UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended July 29, 2017

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 no. 333-133184-12

Neiman Marcus Group LTD LLC

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-3509435** (I.R.S. Employer Identification No.)
1618 Main Street **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip code)

Registrant's telephone number, including area code: **(214) 743-7600**

Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

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 ☒

(Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an 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 ☒ (Do not check if a smaller reporting company)	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 Act). Yes ☐ No ☒

The registrant is privately held. There is no trading in the registrant's membership units and therefore an aggregate market value based on the registrant's membership units is not determinable.

NEIMAN MARCUS GROUP LTD LLC
ANNUAL REPORT ON FORM 10-K/A
FOR THE FISCAL YEAR ENDED JULY 29, 2017
TABLE OF CONTENTS

EXPLANATORY NOTE

This Amendment No. 1 to the Form 10-K of Neiman Marcus Group LTD LLC, for the year ended July 29, 2017, as filed with the Securities and Exchange Commission on October 10, 2017 (the "Original Filing") is being filed solely to correct a scrivener's error in the Original Filing with respect to a description of our Asset-Based Revolving Credit Facility on page 50 under Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations. The last sentence of the fifth paragraph under "Financing Structure at July 29, 2017" has been amended as follows (insertions and deletions noted): "At July 29, 2017, ~~these restrictions limited our borrowing capacity to~~ $90.0 million of the aggregate unused commitments under the Asset-Based Revolving Credit Facility is available to us subject to the foregoing restrictions."

As required under SEC rules, this Amendment sets forth the complete text of Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations, as amended. In addition, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC, we are also including new certifications by our Principal Executive Officer and Principal Financial Officer (as Exhibits 31.1 and 31.2). Except as described above, no other changes have been made to the Original Filing, and this amendment does not otherwise amend, update or change the financial statements or other disclosures in the Original Filing.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and related notes contained in Item 15. Unless otherwise specified, the meanings of all defined terms in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are consistent with the meanings of such terms as defined in the Notes to Consolidated Financial Statements in Item 15. This discussion contains forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to our forward-looking statements.

Overview

Neiman Marcus Group LTD LLC (the "Company") is a luxury omni-channel retailer conducting store and online operations principally under the Neiman Marcus, Bergdorf Goodman, Last Call and MyTheresa brand names. References to "we," "our" and "us" are used to refer to the Company or collectively to the Company and its subsidiaries, as appropriate to the context. The Company is a subsidiary of Mariposa Intermediate Holdings LLC ("Holdings"), which in turn is a subsidiary of Neiman Marcus Group, Inc., a Delaware corporation ("Parent"). Parent is owned by entities affiliated with Ares Management, L.P. and Canada Pension Plan Investment Board (together, the "Sponsors") and certain co-investors. The Company's operations are conducted through its direct wholly owned subsidiary, The Neiman Marcus Group LLC ("NMG"). The Sponsors acquired the Company on October 25, 2013 (the "Acquisition"). Prior to the Acquisition, we were owned by Newton Holding, LLC, which was controlled by investment funds affiliated with TPG Global, LLC (collectively with its affiliates, "TPG") and Warburg Pincus LLC (together with TPG, the "Former Sponsors").

We conduct our specialty retail store and online operations on an omni-channel basis. As our store and online operations have similar economic characteristics, products, services and customers, our operations constitute a single omni-channel reportable segment.

Our fiscal year ends on the Saturday closest to July 31. Like many other retailers, we follow a 4-5-4 reporting calendar, which means that each fiscal quarter consists of thirteen weeks divided into periods of four weeks, five weeks and four weeks. All references to (i) fiscal year 2017 relate to the fifty-two weeks ended July 29, 2017, (ii) fiscal year 2016 relate to the fifty-two weeks ended July 30, 2016 and (iii) fiscal year 2015 relate to the fifty-two weeks ended August 1, 2015. References to fiscal year 2014 and years preceding and fiscal year 2018 and years thereafter relate to our fiscal years for such periods.

Certain financial information of the Company and its subsidiaries is presented on a consolidated basis and is presented as "Predecessor" or "Successor" to indicate whether it relates to the period preceding the Acquisition or the period succeeding the Acquisition, respectively. The Acquisition and the allocation of the purchase price were recorded for accounting purposes as of November 2, 2013, the end of our first quarter of fiscal year 2014.

In connection with the Acquisition, the Company incurred substantial new indebtedness, in part in replacement of former indebtedness. See "Liquidity and Capital Resources." In addition, the purchase price paid in connection with the Acquisition was allocated to state the acquired assets and liabilities at fair value. The purchase accounting adjustments increased the carrying value of our property and equipment and inventory, revalued our intangible assets related to our tradenames, customer lists and favorable lease commitments and revalued our long-term benefit plan obligations, among other things. As a result, the Successor financial information subsequent to the Acquisition is not necessarily comparable to the Predecessor financial information.

Certain amounts presented in tables are subject to rounding adjustments and, as a result, the totals in such tables may not sum.

Investments and Strategic Initiatives

We are investing in strategies to grow our revenues and profits. Strategies we have pursued and continue to pursue include:

- We are investing in technology to enhance the customer shopping experiences in both our online and store operations, including the launch of NMG One in fiscal year 2017. NMG One is an integrated merchandising and distribution system designed to enable us to purchase, share, manage and sell our inventories across our omni-channel operations and brands more efficiently;

- We are making capital investments to remodel our existing stores as well as to open new stores in select markets such as Garden City, New York (opened in February 2016), Fort Worth, Texas (opened in February 2017) and New York City (currently scheduled to open in fiscal year 2019);
- We are re-engineering our costs to optimize our resources and organizational processes through a comprehensive review project we refer to as "Organizing for Growth". In connection with Organizing for Growth, we eliminated approximately 315 positions in fiscal year 2017 and approximately 500 positions in fiscal year 2016 across our stores, divisions and facilities; and
- We have expanded our international footprint by acquiring MyTheresa in October 2014.

These issues also affected our financial reporting processes and required us to apply supplemental and manual controls to provide adequate control over financial reporting. See Item 9A. "Controls and Procedures — Changes in Internal Control over Financial Reporting."

Summary of Results of Operations

A summary of our results of operations is as follows:

- **Revenues** — Our revenues for fiscal year 2017 were $4,706.0 million, a decrease of 4.9% from $4,949.5 million in fiscal year 2016. Comparable revenues for fiscal year 2017 decreased 5.2% compared to fiscal year 2016. In fiscal year 2017, revenues generated by our online operations were $1,471.7 million, or 31.3% of consolidated revenues. Comparable revenues from our online operations in fiscal year 2017 increased 2.5% from fiscal year 2016.

  Changes in comparable revenues by quarter in fiscal year 2017 were:

Fiscal year 2017	
Fourth quarter	(0.5)%
Third quarter	(4.9)
Second quarter	(6.8)
First quarter	(8.0)

  We believe the lower levels of revenues in fiscal year 2017 were impacted by a number of factors, including:

  - the volatility and uncertainty in domestic and global economic conditions and the resulting impact on the market for luxury merchandise;
  - the strength of the U.S. dollar against international currencies, most notably the Euro and British pound, and a resulting impact on tourism and spending by international customers in the U.S.;
  - a significant and sustained decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence; and
  - implementation and conversion issues related to NMG One, which prevented us from fulfilling certain customer demand both in our stores and websites.

- **Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation) ("COGS")** — Compared to fiscal year 2016, COGS as a percentage of revenues increased 130 basis points in fiscal year 2017. The increase in COGS, as a percentage of revenues, was primarily attributable to:

  - decreased product margins due primarily to:
    - higher markdowns and promotional costs incurred on lower than expected revenues; and
    - higher delivery and processing costs; and
  - the deleveraging of buying and occupancy costs.

At July 29, 2017, consolidated inventories totaled $1,153.7 million, a 2.5% increase from July 30, 2016. Merchandise inventories supporting our U.S. operations increased 0.4% and merchandise inventories supporting our MyTheresa operations increased 38.1% from the prior fiscal year. We have and will continue to work aggressively to align our inventory levels and purchases with anticipated future customer demand.

- **Selling, General and Administrative Expenses (Excluding Depreciation) ("SG&A")** — Compared to fiscal year 2016, SG&A as a percentage of revenues increased 140 basis points in fiscal year 2017. The higher levels of SG&A expenses, as a percentage of revenues, were primarily attributable to:
  - the deleveraging of a significant portion of our SG&A expenses, primarily payroll and benefits;
  - higher levels of expenses and other costs incurred in connection with:
    - (i) investments in technology, (ii) the growth of our international footprint through MyTheresa and (iii) costs related to the opening of new stores and the remodeling of existing stores; and
    - certain corporate expenses, primarily professional fees;
  - lower favorable non-cash adjustments to the required liability for stock option awards requiring variable accounting; and
  - higher credit card chargebacks and other fees.
- **Impairment Charges** — Based upon (i) the continuation of adverse economic and business trends, (ii) revisions to our anticipated future operating results and (iii) increases in the weighted average cost of capital used in estimating the fair value of our tradenames and our reporting units under a discounted cash flow model, we determined certain of our tradenames, goodwill, and long-lived assets to be impaired and recorded impairment charges aggregating $510.7 million in fiscal year 2017 and $466.2 million in fiscal year 2016.

Liquidity — At July 29, 2017, we had outstanding revolving credit facilities aggregating $917.1 million consisting of (i) our Asset-Based Revolving Credit Facility of $900.0 million in the U.S. and (ii) the mytheresa.com Credit Facilities of $17.1 million, or €15.0 million. Pursuant to these credit facilities, we had outstanding borrowings of $263.0 million, all of which represents borrowings under our Asset-Based Revolving Credit Facility, and outstanding letters of credit and guarantees of $3.0 million as of July 29, 2017. Our borrowings under these credit facilities fluctuate based on our seasonal working capital requirements, which generally peak in our first and third quarters. At July 29, 2017, we had unused borrowing commitments aggregating $651.1 million, subject to a borrowing base, of which (i) $90.0 million of such capacity is available to us subject to certain restrictions as more fully described in Note 8 of the Notes to Consolidated Financial Statements in Item 15 and (ii) $17.1 million of such capacity is available only to MyTheresa and not to our U.S. operations. Additionally, we held cash and cash equivalents and credit card receivables of $88.1 million bringing our available liquidity to $739.2 million at July 29, 2017, inclusive of the amount available to MyTheresa. We believe that cash generated from our operations along with our existing cash balances and available sources of financing will enable us to meet our anticipated cash obligations during the next 12 months.

Outlook — Economic conditions in the luxury retail industry have been and will continue to be impacted by a number of factors, including the rate of economic growth, the volatility and uncertainty in domestic and global economic and political conditions, fluctuations in the exchange rate of the U.S. dollar against international currencies, most notably the Euro and British pound, fluctuations in crude oil and fuel prices, uncertainty regarding governmental spending and tax policies and overall consumer confidence. We believe such factors negatively impacted our operations in fiscal years 2017 and 2016 and may continue to have an adverse impact on our future results of operations. As a result, we intend to operate our business and manage our cash requirements in a way that balances these economic conditions and current business trends with our long-term initiatives and growth strategies.

Table of Contents

Results of Operations

Performance Summary

The following table sets forth certain items expressed as percentages of revenues for the periods indicated:

	Fiscal year ended		
	July 29, 2017	July 30, 2016	August 1, 2015
Revenues	100.0 %	100.0 %	100.0 %
Cost of goods sold including buying and occupancy costs (excluding depreciation)	68.4	67.1	64.9
Selling, general and administrative expenses (excluding depreciation)	24.0	22.6	22.8
Income from credit card program	(1.3)	(1.2)	(1.0)
Depreciation expense	4.8	4.6	3.6
Amortization of intangible assets	1.1	1.2	1.6
Amortization of favorable lease commitments	1.1	1.1	1.1
Other expenses	0.6	0.5	0.8
Impairment charges	10.9	9.4	—
Operating earnings (loss)	(9.6)	(5.3)	6.2
Interest expense, net	6.3	5.8	5.7
Earnings (loss) before income taxes	(15.9)	(11.1)	0.6
Income tax expense (benefit)	(4.6)	(2.9)	0.3
Net earnings (loss)	(11.3)%	(8.2)%	0.3 %

Set forth in the following table is certain summary information with respect to our operations for the periods indicated:

	Fiscal year ended		
	July 29, 2017	July 30, 2016	August 1, 2015
Change in comparable revenues (1)			
Total revenues	(5.2)%	(4.1)%	3.9%
Online revenues	2.5 %	4.4 %	13.0%
Percentage of revenues transacted online	31.3 %	29.0 %	26.3%
Store count			
Neiman Marcus and Bergdorf Goodman full-line stores open at end of period	44	44	43
Last Call stores open at end of period	38	42	43
Sales per square foot (2)	$ 505	$ 548	$ 590
Capital expenditures (3)	204.6	301.4	270.5
Depreciation expense	225.5	226.9	185.6
Rent expense and related occupancy costs	116.1	119.4	117.1
Non-GAAP financial measures			
EBITDA (4)	$ (123.7)	$ 76.4	$ 640.8
Adjusted EBITDA (4)	$ 433.8	$ 584.9	$ 710.6

(1) Comparable revenues include (i) revenues derived from our retail stores open for more than fifty-two weeks, including stores that have been relocated or expanded, and (ii) revenues from our online operations. Comparable revenues exclude revenues of (i) closed stores and (ii) designer websites created and operated pursuant to contractual arrangements with certain designer brands that had expired by the first quarter of fiscal year 2015. As MyTheresa was acquired in October 2014, comparable revenues for fiscal year 2015 exclude revenues from MyTheresa. Comparable revenues for fiscal year 2016 include revenues from MyTheresa beginning in the second quarter of fiscal year 2016.

(2) Sales per square foot are calculated as revenues of our Neiman Marcus and Bergdorf Goodman full-line stores for the applicable period divided by weighted average square footage. Weighted average square footage includes a percentage of period-end square footage for new and closed stores equal to the percentage of the period during which they were open.

(3) Amounts represent gross capital expenditures and exclude developer contributions of $37.4 million, $38.3 million and $34.7 million, respectively, for the periods presented.

(4) For an explanation of EBITDA and Adjusted EBITDA as measures of our operating performance and a reconciliation to net earnings (loss), see "—Non-GAAP Financial Measures."

Key Factors Affecting Our Results

Revenues. We generate our revenues from the sale of luxury merchandise. Components of our revenues include:

- Sales of merchandise — Revenues are recognized at the later of the point-of-sale or the delivery of goods to the customer. Revenues are reduced when our customers return goods previously purchased. We maintain reserves for anticipated sales returns based primarily on our historical trends. Revenues exclude sales taxes collected from our customers.
- Delivery and processing — We generate revenues from delivery and processing charges related to certain merchandise deliveries to our customers.

Our revenues can be affected by the following factors:

- general domestic and global economic and industry conditions, including inflation, deflation, changes related to interest rates and foreign currency exchange rates, rates of economic growth, current and expected unemployment levels and government fiscal and monetary policies;
- the performance of the financial, equity and credit markets;
- our ability to anticipate, identify and respond effectively to changing consumer demands, fashion trends and consumer shopping preferences and acquire goods meeting customers' tastes and preferences;
- consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt and consumer behaviors towards incurring and paying debt;
- national and global geo-political uncertainty;
- changes in the level of consumer spending generally and, specifically, on luxury goods;
- the strength of the U.S. dollar against international currencies, most notably the Euro and British pound, and a resulting impact on tourism and spending by international customers in the U.S.;
- a significant and sustained decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence;
- changes in prices for commodities and energy, including fuel;
- current and expected tax rates and policies;
- a material disruption in our information systems, or delays or difficulties in implementing or integrating new systems or enhancing or expanding current systems, or our failure to achieve the anticipated benefits of any new or updated information systems;
- changes in the level of full-price sales;
- changes in the level and timing of promotional events conducted;
- changes in the level of delivery and processing revenues collected from our customers; and
- changes in the composition and the rate of growth of our sales transacted in store and online.

In addition, our revenues are seasonal, as discussed below under "Seasonality."

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS consists of the following components:

- Inventory costs — We utilize the retail inventory method of accounting. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are determined by applying a calculated cost-to-retail ratio, for various groupings of similar items, to the retail value of our inventories. The cost of the inventory reflected in the Consolidated Financial Statements is decreased by charges to cost of goods sold at average cost and the retail value of the inventory is lowered through the use of markdowns. Earnings are negatively impacted when merchandise is marked down. With the introduction of new fashions in the first and third fiscal quarters of each fiscal year and our emphasis on full-price selling in these quarters, a lower level of markdowns and higher margins are characteristic of these quarters.

  Inventory costs are also decreased by charges to cost of goods sold for estimates of shrinkage that has occurred between physical count dates.
- Buying costs — Buying costs consist primarily of salaries and expenses incurred by our merchandising and buying operations.
- Occupancy costs — Occupancy costs consist primarily of rent, property taxes and operating costs of our retail, distribution and support facilities. A significant portion of our buying and occupancy costs are fixed in nature and are not dependent on the revenues we generate.
- Delivery and processing costs — Delivery and processing costs consist primarily of delivery charges we pay to third party carriers and other costs related to the fulfillment of customer orders not delivered at the point-of-sale.

Consistent with industry business practice, we receive allowances from certain of our vendors in support of the merchandise we purchase for resale. Certain allowances are received to reimburse us for markdowns taken or to support the gross margins that we earn in connection with the sales of the vendor's merchandise. These allowances result in an increase to gross margin when we earn the allowances and they are approved by the vendor. Other allowances we receive represent reductions to the amounts we pay to acquire the merchandise. These allowances reduce the cost of the acquired merchandise and are recognized at the time the goods are sold. We received vendor allowances of $83.6 million, or 1.8% of revenues, in fiscal year 2017, $100.8 million, or 2.0% of revenues, in fiscal year 2016 and $94.8 million, or 1.9% of revenues, in fiscal year 2015. The amounts of vendor allowances we receive fluctuate based partially on the level of markdowns taken and did not have a significant impact on the year-over-year change in gross margin during fiscal years 2017, 2016 or 2015.

Changes in our COGS as a percentage of revenues can be affected by the following factors:

- our ability to order an appropriate amount of merchandise to match customer demand and the related impact on the level of net markdowns and promotions costs incurred;
- customer acceptance of and demand for the merchandise we offer in a given season and the related impact of such factors on the level of full-price sales;
- factors affecting revenues generally, including pricing and promotional strategies, product offerings and actions taken by competitors;
- changes in delivery and processing costs and our ability to pass such costs on to our customers;
- changes in occupancy costs associated primarily with the opening of new stores or distribution facilities; and
- the amount of vendor reimbursements we receive during the reporting period.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A consists principally of costs related to employee compensation and benefits in the selling and administrative support areas and advertising and marketing costs. A significant portion of our SG&A expenses is variable in nature and is dependent on the revenues we generate.

Advertising costs consist primarily of (i) online marketing costs, (ii) advertising costs incurred related to the production of the photographic content for our websites and (iii) costs incurred related to the production, printing and distribution of our print catalogs and other promotional materials mailed to our customers. Net marketing and advertising expenses were $183.0 million, or 3.9% of revenues, in fiscal year 2017, $178.9 million, or 3.6% of revenues, in fiscal year 2016 and $165.7 million, or 3.3% of revenues, in fiscal year 2015. The increase in net marketing and advertising expenses as a percentage of revenue of approximately 30 basis points in fiscal year 2017 from the prior year consisted of (i) approximately 10 basis points in support of our U.S. operations and (ii) approximately 20 basis points related to the expansion of our international footprint through MyTheresa.

We receive advertising allowances from certain of our merchandise vendors. Substantially all the advertising allowances we receive represent reimbursements of direct, specific and incremental costs that we incur to promote the vendor's merchandise in connection with our various advertising programs, primarily catalogs and other print media and digital media. Advertising allowances fluctuate based on the level of advertising expenses incurred and are recorded as a reduction of our advertising costs when earned. Advertising allowances were approximately $50.1 million, or 1.1% of revenues, in fiscal year 2017, $54.8 million, or 1.1% of revenues, in fiscal year 2016 and $55.0 million, or 1.1% of revenues, in fiscal year 2015.

We also receive allowances from certain merchandise vendors in connection with compensation programs for employees who sell the vendor's merchandise. These allowances are netted against the related compensation expenses that we incur. Amounts received from vendors related to compensation programs were $62.4 million, or 1.3% of revenues, in fiscal year 2017, $70.3 million, or 1.4% of revenues, in fiscal year 2016 and $76.4 million, or 1.5% of revenues, in fiscal year 2015.

Changes in our SG&A expenses are affected primarily by the following factors:

- changes in the level of our revenues;
- changes in the number of sales associates, which are due primarily to new store openings and expansion of existing stores, and the health care and related benefits expenses incurred as a result of such changes;
- changes in expenses incurred in connection with our advertising and marketing programs; and
- changes in expenses related to employee benefits due to general economic conditions such as rising health care costs.

Income From Credit Card Program. We maintain a proprietary credit card program through which credit is extended to customers and have a related marketing and servicing alliance with affiliates of Capital One. Pursuant to the Program Agreement, Capital One currently offers credit cards and non-card payment plans under both the "Neiman Marcus" and "Bergdorf Goodman" brand names.

We receive payments from Capital One based on sales transacted on our proprietary credit cards. We recognize income from our credit card program when earned. In the future, the income from our credit card program may:

- increase or decrease based upon the level of utilization of our proprietary credit cards by our customers;
- increase or decrease based upon the overall profitability and performance of the credit card portfolio due to the level of bad debts incurred or changes in interest rates, among other factors;
- increase or decrease based upon future changes to our credit card program in response to changes in regulatory requirements or other changes related to, among other things, the interest rates applied to unpaid balances and the assessment of late fees; and
- decrease based upon the level of future marketing and other services we provide to Capital One.

Additionally, beginning in July 2017, in accordance with the provisions of the credit card program agreement, our allocable share of the profits generated by the credit card portfolio was reduced as a result of our current credit ratings by S&P and Moody's.

Impairment of Indefinite-lived Intangible Assets, Goodwill and Long-lived Assets. We assess the recoverability of the carrying values of indefinite-lived intangible assets and goodwill as well as our store assets, consisting of property and equipment, customer lists and favorable lease commitments, annually in the fourth quarter of each fiscal year and upon the occurrence of certain events. These impairment assessments related to tradenames and goodwill are performed for three of our reporting units — Neiman Marcus, Bergdorf Goodman and MyTheresa.

Since fiscal year 2016, we have experienced declines in our operating results and we believe our operating results have been adversely impacted by a number of factors including, among other things:

- the volatility and uncertainty in domestic and global economic conditions and the resulting impact on the market for luxury merchandise;

- the strength of the U.S. dollar against international currencies, most notably the Euro and British pound, and a resulting impact on tourism and spending by international customers in the U.S.; and
- a significant and sustained decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence.

Based upon our assessment of economic conditions, our expectations of future business conditions and trends, our projected revenues, earnings, and cash flows as well as other market factors such as the weighted average cost of capital and valuation multiples, we determined that impairment charges were required to state certain of our intangible and long-lived assets to their estimated fair value.

We recorded impairment charges aggregating $466.2 million in fiscal year 2016. These impairment charges were driven primarily by revisions to our anticipated future operating trends in light of adverse economic and business trends existing as of the end of fiscal year 2016 and, to a lesser extent, increases in the weighted average cost of capital used in estimating the fair value of our tradenames and reporting units under a discounted cash flow method. These impairments related to certain of our tradenames, goodwill and long-lived assets primarily associated with our Neiman Marcus brand.

We recorded impairment charges aggregating $510.7 million in fiscal year 2017. These impairment charges were driven both by (i) changes in market conditions related to increases in the weighted average cost of capital and valuation multiples and (ii) further deterioration of operating trends during such periods. In fiscal year 2017, we recorded impairment charges of $153.8 million in the second quarter and $357.0 million in the fourth quarter. These impairment charges related to certain of our tradenames, goodwill and long-lived assets primarily associated with our Neiman Marcus and Bergdorf Goodman brands.

We continue to undertake initiatives to help drive revenues and streamline business activities and will continue to closely monitor our financial condition and results of operations. However, there is a risk that we may continue to experience challenging economic conditions and operating pressures, which in turn could increase the risk of additional impairment charges in future periods.

Effective Income Tax Rate. Our effective income tax rate may fluctuate from period to period due to a variety of factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in federal, state and foreign tax laws, outcomes of administrative audits, changes in our corporate structure, the impact of other discrete or non-recurring items and the mix of earnings among our U.S. and foreign operations, where the statutory rates are generally lower than in the United States. As a result, our effective income tax rate may vary significantly from the federal statutory tax rate.

Seasonality

We conduct our selling activities in two primary selling seasons—Fall and Spring. The Fall season is comprised of our first and second fiscal quarters and the Spring season is comprised of our third and fourth fiscal quarters.

Our first fiscal quarter is generally characterized by a higher level of full-price sales with a focus on the initial introduction of Fall season fashions. Marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are characteristic for this quarter. Our second fiscal quarter is more focused on promotional activities related to the December holiday season, the early introduction of resort season collections from certain designers and the sale of Fall season goods on a marked down basis. As a result, margins are typically lower in our second fiscal quarter. However, due to the seasonal increase in revenues that occurs during the holiday season, our second fiscal quarter is typically the quarter in which our revenues are the highest and in which expenses as a percentage of revenues are the lowest. Our working capital requirements are also the greatest in the first and second fiscal quarters as a result of higher seasonal requirements.

Our third fiscal quarter is generally characterized by a higher level of full-price sales with a focus on the initial introduction of Spring season fashions. Marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are again characteristic for this quarter. Revenues are generally the lowest in our fourth fiscal quarter with a focus on promotional activities offering Spring season goods to customers on a marked down basis, resulting in lower margins during the quarter. Our working capital requirements are typically lower in our third and fourth fiscal quarters compared to the other quarters.

A large percentage of our merchandise assortment, particularly in the apparel, fashion accessories and shoe categories, is ordered months in advance of the introduction of such goods. For example, women's apparel, men's apparel, shoes and handbags are typically ordered six to nine months in advance of the products being offered for sale while jewelry and other categories are typically ordered three to six months in advance. As a result, our success depends in large part on our ability to anticipate and identify fashion trends and consumer shopping preferences and to identify and react effectively to rapidly changing consumer demands in a timely manner.

We monitor the sales performance of our inventories throughout each season. We seek to order additional goods to supplement our original purchasing decisions when the level of customer demand is higher than originally anticipated. However, in certain merchandise categories, particularly fashion apparel, our ability to purchase additional goods can be limited. This can result in lost sales opportunities in the event of higher than anticipated demand for the merchandise we offer or a higher than anticipated level of consumer spending. Conversely, in the event we buy merchandise that is not accepted by our customers or the level of consumer spending is less than we anticipated, we could incur a higher than anticipated level of markdowns, net of vendor allowances, resulting in lower operating profits. Any failure on our part to anticipate, identify and respond effectively to these changes could adversely affect our business, financial condition and results of operations.

Results of Operations for the Fiscal Year Ended July 29, 2017 Compared to the Fiscal Year Ended July 30, 2016

Revenues. Our revenues for fiscal year 2017 of $4,706.0 million decreased by $243.5 million, or 4.9%, from $4,949.5 million in fiscal year 2016. Comparable revenues for fiscal year 2017 decreased 5.2% compared to fiscal year 2016.

Changes in comparable revenues by quarter were:

Fiscal year 2017	
Fourth quarter	(0.5)%
Third quarter	(4.9)
Second quarter	(6.8)
First quarter	(8.0)

In fiscal year 2017, we generated negative comparable revenue increases. We believe the lower levels of revenues were impacted by a number of factors, including:

- the volatility and uncertainty in domestic and global economic conditions and the resulting impact on the market for luxury merchandise;
- the strength of the U.S. dollar against international currencies, most notably the Euro and British pound, and a resulting impact on tourism and spending by international customers in the U.S.;
- a significant and sustained decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence; and
- the implementation and conversion issues related to NMG One, which prevented us from fulfilling certain customer demand both in our stores and websites.

Revenues generated by our online operations in fiscal year 2017 were $1,471.7 million, or 31.3% of consolidated revenues. Comparable revenues from our online operations in fiscal year 2017 increased 2.5% from the prior fiscal year.

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS increased to 68.4% of revenues in fiscal year 2017 from 67.1% of revenues in fiscal year 2016. Compared to the prior year, COGS as a percentage of revenues increased by 130 basis points due primarily to:

- decreased product margins of approximately 100 basis points due primarily to:
  - higher markdowns and promotional costs of approximately 70 basis points incurred on lower than expected revenues; and
  - higher delivery and processing costs of approximately 20 basis points; and
- the deleveraging of buying and occupancy costs of approximately 30 basis points.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A expenses as a percentage of revenues increased to 24.0% in fiscal year 2017 compared to 22.6% of revenues in fiscal year 2016. Compared to the prior year, SG&A as a percentage of revenues increased 140 basis points due primarily to:

- the deleveraging of a significant portion of our SG&A expenses, primarily payroll and benefits, of approximately 50 basis points on the lower level of revenues;
- higher levels of expenses and other costs of approximately 45 basis points incurred in connection with:
  - (i) investments in technology, (ii) the growth of our international footprint through MyTheresa and (iii) costs related to the opening of new stores and the remodeling of existing stores; and
  - certain corporate expenses, primarily professional fees;
- lower favorable non-cash adjustments to the required liability for stock option awards requiring variable accounting of approximately 20 basis points; and
- higher credit card chargebacks and other fees of approximately 15 basis points.

Income from Credit Card Program. Income from our credit card program was $60.1 million, or 1.3% of revenues, in fiscal year 2017 compared to $60.6 million, or 1.2% of revenues, in fiscal year 2016.

Depreciation and Amortization Expenses. Depreciation expense was $225.5 million, or 4.8% of revenues, in fiscal year 2017 compared to $226.9 million, or 4.6% of revenues, in fiscal year 2016.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $104.0 million, or 2.2% of revenues, in fiscal year 2017 compared to $111.2 million, or 2.2% of revenues, in fiscal year 2016.

Other Expenses. Other expenses in fiscal year 2017 aggregated $29.7 million, or 0.6% of revenues, compared to $27.1 million, or 0.5% of revenues, in fiscal year 2016. Other expenses consisted of the following components:

	Fiscal year ended	
(in millions)	**July 29, 2017**	**July 30, 2016**
Expenses incurred in connection with strategic initiatives	$ 21.3	$ 24.3
MyTheresa acquisition costs	3.3	4.4
Expenses related to Cyber-Attack, net of insurance recoveries	1.5	1.0
Net gain from facility closure	—	(5.6)
Other expenses	3.6	2.9
Total	$ 29.7	$ 27.1

We incurred professional fees and other costs aggregating $21.3 million in fiscal year 2017 and $24.3 million in fiscal year 2016 in connection with Organizing for Growth, NMG One and the evaluation of potential strategic alternatives. In connection with Organizing for Growth, we eliminated approximately 315 positions in fiscal year 2017 and approximately 500 positions in fiscal year 2016 across our stores, divisions and facilities. We incurred severance costs of $7.2 million in fiscal year 2017 and $10.2 million in fiscal year 2016.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. Acquisition costs consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date. The final earn-out obligation was paid in March 2017.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems. In fiscal years 2017 and 2016, we incurred legal and other expenses in connection with the Cyber-Attack.

In the third quarter of fiscal year 2016, we recorded a $5.6 million net gain related to the closure and relocation of our regional service center in New York.

Impairment Charges. In fiscal year 2017, we assessed the recoverability of the carrying values of our indefinite-lived intangible assets and goodwill as well as our store assets as a result of (i) increases in the weighted average cost of capital used in estimating the fair value of our tradenames and our reporting units under a discounted cash flow model, (ii) the continuation of adverse economic and business trends and (iii) revisions to our anticipated future operating results. We recorded impairment charges of $510.7 million in fiscal year 2017 and $466.2 million in fiscal year 2016 to state certain of our intangible and long-lived assets, primarily related to our Neiman Marcus and Bergdorf Goodman brands, to their estimated fair value.

Operating Loss. We had operating losses of $453.2 million, or 9.6% of revenues, in fiscal year 2017 compared to operating losses of $261.7 million, or 5.3% of revenues, in fiscal year 2016. Included in operating loss in fiscal year 2017 were:

- impairment charges of $510.7 million; and
- other expenses of $29.7 million.

Included in operating loss in fiscal year 2016 were:

- impairment charges of $466.2 million; and
- other expenses of $27.1 million.

Interest Expense, net. Net interest expense was $295.7 million in fiscal year 2017 and $285.6 million in fiscal year 2016. The significant components of interest expense are as follows:

	Fiscal year ended	
(in millions)	**July 29, 2017**	**July 30, 2016**
Asset-Based Revolving Credit Facility	$ 7.0	$ 3.1
Senior Secured Term Loan Facility	130.1	124.8
mytheresa.com Credit Facilities	0.1	—
Cash Pay Notes	76.8	76.8
PIK Toggle Notes	53.8	52.5
2028 Debentures	8.9	8.9
Amortization of debt issue costs	24.5	24.6
Capitalized interest	(6.3)	(7.3)
Other, net	0.7	2.2
Interest expense, net	$ 295.7	$ 285.6

With respect to the PIK Toggle Notes, we elected to pay the October 2017 interest payment in the form of PIK Interest, which accrues at a rate of 9.50% per annum and will result in the issuance of $28.5 million of additional PIK Toggle Notes in October 2017.

Income Tax Benefit. Our effective income tax rate of 29.0% and 25.8% on the losses for fiscal years 2017 and 2016 were less than the federal statutory tax rate of 35%. No income tax benefits exist related to the goodwill impairment charges of $196.2 million recorded in fiscal year 2017 and $199.2 million recorded in fiscal year 2016. Excluding the impact of the goodwill impairment charges, our effective income tax rates were 39.3% for fiscal year 2017 and 40.6% for fiscal year 2016, which exceeded the federal statutory tax rate due primarily to state income taxes.

While our future effective income tax rate will depend on the factors described above, we currently anticipate that our effective income tax rate in future periods will be closer to our historical effective income tax rate of approximately 37.9% to 39.2%.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Internal Revenue Service ("IRS") finalized its audits of our fiscal year 2012 and short-year 2013 (prior to the Acquisition) federal income tax returns. With respect to state, local and foreign jurisdictions, with limited exceptions, we are no longer subject to income tax audits for fiscal years before 2013. We believe our recorded tax liabilities as of July 29, 2017 are sufficient to cover any potential assessments made by the IRS or other taxing authorities and we will continue to review our recorded tax liabilities for potential audit assessments based upon subsequent events, new information and future circumstances. We believe it is reasonably possible that adjustments to the amounts of our unrecognized tax benefits could occur within the next 12 months as a result of settlements with tax authorities or expiration of statutes of limitations. At this time, we do not believe such adjustments will have a material impact on our Consolidated Financial Statements.

Results of Operations for the Fiscal Year Ended July 30, 2016 Compared to the Fiscal Year Ended August 1, 2015

Revenues. Our revenues for fiscal year 2016 of $4,949.5 million decreased by $145.6 million, or 2.9%, from $5,095.1 million in fiscal year 2015. Comparable revenues for fiscal year 2016 decreased 4.1% compared to fiscal year 2015.

Changes in comparable revenues by quarter were:

Fiscal year 2016	
Fourth quarter	(4.1)%
Third quarter	(5.0)
Second quarter	(2.4)
First quarter	(5.6)

In fiscal year 2016, we generated negative comparable revenue increases. We believe these results were impacted by a number of factors, including:

- the volatility and uncertainty in domestic and global economic conditions and the resulting impact on the market for luxury merchandise;
- the strengthening of the U.S. dollar against international currencies, most notably the Euro and British pound, a resulting impact on tourism and spending by international customers in the U.S.; and
- a significant decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence.

Revenues generated by our online operations in fiscal year 2016 were $1,436.1 million, or 29.0% of consolidated revenues. Comparable revenues from our online operations in fiscal year 2016, which included the revenues of MyTheresa beginning in the second quarter of fiscal year 2016, increased 4.4% from the prior year.

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS increased to 67.1% of revenues in fiscal year 2016 from 64.9% of revenues in fiscal year 2015. Compared to the prior year, COGS as a percentage of revenues increased by 220 basis points due primarily to:

- decreased product margins of approximately 200 basis points due primarily to higher markdowns and promotional costs incurred on lower than expected revenues; and
- the deleveraging of buying and occupancy costs of approximately 20 basis points.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A expenses as a percentage of revenues decreased to 22.6% in fiscal year 2016 compared to 22.8% of revenues in fiscal year 2015. This decrease is due primarily to:

- payroll, incentive compensation and benefits expense savings realized of approximately 50 basis points in connection with Organizing for Growth and other efficiency initiatives; and
- lower non-cash stock compensation expenses of approximately 20 basis points due to a reduction in the required liability for stock option awards requiring variable accounting; partially offset by
- higher levels of expenses of approximately 30 basis points incurred in connection with our strategic initiatives, including costs related to the opening of new stores (our store in Garden City, New York opened in February 2016), the remodeling of existing stores, investments in technology and the growth of our international revenues through MyTheresa; and
- higher selling costs of approximately 20 basis points due to higher marketing expenses, related primarily to our online operations, and higher levels of credit card chargebacks subsequent to regulatory changes effective October 2015 with respect to retailers' liabilities for such losses.

Income from Credit Card Program. Income from our credit card program was $60.6 million, or 1.2% of revenues, in fiscal year 2016 compared to $52.8 million, or 1.0% of revenues, in fiscal year 2015. Compared to the prior year, income from our credit card program as a percentage of revenues increased by 20 basis points due primarily to increases in both the overall profitability of the credit card portfolio and the portion of income contractually allocable to the Company.

Depreciation and Amortization Expenses. Depreciation expense was $226.9 million, or 4.6% of revenues, in fiscal year 2016 compared to $185.6 million, or 3.6% of revenues, in fiscal year 2015. The increase in depreciation expense in fiscal year 2016 compared to fiscal year 2015 was driven by a higher level of capital spending since the Acquisition related to new stores, store remodels and omni-channel initiatives.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $111.2 million, or 2.2% of revenues, in fiscal year 2016 compared to $137.3 million, or 2.7% of revenues, in fiscal year 2015. Amortization expense as a percentage of revenues decreased by 50 basis points in fiscal year 2016 due primarily to lower amortization charges with respect to our customer lists. Our customer lists are amortized using accelerated methods which reflect the pattern in which we receive the economic benefit of the asset.

Other Expenses. Other expenses in fiscal year 2016 aggregated $27.1 million, or 0.5% of revenues, compared to $39.5 million, or 0.8% of revenues, in fiscal year 2015. Other expenses consisted of the following components:

	Fiscal year ended	
(in millions)	**July 30, 2016**	**August 1, 2015**
Expenses incurred in connection with strategic initiatives	$ 24.3	$ 11.6
MyTheresa acquisition costs	4.4	19.4
Expenses related to Cyber-attack, net of insurance recoveries	1.0	4.1
Net gain from facility closure	(5.6)	—
Other expenses	2.9	4.3
Total	$ 27.1	$ 39.5

We incurred professional fees and other costs aggregating $24.3 million in fiscal year 2016 in connection with our Organizing for Growth and NMG One strategic initiatives. In connection with Organizing for Growth, we eliminated approximately 500 positions across our stores, divisions and facilities on October 1, 2015 and incurred $10.2 million of severance costs.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. Acquisition costs consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems. In fiscal year 2016 and 2015, we incurred investigative, legal and other expenses in connection with the Cyber-Attack.

In the third quarter of fiscal year 2016, we recorded a $5.6 million net gain related to the closure and relocation of our regional service center in New York.

Impairment Charges. Based upon our assessment of economic conditions, our expectations of future business conditions and trends and our projected revenues, earnings and cash flows, we determined certain of our property and equipment, other definite-lived intangible assets, tradenames and goodwill to be impaired, primarily related to our Neiman Marcus brand, and recorded impairment charges in the fourth quarter of fiscal year 2016 aggregating $466.2 million.

Operating Earnings (Loss). We had operating losses of $261.7 million, or 5.3% of revenues, in fiscal year 2016 compared to operating earnings of $318.0 million, or 6.2% of revenues, in fiscal year 2015. Included in operating loss in fiscal year 2016 were:

- impairment charges of $466.2 million; and
- other expenses of $27.1 million.

Included in operating earnings in fiscal year 2015 were:

- other expenses of $39.5 million; and
- impact of purchase accounting adjustments that increased COGS by $6.8 million related to the step-up in the carrying value of the acquired MyTheresa inventories.

Interest Expense, net. Net interest expense was $285.6 million in fiscal year 2016 and $289.9 million in fiscal year 2015. The significant components of interest expense are as follows:

	Fiscal year ended	
(in millions)	**July 30, 2016**	**August 1, 2015**
Asset-Based Revolving Credit Facility	$ 3.1	$ 1.5
Senior Secured Term Loan Facility	124.8	125.6
mytheresa.com Credit Facilities	—	—
Cash Pay Notes	76.8	76.8
PIK Toggle Notes	52.5	52.5
2028 Debentures	8.9	8.9
Amortization of debt issue costs	24.6	24.6
Capitalized interest	(7.3)	(2.4)
Other, net	2.2	2.5
Interest expense, net	$ 285.6	$ 289.9

Income Tax Expense (Benefit). Our effective income tax rate of 25.8% on the loss for fiscal year 2016 was less than the federal statutory tax rate of 35%. No income tax benefit exists related to the $199.2 million goodwill impairment charge recorded in fiscal year 2016. Excluding the impact of the goodwill impairment charge, our effective income tax rate was 40.6% for fiscal year 2016, which exceed the federal statutory tax rate due primarily to state income taxes.

Our effective income tax rate of 46.8% on the earnings for fiscal year 2015 exceeded the federal statutory tax rate due primarily to:

- state income taxes; and
- the non-deductible portion of transaction and other costs incurred in connection with the MyTheresa acquisition.

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with generally accepted accounting principles ("GAAP"), we use EBITDA and Adjusted EBITDA to monitor and evaluate the performance of our business and believe the presentation of these measures enhances investors' ability to analyze trends in our business and evaluate our performance relative to other companies in our industry. We define (i) EBITDA as earnings before interest, taxes, depreciation and amortization and (ii) Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not believe are representative of our ongoing performance. These financial metrics are not presentations made in accordance with GAAP.

EBITDA and Adjusted EBITDA should not be considered as alternatives to operating earnings (loss) or net earnings (loss) as measures of operating performance. In addition, EBITDA and Adjusted EBITDA are not presented as and should not be considered as alternatives to cash flows as measures of liquidity. EBITDA and Adjusted EBITDA have important limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP.

These limitations include the fact that:

- EBITDA and Adjusted EBITDA:
  - exclude certain tax payments that may represent a reduction in cash available to us;
  - in the case of Adjusted EBITDA, exclude certain adjustments for purchase accounting;
  - do not reflect changes in, or cash requirements for, our working capital needs, capital expenditures or contractual commitments;
  - do not reflect our significant interest expense; and
  - do not reflect the cash requirements necessary to service interest or principal payments on our debt.

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove inaccurate. In addition, in the future we may incur expenses similar to those eliminated in this presentation. The following table reconciles net earnings (loss) as reflected in our Consolidated Statements of Operations prepared in accordance with GAAP to EBITDA and Adjusted EBITDA:

	Fiscal year ended			Thirty-nine weeks ended	Thirteen weeks ended	Fiscal year ended
	July 29, 2017	July 30, 2016	August 1, 2015	August 2, 2014	November 2, 2013	August 3, 2013
(dollars in millions)	(Successor)	(Successor)	(Successor)	(Successor)	(Predecessor)	(Predecessor)
Net earnings (loss)	$ (531.8)	$ (406.1)	$ 14.9	$ (134.1)	$ (13.1)	$ 163.7
Income tax expense (benefit)	(217.1)	(141.1)	13.1	(89.8)	7.9	113.7
Interest expense, net	295.7	285.6	289.9	232.7	37.3	169.0
Depreciation expense	225.5	226.9	185.6	113.3	34.2	141.5
Amortization of intangible assets and favorable lease commitments	104.0	111.2	137.3	148.6	11.7	47.4
EBITDA	$ (123.7)	$ 76.4	$ 640.8	$ 270.8	$ 78.1	$ 635.3
EBITDA as a percentage of revenues	*(2.6)%*	*1.5%*	*12.6%*	*7.3%*	*6.9%*	*13.7%*
Impairment charges (1)	510.7	466.2	—	—	—	—
Amortization of inventory step-up (2)	—	—	6.8	129.6	—	—
Incremental rent expense (3)	9.7	10.5	11.0	8.5	0.8	4.0
Transaction and other costs (4)	3.3	4.4	19.4	55.4	109.4	—
Non-cash stock-based compensation (5)	(1.2)	(10.4)	0.1	6.2	2.5	9.7
Expenses incurred in connection with openings of new stores / remodels of existing stores (6)	8.6	15.1	12.3	4.0	1.8	5.1
Expenses incurred in connection with strategic initiatives (7)	21.3	24.3	11.6	5.7	0.2	—
Expenses related to Cyber-Attack, net of insurance recoveries (8)	1.5	1.0	4.1	12.6	—	—
Net gain from facility closure (9)	—	(5.6)	—	—	—	—
Equity in loss of Asian e-commerce retailer / professional fees (10)	—	—	—	3.6	1.5	14.2
Management fee due to Former Sponsors (11)	—	—	—	—	2.8	10.0
Other expenses	3.6	2.9	4.3	4.8	—	4.3
Adjusted EBITDA (12)	$ 433.8	$ 584.9	$ 710.6	$ 501.3	$ 197.2	$ 682.7
Adjusted EBITDA as a percentage of revenues	*9.2 %*	*11.8%*	*13.9%*	*13.5%*	*17.5%*	*14.7%*

(1) In fiscal year 2017, we recorded pretax impairment charges related to (i) $309.7 million for the writedown to fair value of the net carrying value of tradenames, (ii) $196.2 million for the writedown to fair value of goodwill and (iii) $4.8 million for the writedown to fair value of the net carrying value of certain long-lived assets.

In fiscal year 2016, we recorded pretax impairment charges related to (i) $228.9 million for the writedown to fair value of the net carrying value of tradenames, (ii) $199.2 million for the writedown to fair value of goodwill and (iii) $38.1 million for the writedown to fair value of the net carrying value of certain long-lived assets.

(2) The carrying values of inventories acquired in connection with the Acquisition and the acquisition of MyTheresa were stepped up to estimated fair value as of the respective acquisition dates and amortized into cost of goods sold as the acquired inventories were sold.

(3) Rental obligations and deferred real estate credits were revalued at fair value in connection with the Acquisition. These fair value adjustments increase post-acquisition rent expense.

(4) Amounts relate to costs and expenses incurred in connection with the Acquisition and the acquisition of MyTheresa and are not expected to recur subsequent to fiscal year 2017.

(5) Non-cash stock-based compensation includes a $4.7 million adjustment recorded in fiscal year 2017 and a $14.3 million adjustment recorded in fiscal year 2016 to reduce our liability awards to estimated fair value.

(6) Amounts represent direct and incremental expenses incurred in connection with the openings of new stores as well as remodels to our existing stores.

(7) Amounts represent direct expenses incurred in connection with strategic initiatives, primarily NMG One and Organizing for Growth.

(8) For a further description of the Cyber-Attack, see Item 1A, "Risk Factors—Risks Related to Our Business and Industry—A breach in information privacy could negatively impact our operations" and Note 12 of the Notes to Consolidated Financial Statements.

(9) Amount represents a net gain related to the closure and relocation of our regional service center in New York.

(10) Amounts relate to our equity in losses and professional fees incurred in connection with our prior non-controlling investment in an Asian e-commerce retailer.

(11) Amounts represent management fees paid to the Former Sponsors prior to the Acquisition.

(12) Excluded from the adjustments to calculate Adjusted EBITDA are the estimated impacts from the launch of our new NMG One integrated merchandising and distribution system in the first quarter of fiscal year 2017. We experienced issues with respect to the functionality and capabilities of certain portions of the new system. These issues primarily related to the processing of inventory receipts at our distribution centers, the timely payment of certain merchandise receipts, the transfer of inventories to our stores and the presentation of inventories on our websites. These issues prevented us from fulfilling certain customer demand in both our stores and websites.

As a result of these implementation issues, we believe:

- our revenues were adversely impacted;
- incremental markdowns were incurred;
- additional incremental costs, primarily for consulting services, were incurred; and
- significant internal resources were allocated to address these issues.

Based on available data, we estimate that these issues resulted in unrealized revenues of approximately $55 to $65 million during fiscal year 2017. However, we believe the full impact of the NMG One implementation issues on our revenues is likely greater because there are a number of ways in which our business has been disrupted that we cannot directly track or measure.

Inflation and Deflation

We believe changes in revenues and net earnings that have resulted from inflation or deflation have not been material during the past three fiscal years. We have experienced certain inflationary effects in our cost base due to increases in selling, general and administrative expenses, particularly with regard to employee health care and other benefits. For more information regarding the effects of changes in foreign currency exchange rates, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk."

Liquidity and Capital Resources

Our liquidity requirements consist principally of:

- the funding of our merchandise purchases;
- operating expense requirements;
- debt service requirements;
- capital expenditures for expansion and growth strategies, including new store construction, store remodels and upgrades of our management information systems;
- income tax payments; and
- obligations related to our defined benefit pension plan ("Pension Plan").

Our primary sources of short-term liquidity are comprised of cash and cash equivalents (including credit card receivables), availability under the Asset-Based Revolving Credit Facility and vendor payment terms. The amounts of cash and cash equivalents and borrowings under the Asset-Based Revolving Credit Facility are influenced by a number of factors, including revenues, working capital levels, vendor terms, the level of capital expenditures, cash requirements related to financing instruments and debt service obligations, Pension Plan funding obligations and tax payment obligations, among others.

Our working capital requirements fluctuate during the fiscal year, increasing substantially during the first and third quarters of each fiscal year as a result of higher seasonal levels of inventories. We have typically financed our cash requirements with available cash and cash equivalents, cash flows from operations and, if necessary, with cash provided from borrowings under our revolving credit facilities. Pursuant to these credit facilities, we had outstanding borrowings of $263.0 million as of July 29, 2017, all of which represents borrowings under our Asset-Based Revolving Credit Facility, compared to $165.0 million as of July 30, 2016. At July 29, 2017, we had unused borrowing commitments of $651.1 million, subject to a borrowing base, of which (i) $90.0 million of such capacity is available to us subject to the maintenance of a minimum fixed charge coverage ratio and to further restrictions described below under "Financing Structure at July 29, 2017" and (ii) $17.1 million of such capacity is available only to MyTheresa under its credit facilities and not to our U.S. operations. Additionally, we held cash and cash equivalents and credit card receivables of $88.1 million bringing our available liquidity to $739.2 million at July 29, 2017, inclusive of the amount available to MyTheresa.

Under the Asset-Based Revolving Credit Facility, if "excess availability" falls below 10% of aggregate revolving commitments, we will be required to maintain a minimum fixed charge coverage ratio and we may be subject to further restrictions as discussed below under "Financing Structure at July 29, 2017".

We believe that cash generated from our operations, our existing cash and cash equivalents and available sources of financing will be sufficient to fund our cash requirements during the next 12 months, including merchandise purchases, operating expenses, anticipated capital expenditure requirements, debt service requirements, income tax payments and obligations related to our Pension Plan.

We regularly evaluate our liquidity profile, and various financing, refinancing and other alternatives for opportunities to enhance our capital structure and address maturities under our existing debt arrangements. If opportunities are available on favorable terms, we may seek to refinance, exchange, amend or extend the terms of our existing debt or issue or incur additional debt, and may engage with existing and prospective holders of our debt in connection with such matters. Although we are actively pursuing opportunities to improve our capital structure, some or all of the foregoing potential transactions or other alternatives may not be available to us or announced in the foreseeable future or at all.

Net cash provided by our operating activities was $147.0 million in fiscal year 2017 compared to $310.6 million fiscal year 2016. In fiscal year 2017, the decrease in net cash provided by operating activities was driven by (i) the decline in cash generated by our operating activities on a lower level of revenues and (ii) higher working capital requirements driven by higher inventories. Additionally, we made required fundings to our Pension Plan of $10.7 million in fiscal year 2017.

Net cash used for investing activities, primarily representing capital expenditures, was $204.6 million in fiscal year 2017 compared to $302.3 million in fiscal year 2016. The decrease in capital expenditures in fiscal year 2017 reflects lower spending for NMG One, the construction of new stores and the remodeling of existing stores.

Currently, we project capital expenditures for fiscal year 2018 to be approximately $208 to $218 million. Net of developer contributions, capital expenditures for fiscal year 2018 are projected to be approximately $155 to $165 million. We have managed and will continue to manage the level of capital spending in a manner designed to balance current economic conditions and business trends with our long-term initiatives and growth strategies.

Net cash provided by financing activities of $40.4 million in fiscal year 2017 was comprised primarily of (i) net borrowings of $98.0 million under our Asset-Based Revolving Credit Facility due to seasonal working capital requirements, partially offset by (ii) repayments of borrowings of $29.4 million under our Senior Secured Term Loan Facility, (iii) payment of $22.9 million for the MyTheresa contingent earn-out obligation for calendar year 2016 and (iv) $5.4 million for debt issuance costs. Net cash used for financing activities of $21.6 million in fiscal year 2016 was comprised primarily of (i) repayments of borrowings of $29.4 million under our Senior Secured Term Loan Facility and (ii) payment of $27.2 million for the MyTheresa contingent earn-out obligation for calendar year 2015, partially offset by (iii) net borrowings of $35.0 million under our Asset-Based Revolving Credit Facility due to seasonal working capital requirements.

Subject to applicable restrictions in our credit agreements and indentures, we or our affiliates, at any time and from time to time, may purchase, redeem or otherwise retire our outstanding debt securities or term loans, including through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we, or any of our affiliates, may determine.

Financing Structure at July 29, 2017

Our major sources of funds are comprised of our revolving credit facilities aggregating $917.1 million, the $2,839.6 million Senior Secured Term Loan Facility, $960.0 million Cash Pay Notes, $600.0 million PIK Toggle Notes, $125.0 million 2028 Debentures (each as described in more detail below), vendor payment terms and operating leases.

Revolving Credit Facilities. Our revolving credit facilities consists of our Asset-Based Revolving Credit Facility, which supports our U.S. operations and the mytheresa.com Credit Facilities, which support the MyTheresa operations.

Asset-Based Revolving Credit Facility. At July 29, 2017, we have an Asset-Based Revolving Credit Facility with a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later). At July 29, 2017, we had outstanding borrowings of $263.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $635.3 million, subject to a borrowing base, of which $90.0 million of such capacity is available to us subject to certain restrictions as more fully described below.

Availability under the Asset-Based Revolving Credit Facility is subject to a borrowing base. The Asset-Based Revolving Credit Facility includes borrowing capacity available for letters of credit (up to $150.0 million, with any such issuance of letters of credit reducing the amount available under the Asset-Based Revolving Credit Facility on a dollar-for-dollar basis) and for borrowings on same-day notice. The borrowing base is equal to at any time the sum of (a) 90% of the net orderly liquidation value of eligible inventory, net of certain reserves, plus (b) 90% of the amounts owed by credit card processors in respect of eligible credit card accounts constituting proceeds from the sale or disposition of inventory, less certain reserves, plus (c) 100% of segregated cash held in a restricted deposit account.

Our excess availability could decrease as a result of, among other things, decreases in inventory or increases in outstanding debt (including letters of credit). Our failure to meet the Excess Availability Condition (as defined below) could limit our operational flexibility and growth. To the extent that excess availability is not equal to or greater than the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million (the "Excess Availability Condition"), we will be required to maintain a minimum fixed charge coverage ratio. Additional restrictions will apply if the Excess Availability Condition is not met for five consecutive business days, including increased reporting requirements and additional administrative agent control rights over certain of our accounts. These restrictions will continue until the Excess Availability Condition is satisfied and their imposition may limit our operational flexibility. At July 29, 2017, $90.0 million of the aggregate unused commitments under the Asset-Based Revolving Credit Facility is available to us subject to the foregoing restrictions.

The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 3.11% at July 29, 2017.

See Note 8 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of the terms of the Asset-Based Revolving Credit Facility.

Mytheresa.com Credit Facilities. Our subsidiary mytheresa.com GmbH, through which we operate mytheresa.com, is party to two credit facility agreements and related security arrangements. The first facility, entered into October 1, 2015, is a revolving credit line for up to €6.5 million in availability and bears interest at a fixed rate of 2.39% (until further notice) for any loan drawn under the overdraft facility and at rates to be agreed on a case-by-case basis for money market loans and guarantees. The second facility, entered into June 8, 2017, is a revolving credit line for up to €8.5 million in availability and bears interest at a fixed rate of 2.25% (until further notice) for any loan drawn under the overdraft facility at rates to be agreed on a case-by-case basis for any other loans.

Both facilities are secured by certain inventory held by mytheresa.com GmbH and certain contractual claims. The facilities are not guaranteed by, and are non-recourse to, us or any of our U.S. subsidiaries or affiliates. Each facility contains restrictive covenants prohibiting mytheresa.com GmbH from distributing or making available loan proceeds to any affiliates including us or any of our other subsidiaries and requiring mytheresa.com GmbH to maintain a minimum economic equity ratio. The agreements also contain usual and customary events of default, the occurrence of which may result in all outstanding amounts under the facility agreements becoming due and payable immediately. There is no scheduled amortization under either facility and neither facility has a specified maturity date. However, each lender may terminate its respective facility at any time provided that mytheresa.com GmbH is given a customary reasonable opportunity to secure alternative financing.

As of July 29, 2017, mytheresa.com GmbH had no outstanding borrowings, guarantees of $1.2 million, or €1.1 million, and unused commitments of $15.9 million, or €13.9 million.

Senior Secured Term Loan Facility. At July 29, 2017, the outstanding balance under the Senior Secured Term Loan Facility was $2,839.6 million. The principal amount of the loans outstanding is due and payable in full on October 25, 2020.

Depending on our senior secured first lien net leverage ratio (as defined in the credit agreement governing the Senior Secured Term Loan Facility), we could be required to prepay outstanding term loans from a certain portion of our annual excess cash flow (as defined in the credit agreement governing the Senior Secured Term Loan Facility). Required excess cash flow payments commence at 50% of our annual excess cash flow (which percentage will be reduced to (a) 25% if our senior secured first lien net leverage ratio (as defined in the credit agreement governing the Senior Secured Term Loan Facility) is equal to or less than 4.0 to 1.0 but greater than 3.5 to 1.0 and (b) 0% if our senior secured first lien net leverage ratio is equal to or less than 3.5 to 1.0). We also must offer to prepay outstanding term loans at 100% of the principal amount to be prepaid, plus accrued and unpaid interest, with the proceeds of certain asset sales and debt issuances, subject to certain exceptions and reinvestment rights.

The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.47% at July 29, 2017.

See Note 8 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of the terms of the Senior Secured Term Loan Facility.

Cash Pay Notes. We have outstanding $960.0 million aggregate principal amount of 8.00% Senior Cash Pay Notes. The Cash Pay Notes mature on October 15, 2021.

See Note 8 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of the terms of the Cash Pay Notes and Note 17 of the Notes to Consolidated Financial Statements in Item 15 for a description of certain subsidiaries that we have designated as "Unrestricted Subsidiaries" under the indenture governing the Cash Pay Notes.

PIK Toggle Notes. We have outstanding $600.0 million aggregate principal amount of 8.75%/9.50% Senior PIK Toggle Notes. The PIK Toggle Notes mature on October 15, 2021. Interest on the PIK Toggle Notes is payable semi-annually in arrears on each April 15 and October 15. Interest on the PIK Toggle Notes, subject to certain restrictions, may be paid (i) entirely in cash, (ii) entirely by increasing the principal amount of the PIK Toggle Notes by the relevant interest payment amount, or (iii) 50% in Cash Interest and 50% in PIK Interest. Cash Interest on the PIK Toggle Notes accrues at a rate of 8.75% per annum. PIK Interest on the PIK Toggle Notes accrues at a rate of 9.50% per annum. Interest on the PIK Toggle Notes was paid entirely in cash for the first seven interest payments. We elected to pay the October 2017 interest payment in the form of PIK Interest, which will result in the issuance of $28.5 million of additional PIK Toggle Notes in October 2017. We intend to elect to pay interest in the form of PIK Interest or partial PIK Interest on our semi-annual interest payment due in April 2018 and may additionally elect to do so with respect to the payment due in October 2018. If we elect PIK Interest or partial PIK

Interest with respect to these interest payments, we must deliver a notice of such election to the trustee no later than one day prior to the beginning of the relevant semi-annual interest period. We will evaluate our financial position prior to each future interest period to determine the appropriate election at that time.

See Note 8 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of the terms of the PIK Toggle Notes and Note 17 of the Notes to Consolidated Financial Statements in Item 15 for a description of certain subsidiaries that we have designated as "Unrestricted Subsidiaries" under the indenture governing the PIK Toggle Notes.

2028 Debentures. We have outstanding $125.0 million aggregate principal amount of 7.125% Senior Debentures. The 2028 Debentures mature on June 1, 2028.

See Note 8 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of the terms of the 2028 Debentures.

Interest Rate Swaps. At July 29, 2017, we had outstanding floating rate debt obligations of $3,102.6 million. In April and June of 2016, we entered into floating to fixed interest rate swap agreements for an aggregate notional amount of $1,400.0 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. These swap agreements hedge a portion of our contractual floating rate interest commitments related to our Senior Secured Term Loan Facility from December 2016 to October 2020. As a result of the April 2016 swap agreements, our effective interest rate as to $700.0 million of floating rate indebtedness will be fixed at 4.9120% from December 2016 through October 2020. As a result of the June 2016 swap agreements, our effective interest rate as to an additional $700.0 million of floating rate indebtedness will be fixed at 4.7395% from December 2016 to October 2020. The interest rate swap agreements expire in October 2020.

Contractual Obligations and Commitments

The following table summarizes our estimated significant contractual cash obligations at July 29, 2017:

	Payments Due by Period				
(in millions)	**Total**	**Fiscal Year 2018**	**Fiscal Years 2019-2020**	**Fiscal Years 2021-2022**	**Fiscal Year 2023 and Beyond**
Contractual obligations:					
Asset-Based Revolving Credit Facility	$ 263.0	$ —	$ —	$ 263.0	$ —
Senior Secured Term Loan Facility (1)	2,839.6	29.4	58.8	2,751.4	—
mytheresa.com Credit Facilities (2)	—	—	—	—	—
Cash Pay Notes	960.0	—	—	960.0	—
PIK Toggle Notes	600.0	—	—	600.0	—
2028 Debentures	125.0	—	—	—	125.0
Interest requirements (3)	1,137.5	285.1	577.1	223.4	51.9
Lease obligations	2,054.8	86.5	159.9	139.6	1,668.8
Minimum pension funding obligation (4)	240.5	25.1	60.2	54.2	101.0
Other long-term liabilities (5)	76.2	7.8	15.2	15.5	37.7
Inventory purchase and construction commitments (6)	1,370.1	1,354.1	16.0	—	—
	$ 9,666.7	$ 1,788.0	$ 887.2	$ 5,007.1	$ 1,984.4

(1) The above table does not reflect future excess cash flow prepayments, if any, that may be required under the Senior Secured Term Loan Facility.

(2) At July 29, 2017, there were no outstanding borrowings under the mytheresa.com Credit Facilities.

(3) The cash obligations for interest requirements assume (a) interest requirements on our fixed-rate debt obligations at their contractual rates, with interest paid in PIK interest for the October 2017 payment and the remaining interest paid entirely in cash with respect to the PIK Toggle Notes, (b) interest requirements on floating rate debt obligations not subject to interest rate swaps at rates in effect at July 29, 2017 and (c) interest requirements on floating rate debt obligations subject to interest rate swaps at the fixed rates provided through the swap agreements. Borrowings pursuant to the Senior Secured Term Loan Facility bear interest at floating rates, primarily based on LIBOR, but in no

event less than a floor rate of 1.00%, plus applicable margins. A 1% increase in the rates relating to the portion of our floating rate debt obligations that is not hedged would increase annual interest requirements by approximately $17 million during fiscal year 2018.

(4) At July 29, 2017 (the most recent measurement date), our actuarially calculated projected benefit obligation for our Pension Plan was $620.9 million and the fair value of the assets was $380.2 million, resulting in a net liability of $240.7 million, which is included in other long-term liabilities at July 29, 2017. Our policy is to fund our Pension Plan at or above the minimum amount required by law. We made contributions of $10.7 million to the Pension Plan in fiscal year 2017 and no contributions during fiscal year 2016. As of July 29, 2017, we believe we will be required to contribute $25.1 million to the Pension Plan in fiscal year 2018. The amounts and timing of our contributions to our Pension Plan are subject to a number of uncertainties, including interest rate fluctuations and the investment performance of the assets held by the Pension Plan. We do not believe these uncertainties will have a material impact on our future liquidity. See Note 11 of the Notes to Consolidated Financial Statements in Item 15, which contains a further description of our Pension Plan.

(5) Included in other long-term liabilities at July 29, 2017 are our liabilities for our SERP and Postretirement Plans aggregating $111.9 million. Our scheduled obligations with respect to our SERP Plan and Postretirement Plan liabilities consist of expected benefit payments through 2027, as currently estimated using information provided by our actuaries. In addition, other long-term liabilities at July 29, 2017 included our liabilities related to (i) uncertain tax positions (including related accruals for interest and penalties) of $2.6 million and (ii) other obligations aggregating $44.2 million, primarily for employee benefits and accrued interest related to our PIK Toggle Notes. Future cash obligations related to these liabilities are not currently estimable.

(6) Construction commitments relate primarily to obligations pursuant to contracts for the construction of new stores and the remodels of existing stores expected as of July 29, 2017. These amounts represent the gross construction costs and exclude developer contributions of approximately $54.5 million, which we expect to receive pursuant to the terms of the construction contracts.

In the normal course of our business, we issue purchase orders to vendors/suppliers for merchandise. Our purchase orders are not unconditional commitments but, rather represent executory contracts requiring performance by the vendors/suppliers, including the delivery of the merchandise prior to a specified cancellation date and the compliance with product specifications, quality standards and other requirements. In the event of the vendor's failure to meet the agreed upon terms and conditions, we may cancel the order.

The following table summarizes the expiration of our other significant commercial commitments outstanding at July 29, 2017:

	Amount of Commitment by Expiration Period				
(in millions)	**Total**	**Fiscal Year 2018**	**Fiscal Years 2019-2020**	**Fiscal Years 2021-2022**	**Fiscal Years 2023 and Beyond**
Other commercial commitments:					
Asset-Based Revolving Credit Facility (1)	$ 900.0	$ —	$ —	$ 900.0	$ —
mytheresa.com Credit Facilities	17.1	—	—	—	17.1
Surety bonds	3.4	3.2	0.2	—	—
	$ 920.5	$ 3.2	$ 0.2	$ 900.0	$ 17.1

(1) As of July 29, 2017, we had outstanding borrowings of $263.0 million under the Asset-Based Revolving Credit Facility, outstanding letters of credit of $1.8 million and unused commitments of $635.3 million, subject to a borrowing base, of which $90.0 million of such capacity is available to us subject to certain restrictions as more fully described in Note 8 of the Notes to Consolidated Financial Statements in Item 15. Our working capital requirements are greatest in the first and second fiscal quarters as a result of higher seasonal requirements. See "—Financing Structure at July 29, 2017—Asset-Based Revolving Credit Facility" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality."

In addition to the items presented above, our other principal commercial commitments are comprised of common area maintenance costs, tax and insurance obligations and contingent rent payments.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements, other than operating leases entered into in the normal course of business, during fiscal year 2017. See Note 12 of the Notes to Consolidated Financial Statements in Item 15 for more information about our operating leases.

Critical Accounting Policies

Our accounting policies are more fully described in Note 1 of the Notes to Consolidated Financial Statements in Item 15 of this Annual Report. As disclosed in Note 1 of the Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the accompanying Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. Our current estimates are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and assumptions on an ongoing basis and predicate those estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. We make adjustments to our estimates and assumptions when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates and assumptions used in preparing the accompanying Consolidated Financial Statements.

We believe the following critical accounting policies encompass the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Revenues. Revenues include sales of merchandise and services and delivery and processing revenues related to merchandise sold. Revenues are recognized at the later of the point of sale or the delivery of goods to the customer. Revenues associated with gift cards are recognized at the time of redemption by the customer. Revenues exclude sales taxes collected from our customers.

Delivery and processing revenues were $58.7 million in fiscal year 2017, $50.6 million in fiscal year 2016 and $50.1 million in fiscal year 2015.

Revenues are reduced when customers return goods previously purchased. We maintain reserves for anticipated sales returns primarily based on our historical trends related to returns by our customers. Our reserves for anticipated sales returns were $47.0 million at July 29, 2017 and $45.3 million at July 30, 2016. As the vast majority of merchandise returns are made in less than 30 days after the sales transaction, we believe the risk that actual returns differ from our estimates is minimal and would not have a material impact on our Consolidated Financial Statements.

Fair Value Measurements. Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. Assets and liabilities are classified using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1 — Unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 — Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3 — Unobservable inputs reflecting management’s estimates and assumptions.

Merchandise Inventories and Cost of Goods Sold. We utilize the retail inventory method of accounting. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are determined by applying a calculated cost-to-retail ratio, for various groupings of similar items, to the retail value of our inventories. The cost of the inventory reflected in the Consolidated Financial Statements is decreased by charges to cost of goods sold at average cost and the retail value of the inventory is lowered through the use of markdowns. Earnings are negatively impacted when merchandise is marked down. As we adjust the retail value of our inventories through the use of markdowns to reflect market conditions, our merchandise inventories are stated at the lower of cost or market.

The areas requiring significant management judgment related to the valuation of our inventories include (i) setting the original retail value for the merchandise held for sale, (ii) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value and (iii) estimating the shrinkage that has occurred between physical inventory counts. These judgments and estimates, coupled with the averaging processes within the retail method, can, under certain circumstances, produce varying financial results. Factors that can lead to different financial results include (i) determination of original retail values for merchandise held for sale, (ii) identification of declines in perceived value of inventories and processing the appropriate retail value markdowns and (iii) overly optimistic or conservative estimation of shrinkage. In prior years, we have not made material changes to our estimates of shrinkage or markdown requirements on inventories held as of the end of our fiscal years. We do not believe that changes in the assumptions and estimates, if any, used in the valuation of our inventories at July 29, 2017 will have a material effect on our future operating performance.

Consistent with industry business practice, we receive allowances from certain of our vendors in support of the merchandise we purchase for resale. Certain allowances are received to reimburse us for markdowns taken or to support the gross margins that we earn in connection with the sales of the vendor's merchandise. These allowances result in an increase to gross margin when we earn the allowances and they are approved by the vendor. Other allowances we receive represent reductions to the amounts we pay to acquire the merchandise. These allowances reduce the cost of the acquired merchandise and are recognized at the time the goods are sold. The amounts of vendor allowances we receive fluctuate based partially on the level of markdowns taken and did not have a significant impact on the year-over-year change in gross margin during fiscal years 2017, 2016 or 2015. We received vendor allowances of $83.6 million, or 1.8% of revenues, in fiscal year 2017, $100.8 million, or 2.0% of revenues, in fiscal year 2016 and $94.8 million, or 1.9% of revenues, in fiscal year 2015.

Cost of goods sold also includes delivery charges we pay to third party carriers and other costs related to the fulfillment of customer orders not delivered at the point-of-sale.

Long-lived Assets. Property and equipment are stated at cost less accumulated depreciation. In connection with the Acquisition, the cost basis of the acquired property and equipment was adjusted to its estimated fair value. For financial reporting purposes, we compute depreciation principally using the straight-line method over the estimated useful lives of the assets. Buildings and improvements are depreciated over five to 30 years while fixtures and equipment are depreciated over three to 15 years. Leasehold improvements are amortized over the shorter of the asset life or the lease term (which may include renewal periods when exercise of the renewal option is at our discretion and exercise of the renewal option is considered reasonably assured). Costs incurred for the development of internal computer software are capitalized and amortized using the straight-line method over three to ten years.

We assess the recoverability of the carrying values of our store assets, consisting of property and equipment, customer lists and favorable lease commitments, annually and upon the occurrence of certain events. The recoverability assessment with respect to our long-lived assets is performed at the store level. This assessment is based upon the comparison of the undiscounted cash flows anticipated to be generated from the store to the net carrying value of the store assets. To the extent the undiscounted store-level cash flows are not sufficient to recover the net carrying value of the store assets, the assets are impaired and written down to their estimated fair value based upon discounted future cash flows. Based upon the review of our store-level assets, we identified certain property and equipment, other definite-lived intangible assets and favorable lease commitments to be impaired by $4.8 million in fiscal year 2017 and $38.1 million in fiscal year 2016.

The recoverability assessment related to store-level assets requires judgments and estimates of future revenues, gross margin rates and store expenses. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current and future market conditions and the best information available at the assessment date. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections.

Indefinite-lived Intangible Assets and Goodwill. Indefinite-lived intangible assets, such as our Neiman Marcus, Bergdorf Goodman and MyTheresa tradenames and goodwill, are not subject to amortization. Rather, we assess the recoverability of indefinite-lived intangible assets and goodwill in the fourth quarter of each fiscal year and upon the occurrence of certain events.

The recoverability assessment with respect to each of the tradenames used in our operations requires us to estimate the fair value of the asset as of the assessment date. Such determination is made using discounted cash flow techniques (Level 3 determination of fair value). Significant inputs to the valuation model include:

- future revenue and profitability projections associated with the tradename;

- estimated market royalty rates that could be derived from the licensing of our tradenames to third parties in order to establish the cash flows accruing to the benefit of the Company as a result of our ownership of our tradenames; and
- rate used to discount the estimated royalty cash flow projections to their present value (or estimated fair value).

If the recorded carrying value of the tradename exceeds its estimated fair value, an impairment charge is recorded to write the tradename down to its estimated fair value. We currently estimate that the fair value of our tradenames decreases by approximately $289 million for each 0.5% decrease in market royalty rates and by approximately $58 million for each 0.25% increase in the weighted average cost of capital. Based upon the review of our tradenames, we determined certain of our tradenames were impaired and recorded impairment charges aggregating $309.7 million in fiscal year 2017 and $228.9 million in fiscal year 2016.

Pursuant to current accounting guidance related to the testing of goodwill for impairment adopted in the fourth quarter of fiscal year 2017, the assessment of the recoverability of the goodwill associated with our Neiman Marcus, Bergdorf Goodman and MyTheresa reporting units involves the comparison of the estimated enterprise fair value of each of our reporting units to its recorded carrying value. We estimate the enterprise fair value based on discounted cash flow techniques (Level 3 determination of fair value). Significant inputs to the valuation model include:

- estimated future cash flows;
- growth assumptions for future revenues as well as future gross margin rates, expense rates, capital expenditures and other estimates; and
- rate, based on our estimated weighted average cost of capital, used to discount our estimated future cash flow projections to their present value (or estimated fair value).

If the recorded carrying value of a reporting unit exceeds its estimated enterprise fair value, an impairment charge is recorded to goodwill for the amount by which the carrying amount exceeds the reporting unit's fair value. We currently estimate that a 5% decrease in the estimated fair value of the enterprise value of each of our reporting units as compared to the values used in the preparation of these financial statements would increase the impairment charge related to goodwill by approximately $275 million. In addition, we currently estimate that the fair value of our goodwill decreases by approximately $207 million for each 0.25% increase in the discount rate used to estimate fair value. Based upon the review of our recorded goodwill balances, we determined that certain of our goodwill balances were impaired and recorded impairment charges aggregating $196.2 million in fiscal year 2017.

Prior to the adoption of the new accounting guidance, our assessment process involved a second step in which we allocated the enterprise fair value to the fair value of the reporting unit's net assets. Any enterprise value in excess of amounts allocated to such net assets represented the implied fair value of goodwill for that reporting unit. If the carrying value of goodwill for a reporting unit exceeded the implied fair value of goodwill, an impairment charge was recorded to write goodwill down to its fair value. The assessment performed in the fourth quarter of fiscal year 2016 was performed utilizing the two-step process. Based on this process, we determined that certain of our goodwill balances were impaired and recorded impairment charges aggregating $199.2 million in fiscal year 2016.

The impairment testing process related to our indefinite-lived intangible assets is subject to inherent uncertainties and subjectivity. The use of different assumptions, estimates or judgments with respect to the estimation of the projected future cash flows and the determination of the discount rate used to reduce such projected future cash flows to their net present value could materially increase or decrease any related impairment charge. We believe our estimates are appropriate based upon current and future market conditions and the best information available at the assessment date. However, future impairment charges could be required if we do not achieve our current cash flow, revenue and profitability projections, market royalty rates decrease or the weighted average cost of capital increases.

Benefit Plans. We sponsor a defined benefit pension plan ("Pension Plan"), an unfunded supplemental executive retirement plan ("SERP Plan") which provides certain employees additional pension benefits and a postretirement plan providing eligible employees limited postretirement health care benefits ("Postretirement Plan"). In calculating our obligations and related expense, we make various assumptions and estimates, after consulting with outside actuaries and advisors. The annual determination of expense involves calculating the estimated total benefits ultimately payable to plan participants. We utilize a spot rate methodology in the estimation of the interest cost component of net periodic benefit cost, which uses the individual spot rates along the yield curve corresponding to benefit payments. The Pension Plan, SERP Plan and Postretirement

Plan are valued as of the end of each fiscal year. As of the third quarter of fiscal year 2010, benefits offered to all employees under our Pension Plan and SERP Plan were frozen.

Significant assumptions related to the calculation of our obligations include the discount rates used to calculate the present value of benefit obligations to be paid in the future, the expected long-term rate of return on assets held by the Pension Plan and the health care cost trend rate for the Postretirement Plan. We review these assumptions annually based upon currently available information, including information provided by our actuaries.

Significant assumptions utilized in the calculation of our projected benefit obligations as of July 29, 2017 and future expense requirements for our Pension Plan, SERP Plan and Postretirement Plan, and sensitivity analysis related to changes in these assumptions, are as follows:

			Using Sensitivity Rate	
	Actual Rate	Sensitivity Rate Increase/(Decrease)	(Decrease)/ Increase in Liability (in millions)	Increase in Expense (in millions)
Pension Plan:				
Discount rate	3.80%	0.25 %	$ (18.5)	$ 0.2
Expected long-term rate of return on plan assets	5.50%	(0.50)%	N/A	$ 1.9
SERP Plan:				
Discount rate	3.69%	0.25 %	$ (2.8)	$ 0.1
Postretirement Plan:				
Discount rate	3.71%	0.25 %	$ (0.2)	$ —
Ultimate health care cost trend rate	5.00%	1.00 %	$ 0.8	$ —

Stock Compensation. At the date of grant, the stock option exercise price equals or exceeds the fair market value of Parent's common stock. Because Parent is privately held and there is no public market for its common stock, the fair market value of Parent's common stock is determined by the Board of Directors of Parent (the "Parent Board") or the Compensation Committee, as applicable, at the time option grants are awarded. The estimate of the fair market value of Parent's common stock utilizes both discounted cash flow techniques and the review of market data and involves assumptions regarding a number of complex and subjective variables. Significant inputs to the common stock valuation model include:

- future revenue, cash flow and/or profitability projections;
- growth assumptions for future revenues as well as future gross margin rates, expense rates, capital expenditures and other estimates;
- rates, based on our estimated weighted average cost of capital, used to discount the estimated cash flow projections to their present value (or estimated fair value);
- recent transactions and valuation multiples for publicly held companies deemed similar to Parent;
- economic conditions and other factors deemed material to the valuation process; and
- valuations of Parent performed by third parties.

Newly Adopted and Recent Accounting Pronouncements

For information with respect to newly adopted and recent accounting pronouncements and the impact of these pronouncements on our Consolidated Financial Statements, see Note 1 of the Notes to Consolidated Financial Statements in Item 15.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report.

1. Financial Statements

Not applicable.

2. Index to Financial Statement Schedules

Not applicable.

3. Exhibits

Exhibit		Method of Filing
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Interim Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEIMAN MARCUS GROUP LTD LLC

By: /s/ T. DALE STAPLETON

T. Dale Stapleton
Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer

Dated: October 10, 2017

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Karen W. Katz, certify that:

1. I have reviewed this annual report on Form 10-K/A of Neiman Marcus Group LTD LLC;

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.

Date: October 10, 2017

/s/ KAREN W. KATZ

Karen W. Katz
President and Chief Executive Officer

EXHIBIT 31.2

Certification of Interim Chief Financial Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, T. Dale Stapleton, certify that:

1. I have reviewed this annual report on Form 10-K/A of Neiman Marcus Group LTD LLC;

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.

Date: October 10, 2017

/s/ T. DALE STAPLETON

T. Dale Stapleton

Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer