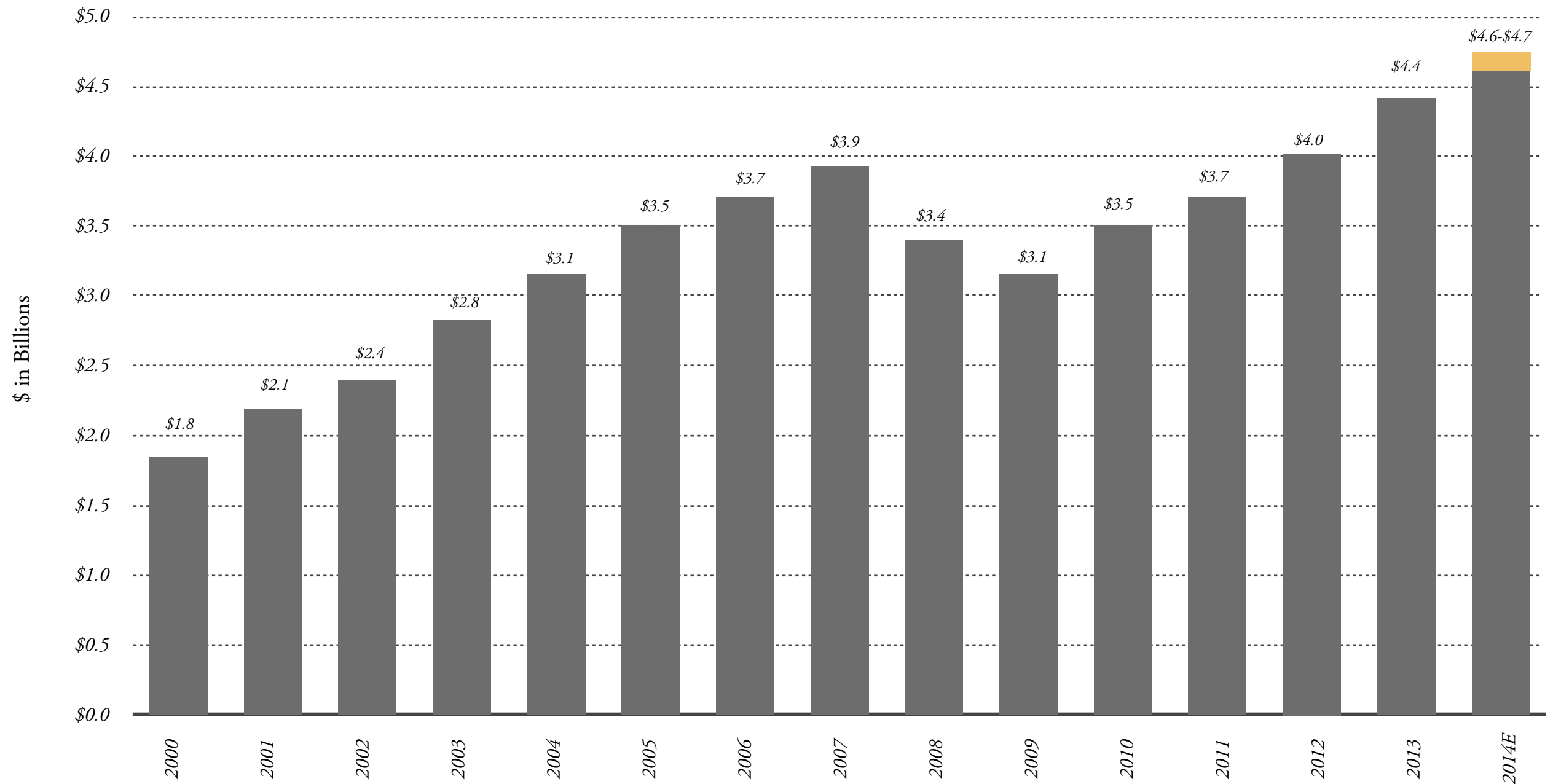
# FINANCIAL DISCIPLINE



# FINANCIAL DISCIPLINE

## HISTORICAL REVENUES

---

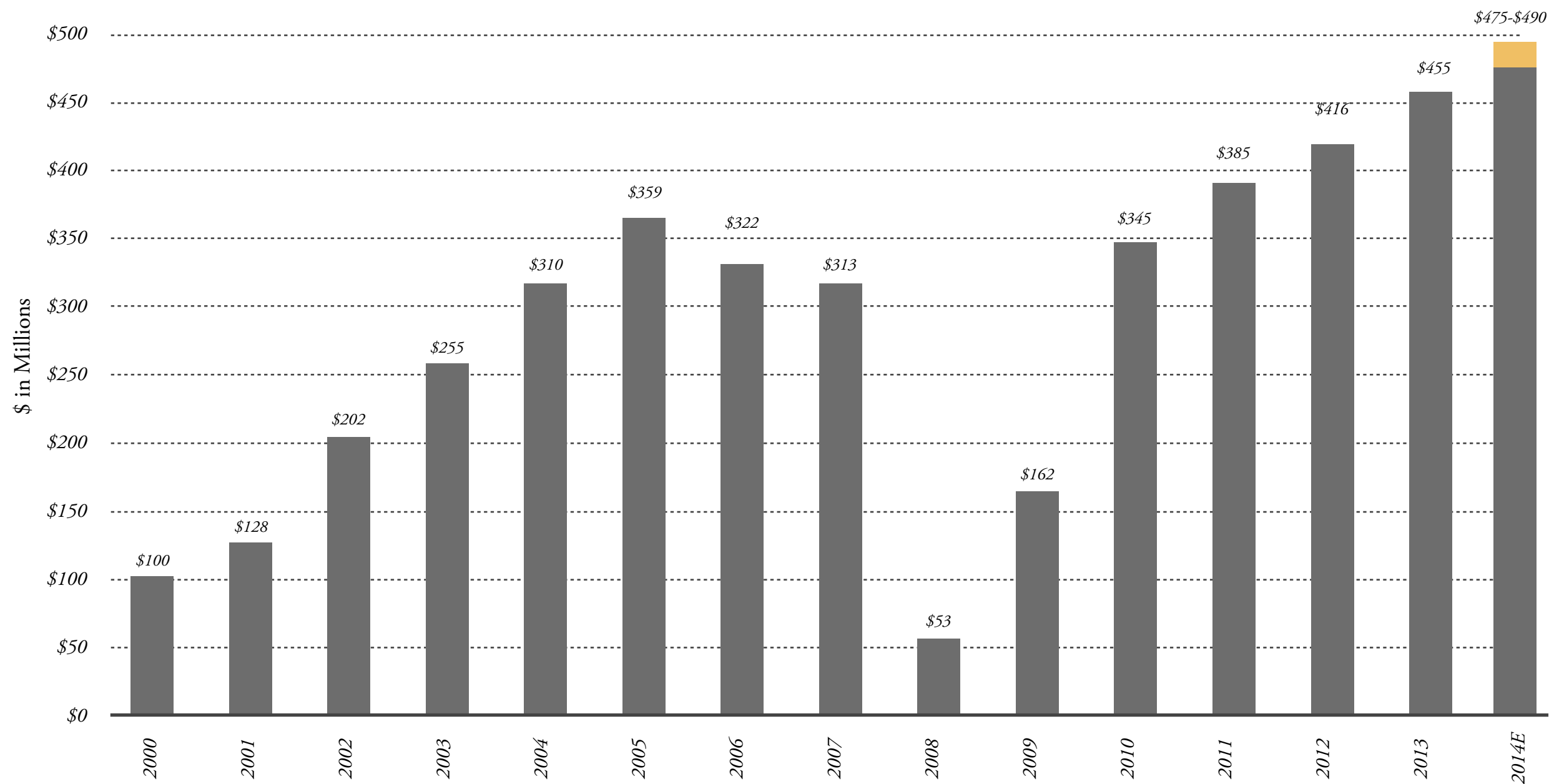


WILLIAMS-SONOMA, INC.

# FINANCIAL DISCIPLINE

## NON-GAAP OPERATING INCOME

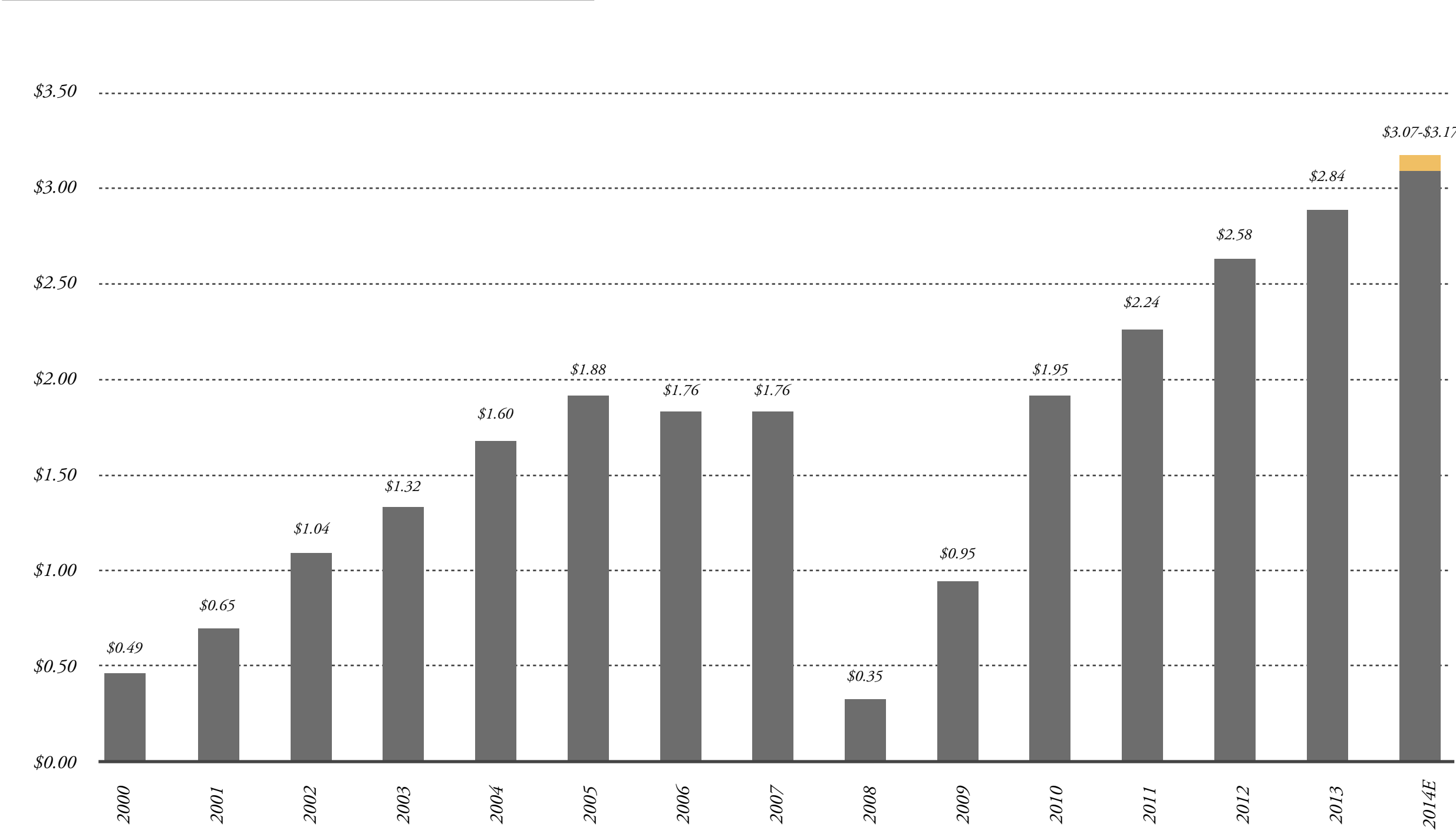
---



WILLIAMS-SONOMA, INC.

# FINANCIAL DISCIPLINE

## NON-GAAP EARNINGS PER SHARE

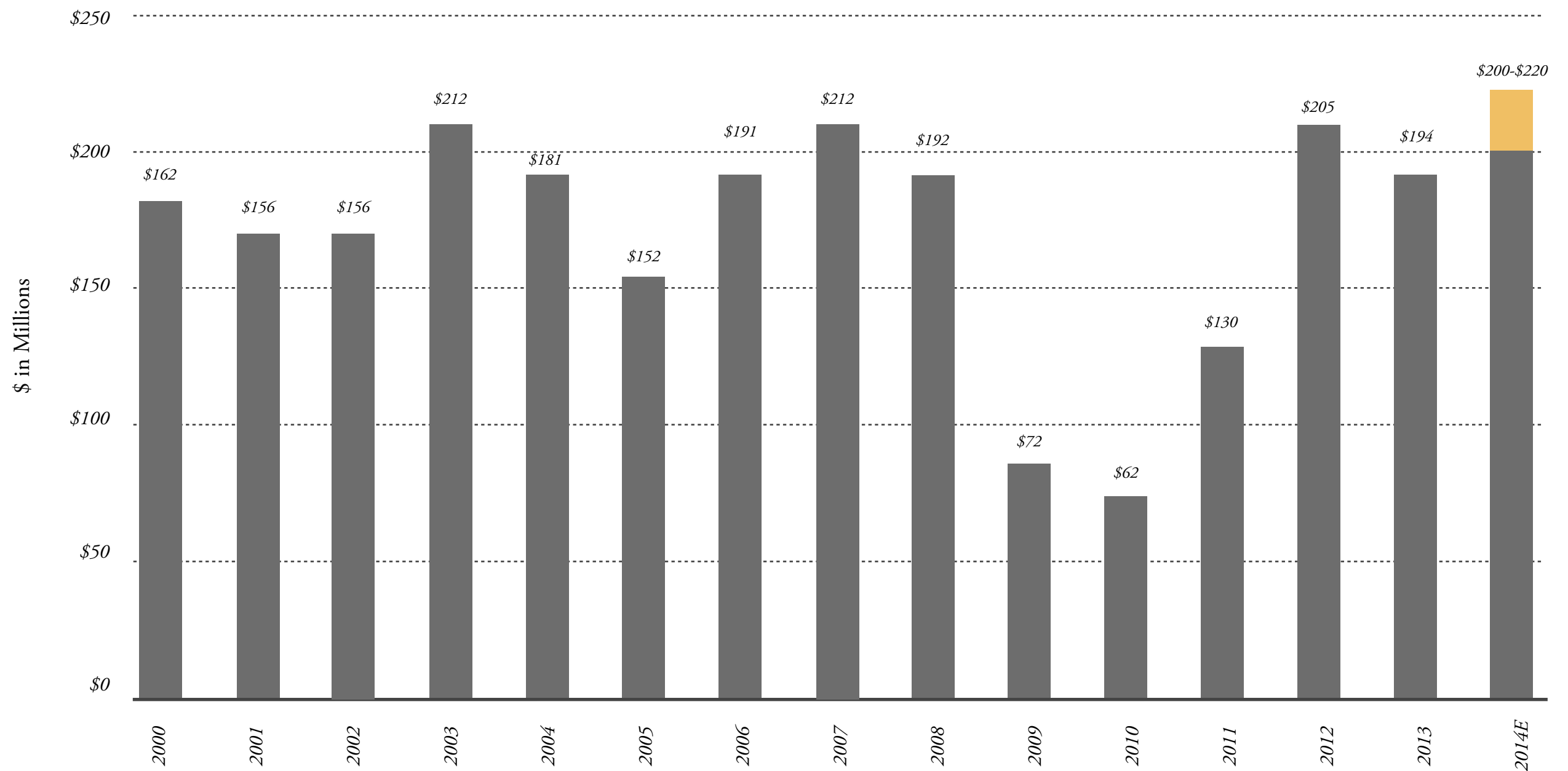




# FINANCIAL DISCIPLINE

## CAPITAL EXPENDITURES

---

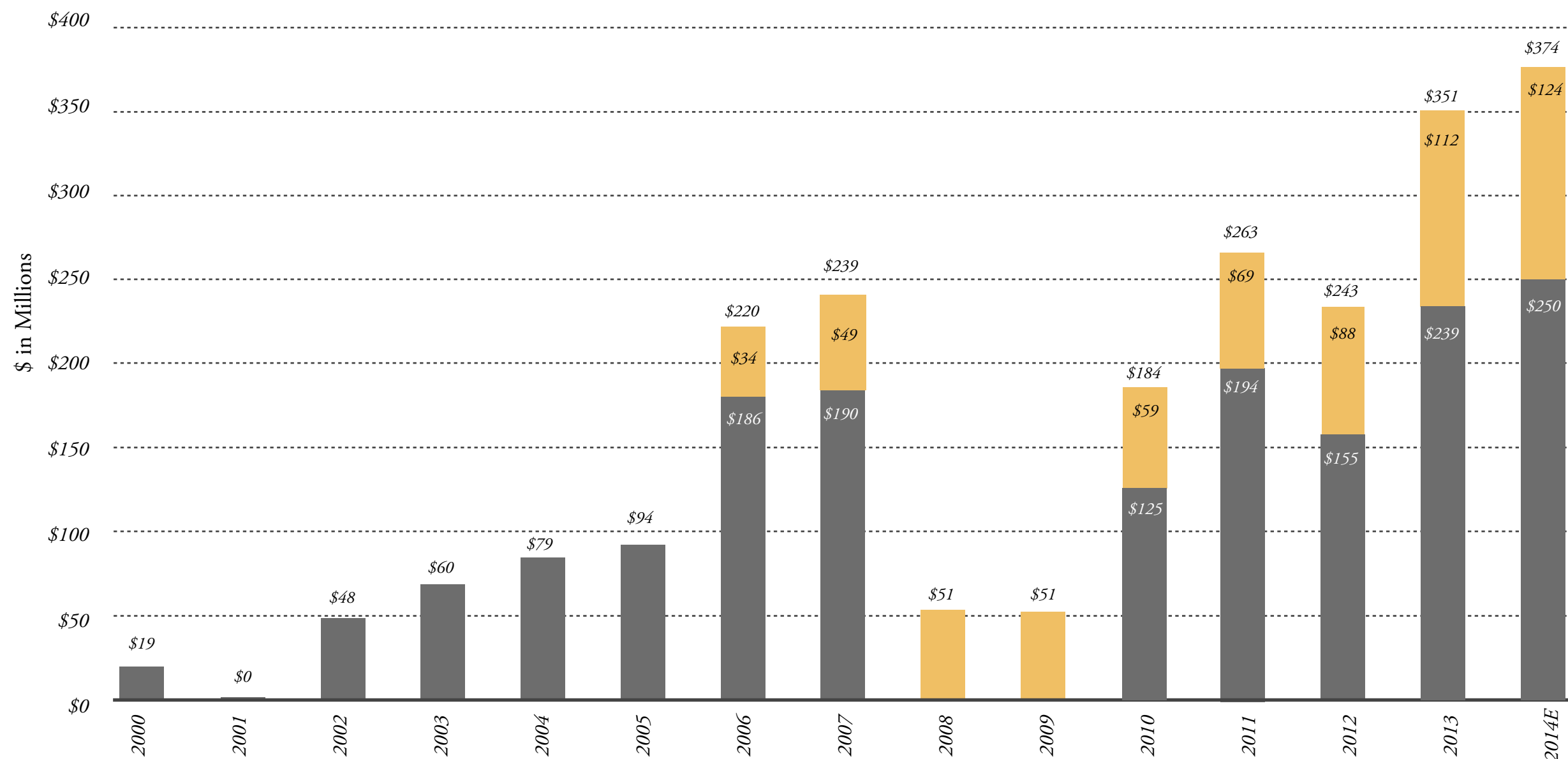
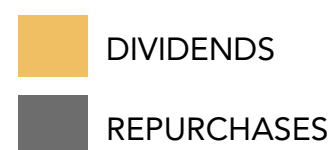


WILLIAMS-SONOMA, INC.

# FINANCIAL DISCIPLINE

## RETURNING CASH TO OUR SHAREHOLDERS

Since 2009, WSM has returned more than \$1Bn to shareholders in the form of share repurchases and dividends.



# FINANCIAL DISCIPLINE

## 2013-2015 GROWTH & PROFITABILITY GOALS

---

VEHICLE	TARGET
Revenue Growth	Mid to high single-digits
EPS Growth	Low double-digit to mid-teens
Capital Expenditures	\$200M-\$220M
Dividends	35% to 40% of Net Income
Share Repurchases	2013 \$750M Share Repurchase Authorization over three years



# SOCIAL RESPONSIBILITY

# SOCIAL RESPONSIBILITY

## OVERVIEW

---

We aim to create a positive impact for the environment, communities, our customers and our business. Our goals:

- Increase our use of FSC-Certified wood.
- Increase our use of organic cotton to promote healthy farming practices.
- Reduce GHG emissions.
- Forge new relationships to advance our energy efficiency.
- Continue our commitment to FSC-Certified paper.
- Ensure safe, fair working conditions.

# SOCIAL RESPONSIBILITY

## FULFILLING OUR COMMITMENT

---

### FSC-CERTIFIED WOOD

Using wood certified to the Forest Stewardship Council (FSC) allows us to create beautiful products while protecting Natural Resources.

In 2012, 7% of the wood in our furniture was FSC-certified.

Our goal is for 20% of the wood in our furniture to be FSC-certified by 2016.

### FSC-CERTIFIED PAPER

In 2007, we achieved our goal of making 100% of our catalog paper FSC-certified.

The number of catalog pages decreased by 12.5% in 2013.

Looking ahead, we will continue our commitment to using only FSC-certified paper in our catalogs.

### ORGANIC COTTON

Organic farming reduces the use of chemicals in the production process, protecting farmers, water supplies and wildlife.

In 2012, 11% of the cotton in our textiles was organic.

Our goal is to make 20% of the cotton in our textiles organic within the next 3 years.


### ENERGY EFFICIENCY

40% of all energy used in the United States comes from commercial and residential buildings.

In 2012, our electricity usage totaled 225k Mwh.

Our goal is to develop a coordinated, companywide energy strategy to increase our efficiency and cost savings.



A black and white photograph of a man, Chuck Williams, smiling and standing in a kitchen. He is wearing a dark suit, white shirt, and dark tie. Behind him are kitchen shelves with various pots and pans. The text is overlaid on the center of the image.

"IF YOU LOVE  
WHAT YOU DO,  
*then the world*  
WILL FALL IN  
LOVE WITH YOU"

*Chuck Williams, circa 1960*