TUESDAY MORNING CORPORATION
NON-GAAP FINANCIAL MEASURES
(Unaudited)

The Company defines EBITDA as net income or net loss before interest, income taxes, depreciation, and amortization. Adjusted EBITDA reflects further adjustments to EBITDA to eliminate the impact of certain items, including certain non-cash items and other items that the Company believes are not representative of its core operating performance. These measures are not presentations made in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income or loss as a measure of operating performance. In addition, EBITDA and Adjusted EBITDA are not presented as, and should not be considered as, alternatives to cash flows as a measure of liquidity. EBITDA and Adjusted EBITDA should not be considered in isolation, or as substitutes for analysis of the Company's results as reported under GAAP and Adjusted EBITDA should not be construed as an inference that the Company's future results will be unaffected by such adjustments. The Company believes it is useful for investors to see these EBITDA and Adjusted EBITDA measures that management uses to evaluate the Company's operating performance. These non-GAAP financial measures are included to supplement the Company's financial information presented in accordance with GAAP and because the Company uses these measures to monitor and evaluate the performance of its business as a supplement to GAAP measures and believes the presentation of these non-GAAP measures enhances investors' ability to analyze trends in the Company's business and evaluate the Company's performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in the Company's industry. The non-GAAP measures presented in this press release may not be comparable to similarly titled measures used by other companies.

<u>Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA:</u>

The following table reconciles net loss, the most directly comparable GAAP financial measure, to EBITDA and Adjusted EBITDA, both of which are non-GAAP financial measures:

(unaudited - in thousands)	*Three Months Ended June 30,*		*Twelve Months Ended June 30,*	
	2018	2017	2018	2017
Net loss (GAAP)	$ (10,296)	$ (17,321)	$ (21,938)	$ (32,542)

Depreciation and amortization	6,585	5,714	25,672	21,349
Interest expense, net	580	416	2,030	1,443
Income tax provision/(benefit)	292	84	(139)	197
EBITDA (non-GAAP)	$ (2,839)	$ (11,107)	$ 5,625	$ (9,553)
Share-based compensation expense (1)	703	960	3,433	4,184
Cease-use rent expense (2)	89	575	487	1,135
Phoenix distribution center related expenses (3)	—	—	—	2,196
Stockholder nominations related expenses (4)	—	—	408	—
Gain on sale of assets (5)	—	(185)	(371)	(741)
Adjusted EBITDA (non-GAAP)	$ (2,047)	$ (9,757)	$ 9,582	$ (2,779)

(1) Adjustment includes charges related to share-based compensation programs, which vary from period to period depending on volume, timing, and vesting of awards. The Company adjusts for these charges to facilitate comparisons from period to period.

(2) Adjustment includes accelerated rent expense recognized in relation to closing stores prior to lease termination. Favorable lease buyout agreements were negotiated and executed in fiscal 2018, resulting in the reversal of $0.7 million previously recorded accelerated cease-use rent expense. While accelerated rent expense may occur in future periods, the amount and timing of such expenses will vary from period to period.

(3) Adjustment includes only certain expenses related to the Phoenix distribution center preparation, ramp up and post go-live activities, including incremental detention costs and certain consulting costs.

(4) Adjustment includes only certain incremental expenses which relate to the stockholder nominations as described in the Company's Preliminary and Definitive Proxy Statements filed with the SEC on September 25, 2017 and October 5, 2017, respectively.

(5) Adjustment includes the gain recognized from the sale-leaseback transaction which occurred in the fourth quarter of fiscal 2016.