



Bluestem Group Inc. Announces Unaudited Consolidated First Quarter and Fiscal Year 2017 Earnings Results

Eden Prairie, MN – June 20, 2017 – Bluestem Group Inc. ("Bluestem Group" or the "Company") (OTCMKTS: BGRP) today reported unaudited consolidated financial results that include its wholly-owned subsidiary, Bluestem Brands, Inc. and its subsidiaries ("Bluestem"), for the 13-weeks ended May 5, 2017 and April 29, 2016. We refer to the 13-week periods in this release as the "first quarter". Bluestem is a multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving the boomer and senior demographic, generally considered age 50 and over, and low- to middle-income consumers across all age demographics.

"Bluestem produced stable year-over-year results in the first quarter of 2017. Topline revenue was flat to last year and adjusted EBITDA improved slightly. We continue to make good progress on our turnaround plan and identified an incremental \$5 million of in-year 2017 savings, bringing the total 2017 savings to \$50 million. The credit portfolio remains a key focus, although we are still seeing the effects of increased sub-prime credit supply on portfolio performance and higher losses persisted in the quarter. We believe we are taking the appropriate steps to improve the portfolio performance and are beginning to see lower delinquency rates in our new vintages," said Steve Nave, Bluestem Group's President and Chief Executive Officer.

First Quarter Fiscal 2017 Bluestem Group Consolidated Highlights

- Net loss for the first quarter of fiscal 2017 was \$43.0 million compared to net loss of \$33.8 million for the first quarter of fiscal 2016. Basic and diluted loss per share was \$0.33 for the first quarter of fiscal 2017 compared to basic and diluted loss per share of \$0.25 for the first quarter of fiscal 2016. Restructuring costs of \$17.0 million were incurred during the first quarter of fiscal 2017.
- Adjusted EBITDA for the first quarter of fiscal 2017 was \$6.3 million compared to adjusted EBITDA of \$1.6 million for the first quarter of fiscal 2016.
- Capmark Portfolio asset proceeds for the first quarter of fiscal 2017 were \$10.3 million. At the end of the first quarter of fiscal 2017, the Company had \$14.0 million in net Capmark Portfolio assets remaining versus \$23.0 million at the end of the fourth quarter of fiscal 2016.
- Cash and cash equivalents were \$115.8 million as of May 5, 2017. A special dividend of \$80.0 million was paid during the first quarter of fiscal 2017.

First Quarter Fiscal 2017 Bluestem Brands Stand-Alone Highlights

- Net sales for the first quarter of fiscal 2017 were \$427.6 million compared to net sales of \$428.5 million for the first quarter of fiscal 2016.
- Net loss for the first quarter of fiscal 2017 was \$30.5 million compared to net loss of \$19.2 million for the first quarter of fiscal 2016.
- Bluestem's adjusted EBITDA for the first quarter of fiscal 2017 was \$5.8 million compared to adjusted

EBITDA of \$3.7 million for the first quarter of fiscal 2016.

- Northstar Portfolio net sales for the first quarter of fiscal 2017 were \$187.0 million, an increase of 2.1% compared to \$183.2 million for the first quarter of fiscal 2016.
- Orchard Portfolio's net sales for the first quarter of fiscal 2017 were \$245.8 million, a decrease of 1.4% compared to \$249.3 million for the first quarter of fiscal 2016.
- Northstar Portfolio active accounts were 1.6 million as of the end of the first quarter of fiscal 2017, a decrease of 6.1% compared to 1.7 million as of the end of the first quarter of fiscal 2016.
- Orchard Portfolio's gross active customers were 7.8 million as of the end of the first quarter of fiscal 2017 and 2016.
- 30+ day delinquent balances on the Northstar Portfolio revolving portfolio were 16.9% at the end of the first quarter of fiscal 2017 compared to 15.9% for the first quarter of fiscal 2016.
- Net principal charge-off rate on the revolving portfolio was 19.6% for the first quarter of fiscal 2017 compared to 17.5% for the first quarter of fiscal 2016.

All financial information included in this release is unaudited. Information for Bluestem Group is presented on a consolidated basis. Consolidated information for Bluestem Group's wholly-owned subsidiary, Bluestem Brands, Inc., is also presented on a stand-alone basis.

*Adjusted EBITDA is defined in the accompanying financial information of Bluestem Group and Bluestem Brands. Please see "**Bluestem Group Inc. and Bluestem Brands, Inc. Financial Information-Overview and Basis of Presentation**" below and accompanying disclosures for a more detailed explanation of the foregoing matters, reconciliations to results reported under GAAP and other important information for investors to consider.*

Earnings Teleconference Information

The Company will host a conference call at 8:00 AM ET on June 21, 2017. The conference call can be accessed at (888) 516-2447 or (719) 325-2314 (International), conference ID #8256912 and will be broadcast simultaneously at <http://www.bluestem.com/investor-relations>. Following completion of the call, a recorded replay of the webcast will be available on Bluestem's website. To listen to the telephone replay, call toll-free (844) 512-2921 or (412) 317-6671 (International), replay pin #8256912. The telephone replay will be available at 11:00AM ET June 21, 2017. Additional investor information can be accessed at <http://www.bluestem.com/investor-relations>.

About Bluestem Group

Bluestem Group Inc. is a holding company whose businesses include Bluestem Brands, a national, multi-brand, online retailer of a broad selection of name-brand and private label general merchandise serving the boomer and senior demographic, generally considered age 50 and over, and low- to middle-income consumers over all age demographics through 14 retail brands that include: Appleseed's, Bedford Fair, Blair, Draper's & Damon's, Fingerhut, Gettington, Gold Violin, Haband, LinenSource (currently in the process of exiting), Norm Thompson, Old Pueblo Traders, Sahalie, Tog Shop and Wintersilks. Complementing each brand is a large selection of merchandise with payment options that provide customers with the flexibility of paying over time. Bluestem Group is headquartered in Eden Prairie, MN. For additional information visit the Bluestem Group website at www.bluestem.com.

Forward Looking Statements

This release contains statements that are “forward-looking statements”. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. All statements contained herein that are not clearly historical in nature are forward-looking. In some cases, you can identify these statements by use of forward-looking words such as “may,” “will,” “should,” “anticipate,” “estimate,” “expect,” “plan,” “believe,” “predict,” “potential,” “project,” “intend,” “could” or similar expressions. In particular, statements regarding Bluestem Group’s plans, strategies, prospects and expectations regarding its business are forward-looking statements. You should be aware that these statements and any other forward-looking statements in this document only reflect Bluestem Group’s beliefs, assumptions and expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Many of these risks, uncertainties and assumptions are beyond Bluestem Group’s control and may cause actual results and performance to differ materially from Bluestem Group’s expectations. Forward-looking statements are based on Bluestem Group’s beliefs, assumptions and expectations of its future performance and actions, taking into account all information currently available to Bluestem Group. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to Bluestem Group or are within its control. If a change occurs, Bluestem Group’s plans, business, financial condition, and liquidity may vary materially from those expressed in its forward-looking statements. Important factors that could cause the actual results to be materially different from Bluestem Group’s expectations include the risks and uncertainties set forth in “Risk Factors” in Bluestem Group’s Report as of and for the fiscal years ended February 3, 2017 and January 29, 2016.

Accordingly, you should not place undue reliance on the forward-looking statements contained in this release. These forward-looking statements are made only as of the date of this release. Bluestem Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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BLUESTEM GROUP INC.
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**BLUESTEM GROUP INC.
BLUESTEM BRANDS, INC.
FINANCIAL INFORMATION**

13-weeks ended May 5, 2017 and April 29, 2016

Overview and Basis of Presentation

As used in this release:

- “Bluestem Group,” “we,” “us,” “our,” or “the Company” refers to Bluestem Group Inc. with its consolidated subsidiaries
- “BGI Holding Company” refers to the Bluestem Group Inc. legal entity, excluding its subsidiaries
- “Bluestem” refers to Bluestem Brands, Inc., an indirect subsidiary of Bluestem Group Inc., which consists of the Northstar Portfolio of retail brands, the Orchard Portfolio of retail brands and PayCheck Direct (which was exited in the first quarter of fiscal 2017 and currently is winding down)
- “Northstar Portfolio” refers to the consolidated Fingerhut and Gettington retail brands
- “Orchard Portfolio” refers to the consolidated Appleseed’s, Bedford Fair, Blair, Draper’s & Damon’s, Gold Violin, Haband, LinenSource (currently in the process of exiting), Norm Thompson, Old Pueblo Traders, Sahalie, Solutions (which was exited in the fourth quarter of fiscal 2016), Tog Shop, and WinterSilks retail brands
- “Capmark Portfolio” refers to the commercial real estate finance operations of Bluestem Group Inc.

The accompanying financial information for Bluestem Group Inc. is presented on a consolidated basis, including Bluestem Brands, Inc. and its consolidated subsidiaries. The accompanying financial information for Bluestem Group’s wholly-owned subsidiary, Bluestem, is also presented on a stand-alone basis. All financial information included in this release is unaudited.

The Company reviews and presents the consolidated business results based on the organizational structure management uses to evaluate performance and make decisions on allocating resources and assessing performance. Beginning in fiscal 2017, the consolidated business results are presented in three categories: Northstar Portfolio, Orchard Portfolio, and Corporate and other.

Financial Information

To supplement the historical financial data derived from Bluestem Group’s and Bluestem’s consolidated financial statements, which are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), this release uses adjusted EBITDA as a non-GAAP performance measure. In addition, Bluestem’s stand-alone consolidated financial statements includes contribution margin, adjusted general and administrative expenses, free cash flow, program agreement adjusted EBITDA, lender adjusted EBITDA, leverage ratio debt, program agreement leverage ratio, lender leverage ratio, working capital, adjusted working capital, program agreement net liquidity and lender net liquidity as non-GAAP performance measures. These measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP. Please see the accompanying report on Bluestem Group’s and Bluestem’s results for further important information concerning these measures.



**Bluestem Group Inc.
Results for the 13-Weeks Ended May 5, 2017**

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Comprehensive Income
(unaudited - in thousands, except shares and per share amounts)

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Net sales and revenue		
Net sales	\$ 427,622	\$ 428,516
Commercial real estate revenue	1,704	538
Total net sales and revenue	429,326	429,054
Costs and expenses		
Cost of goods sold	223,819	214,717
Sales and marketing expenses	123,045	132,999
Net credit expense	29,936	17,177
General and administrative expenses	66,334	66,948
Amortization and depreciation not included in cost of goods sold	15,413	16,234
Loss on impairment	230	—
Gain on derivatives in our own equity	—	(548)
Total costs and expenses	458,777	447,527
Operating loss	(29,451)	(18,473)
Interest expense, net	12,865	13,523
Loss before income taxes	(42,316)	(31,996)
Income tax expense	707	1,760
Net loss	\$ (43,023)	\$ (33,756)
Other comprehensive loss		
Unrealized loss on interest rate swap, net of tax	(235)	(336)
Net change in unrealized gains/losses on investments securities, net of tax	—	(231)
Comprehensive loss	\$ (43,258)	\$ (34,323)
Basic and diluted loss per share - common stockholders		
Basic and diluted loss per share	\$ (0.33)	\$ (0.25)
Basic and diluted weighted average shares outstanding	132,036,278	135,522,684

BLUESTEM GROUP INC.
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

	May 5, 2017	February 3, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,774	\$ 212,942
Restricted cash	16,037	15,797
Customer accounts receivable, net of allowance of \$18,440 and \$17,041	40,101	50,053
Merchandise inventories	217,964	229,970
Promotional material inventories	60,966	49,730
Other current assets	29,511	39,135
Total current assets	480,353	597,627
Property and equipment, net	121,133	130,065
Intangibles, net	204,278	208,563
Goodwill	202,556	202,556
Other assets	15,339	41,926
Total Assets	\$ 1,023,659	\$ 1,180,737
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 177,169	\$ 221,539
Accrued costs and other liabilities	95,581	154,095
Short-term debt	63,342	47,500
Total current liabilities	336,092	423,134
Long-term debt	439,526	468,924
Deferred income taxes	37,635	37,474
Other long-term liabilities	38,696	37,470
Total liabilities	851,949	967,002
Stockholders' Equity:		
Series A participating convertible preferred stock	5,000	5,000
Common stock	1,323	1,323
Treasury stock	(131)	(131)
Additional paid-in capital	291,169	289,789
Retained earnings	(126,037)	(82,867)
Accumulated other comprehensive income, net of tax	386	621
Total stockholders' equity	171,710	213,735
Total Liabilities and Stockholders' Equity	\$ 1,023,659	\$ 1,180,737

BLUESTEM GROUP INC.
Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands)

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Operating Activities		
Net loss	\$ (43,023)	\$ (33,756)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation expense	16,801	17,427
Loss on impairment	230	—
Provision for doubtful accounts	18,152	6,079
Provision for deferred income taxes	161	909
Loss on servicing right	1,250	—
Net gains on loans held for sale, investment securities and other	(1,404)	(168)
Stock-based compensation expense	1,346	1,200
Other, net	1,310	991
Net change in assets and liabilities:		
Customer account receivables	3,762	(642)
Merchandise inventories	12,006	(12,008)
Promotional material inventories	(11,236)	(19,534)
Other assets	10,062	(4,208)
Accounts payable and other liabilities	(23,185)	(5,195)
Payments from loans held for sale	—	43
Net cash used in operating activities	(13,768)	(48,862)
Investing Activities		
Purchases of customer accounts receivable	(193,394)	(193,775)
Proceeds from sale of customer accounts receivable	181,432	193,806
Net purchases of property and equipment	(3,788)	(15,287)
Distributions from equity investments	4,430	3,815
Net decrease (increase) in restricted cash	(240)	2,963
Other	(13)	—
Net cash used in investing activities	(11,573)	(8,478)
Financing Activities		
Repayments of debt	(7,200)	(7,554)
Borrowings on asset backed line of credit	130,999	278,427
Repayments on asset backed line of credit	(115,598)	(207,545)
Payments for the repurchase of common stock	—	(12,553)
Payment of dividends	(80,023)	—
Net cash (used in) provided by financing activities	(71,822)	50,775
Effect of Foreign Exchange Rates on Cash	(5)	53
Net Increase (Decrease) in Cash and Cash Equivalents	(97,168)	(6,512)
Cash and Cash Equivalents, Beginning of Period	212,942	185,944
Cash and Cash Equivalents, End of Period	\$ 115,774	\$ 179,432

BLUESTEM GROUP INC.
Non-GAAP Financial Measure
(unaudited - in thousands)

To supplement the consolidated financial statements of Bluestem Group Inc. and its subsidiaries, which are presented in accordance with GAAP, we use the following measure that is not in accordance with, or an alternative to, measures prepared in accordance with GAAP ("non-GAAP measure"):

Adjusted EBITDA, as presented, represents net loss attributable to Bluestem Group Inc. before income tax expense, interest expense, net, amortization and depreciation expense, loss on impairment, loss on servicing right, stock-based compensation expense, gain on derivatives in our own equity, integration costs, restructuring costs and other.

We provide this measure because we believe it is useful to investors in evaluating our operating performance compared to other companies in our industry. As a non-GAAP measure, it has limitations in that it does not reflect all of the amounts associated with Bluestem Group Inc.'s results of operations as determined in accordance with GAAP and is not based on any comprehensive set of accounting rules or principles. This non-GAAP measure should be considered along with the GAAP financial presentation and should not be considered in isolation or as a substitute for results reported in accordance with GAAP. In addition, our calculation of Adjusted EBITDA may not be comparable to the calculation of such measure by other companies.

The following table reconciles Adjusted EBITDA from the nearest GAAP performance measure, which is net loss:

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Adjusted EBITDA:		
Net loss	\$ (43,023)	\$ (33,756)
Income tax expense	707	1,760
Interest expense, net	12,865	13,523
Amortization and depreciation expense	16,801	17,318
Loss on impairment	230	—
Loss on servicing right	1,250	—
Stock-based compensation expense	1,346	1,200
Gain on derivatives in our own equity	—	(548)
Integration costs	—	2,069
Restructuring costs	14,142	—
Other	1,977	—
Adjusted EBITDA	\$ 6,295	\$ 1,566



Bluestem Brands, Inc.
Results for the 13-Weeks Ended May 5, 2017

BLUESTEM BRANDS, INC.
Condensed Consolidated Statements of Comprehensive Income and Selected Operating Data
(unaudited - in thousands)

	13-Weeks Ended		Change ^(a)
	May 5, 2017	April 29, 2016	
Net sales	\$ 427,622	\$ 428,516	(0.2)%
Cost of goods sold	223,819	214,717	4.2 %
Gross profit	203,803	213,799	(4.7)%
Sales and marketing expenses	123,045	132,999	(7.5)%
Net credit expense	33,702	17,177	96.2 %
General and administrative expenses	65,035	64,960	0.1 %
Amortization and depreciation not included in cost of goods sold ^(b)	15,413	16,234	(5.1)%
Loss on impairment	230	—	n/m
Interest expense, net ^(c)	12,865	13,523	(4.9)%
Loss before income taxes	(46,487)	(31,094)	49.5 %
Income tax benefit	(16,034)	(11,923)	34.5 %
Net loss	\$ (30,453)	\$ (19,171)	58.8 %

Margins and Expenses as a Percentage of Net Sales:

Gross profit	47.7%	49.9%	(220) bps
Sales and marketing expenses	28.8%	31.0%	(220) bps
Net credit expense	7.9%	4.0%	390 bps
Contribution margin ^(d)	\$ 47,056	\$ 63,623	(26.0)%
As a percentage of net sales	11.0%	14.8%	(380) bps
Adjusted general and administrative expenses ^(d)	\$ 49,664	\$ 61,168	(18.8)%
As a percentage of net sales	11.6%	14.3%	(270) bps
Adjusted EBITDA ^(d)	\$ 5,779	\$ 3,666	57.6 %
As a percentage of net sales	1.4%	0.9%	50 bps

Selected Financial Data:

Lender net liquidity ^(d)	\$ 86,247	\$ 66,120	30.4 %
Availability on inventory line of credit	\$ 81,605	\$ 63,357	28.8 %
Free cash flow ^(d)	\$ 4,702	\$ (1,261)	(472.9)%
Lender leverage ratio ^(d)	3.54	4.16	(14.9)%
Lender leverage ratio requirement	4.50	4.75	
Program agreement leverage ratio ^(d)	3.89	4.16	(6.5)%
Program agreement leverage ratio requirement	5.00	5.00	

Selected Operating Data:

Northstar Portfolio revolving new customer credit accounts ^(e)	90	120	(25.0)%
Fingerhut FreshStart new customer credit accounts ^(e)	54	51	5.9 %
Orchard Portfolio new gross customers ^(f)	652	701	(7.0)%
Northstar Portfolio active accounts ^(g)	1,577	1,680	(6.1)%
Orchard Portfolio gross active customers ^(h)	7,807	7,799	0.1 %

(a) Changes in rates are presented as the basis point ("bps") increase (decrease) from the prior period.

(b) Consists of amortization expense of customer relationship finite-lived intangible assets. Depreciation expense related to software, owned fulfillment facilities and equipment in Bluestem's fulfillment facilities are included in cost of goods sold.

(c) Interest expense is net of interest income.

(d) Please refer to the "Bluestem Brands, Inc. - Non-GAAP Financial Measures" within this release for a reconciliation of non-GAAP financial measures to GAAP and why Bluestem believes these are important measures of its performance.

(e) Customers that have made their initial order on account during the fiscal period presented. Revolving new customer credit accounts excludes FreshStart graduates initially included in FreshStart new customer credit accounts when their initial order was made.

(f) Individual customers who have made a first time purchase from a particular brand within the Orchard Portfolio during the period presented. Unique new customers, representing unique individuals who have made a first time purchase from the Orchard Portfolio during the 13-weeks ended May 5, 2017 and April 29, 2016, were 219 thousand and 234 thousand, respectively.

(g) Revolving credit customers that have made at least one purchase on account within the previous twelve fiscal months and at least one payment on account since origination.

(h) Individual customers that have made at least one purchase from a particular brand within the previous twelve fiscal months. Unique active customers, representing unique individuals who have made at least one purchase from the Orchard Portfolio during the twelve fiscal months ended May 5, 2017 and April 29, 2016, were 4.7 million and 5.0 million, respectively.

BLUESTEM BRANDS, INC.
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

	May 5, 2017	February 3, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,173	\$ 7,916
Restricted cash	15,953	15,713
Customer accounts receivable, net of allowance of \$8,887 and \$17,041	7,699	50,053
Merchandise inventories	217,964	229,970
Promotional material inventories	60,966	49,730
Prepaid expenses and other assets	24,545	27,896
Total current assets	341,300	381,278
Property and equipment, net	121,133	130,065
Intangible assets, net	204,278	208,563
Goodwill	202,556	202,556
Other assets	3,075	3,514
Total Assets	\$ 872,342	\$ 925,976
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 177,169	\$ 221,539
Current income taxes payable	26,818	34,059
Accrued costs and other liabilities	109,711	83,055
Short-term debt	63,342	47,500
Total current liabilities	377,040	386,153
Long-term debt	439,309	445,736
Deferred income taxes	48,356	56,758
Other long-term liabilities	31,013	29,870
Total liabilities	895,718	918,517
Stockholders' equity:		
Common stock	—	—
Additional paid-in capital	369,602	369,602
Retained earnings	(393,364)	(362,764)
Accumulated other comprehensive loss, net of tax	386	621
Total stockholders' equity	(23,376)	7,459
Total Liabilities and Stockholders' Equity	\$ 872,342	\$ 925,976

BLUESTEM BRANDS, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands)

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Operating Activities		
Net loss	\$ (30,453)	\$ (19,171)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization and depreciation expense	16,801	17,427
Loss on impairment	230	—
Provision for doubtful accounts	21,919	6,079
Provision for deferred income taxes	(8,402)	(2,674)
Loss on servicing right	1,250	—
Stock-based compensation expense	1,234	1,082
Other, net	1,175	1,377
Net change in assets and liabilities:		
Customer accounts receivable	2,905	(642)
Merchandise inventories	12,006	(12,008)
Promotional material inventories	(11,236)	(19,534)
Prepaid expenses and other assets	3,654	(2,540)
Current income taxes payable	(7,241)	(9,586)
Accounts payable and other liabilities	(19,288)	(8,208)
Net cash used in operating activities	(15,446)	(48,398)
Investing Activities		
Purchase of customer accounts receivable	(193,394)	(193,775)
Proceeds from sale of customer accounts receivable	210,924	193,806
Net purchase of property and equipment	(3,788)	(15,287)
Net decrease (increase) in restricted cash	(240)	2,963
Net cash provided by (used in) investing activities	13,502	(12,293)
Financing Activities		
Repayments of debt	(7,200)	(7,511)
Borrowings on asset backed line of credit	130,999	278,427
Repayments on asset backed line of credit	(115,598)	(207,545)
Net cash provided by financing activities	8,201	63,371
Net Decrease in Cash and Cash Equivalents	6,257	2,680
Cash and Cash Equivalents, Beginning of Period	7,916	11,870
Cash and Cash Equivalents, End of Period	\$ 14,173	\$ 14,550

BLUESTEM BRANDS, INC.
Supplemental Financial Information - Segment Net Sales
(unaudited - in thousands, except average order size)

	13-Weeks Ended				
	May 5, 2017		April 29, 2016		Change
	\$	% of Sales	\$	% of Sales	
Total sales by merchandise category:					
Home	\$ 106,529	23.1%	\$ 114,278	24.4%	(6.8)%
Entertainment	73,110	15.8%	70,330	15.0%	4.0 %
Fashion	281,897	61.1%	283,611	60.6%	(0.6)%
Total merchandise sales^(a)	461,536	100.0%	468,219	100.0%	(1.4)%
Corporate and other ^(b)	(5,226)		(3,938)		
Returns and allowances	(47,689)		(53,138)		(10.3)%
Commissions and other revenues	19,001		17,373		9.4 %
Net sales	\$ 427,622		\$ 428,516		(0.2)%
Gross profit rate	47.7 %		49.9 %		(220) bps
Sales and marketing expense	28.8 %		31.0 %		(220) bps
Contribution margin rate ^(c)	11.0 %		14.8 %		(380) bps
Average order size ^(d)	\$ 106		\$ 107		
Northstar Portfolio sales by merchandise category:					
Home	\$ 88,983	45.9%	\$ 91,137	47.6%	(2.4)%
Entertainment	73,110	37.7%	70,330	36.7%	4.0 %
Fashion	31,833	16.4%	30,143	15.7%	5.6 %
Total merchandise sales^(a)	193,926	100.0%	191,610	100.0%	1.2 %
Returns and allowances	(11,166)		(12,745)		(12.4)%
Commissions and other revenues	4,286		4,312		(0.6)%
Net sales	\$ 187,046		\$ 183,177		2.1 %
Gross profit rate	42.3 %		44.4 %		(210) bps
Sales and marketing expense	15.3 %		20.8 %		(550) bps
Contribution margin rate ^(c)	13.1 %		14.9 %		(180) bps
Average order size ^(d)	\$ 224		\$ 230		
Orchard Portfolio sales by merchandise category:					
Home	\$ 17,546	6.6%	\$ 23,141	8.4%	(24.2)%
Fashion	250,064	93.4%	253,468	91.6%	(1.3)%
Total merchandise sales^(a)	267,610	100.0%	276,609	100.0%	(3.3)%
Returns and allowances	(36,523)		(40,393)		(9.6)%
Commissions and other revenues	14,715		13,061		12.7 %
Net sales	\$ 245,802		\$ 249,277		(1.4)%
Gross profit rate	52.6 %		55.1 %		(250) bps
Sales and marketing expense	39.4 %		38.1 %		130 bps
Contribution margin rate ^(c)	13.2 %		17.1 %		(390) bps
Average order size ^(d)	\$ 75		\$ 76		

(a) Total merchandise sales includes shipping and handling revenue and is net of sales discounts.

(b) Corporate and other consist of adjustments to Bluestem's net sales related to in-transit product sales from shipping point to estimated time of delivery to the customer, net sales of PayCheck Direct and the elimination of inter-segment activities.

(c) Represents contribution margin as a percentage of net sales. Please refer to the "Bluestem Brands, Inc. - Non-GAAP Financial Measures" within this release for a reconciliation of non-GAAP financial measures to GAAP and why Bluestem believes these are important measures of its performance.

(d) Represents merchandise sales including shipping and handling revenue divided by the number of merchandise orders fulfilled during the fiscal period presented.

BLUESTEM BRANDS, INC.
Supplemental Financial Information - Credit Portfolio
(unaudited - in thousands, except average balance outstanding)

	13-Weeks Ended		
	May 5, 2017	April 29, 2016	Change
Net credit expense:			
Credit management costs	\$ 18,822	\$ 19,549	(3.7)%
Provision for doubtful accounts - company-owned customer accounts receivable ^(a)	5,940	3,794	56.6 %
Provision for doubtful accounts - loss on sale of Northstar customer accounts receivable to SCUSA	12,212	2,285	434.4 %
Provision for doubtful accounts - loss on sale of PayCheck Direct customer accounts receivable to BGI Holding Company	3,766	—	100.0 %
Provision for doubtful accounts	21,918	6,079	260.6 %
Finance charge and fee income	(1,180)	(1,568)	(24.7)%
Servicing fee income and portfolio profit sharing	(7,108)	(6,883)	3.3 %
Loss on servicing right	1,250	—	n/m
Net credit expense	\$ 33,702	\$ 17,177	96.2 %

Serviced Portfolio Selected Credit Data:

	13-Weeks Ended	
	May 5, 2017	
	Revolving ^(b)	FreshStart ^(c)
Balance active accounts	1,800	142
Average balance outstanding	\$ 776	\$ 104
Customer accounts receivable	\$ 1,395,741	\$ 14,863
Balances 30+ days delinquent ^(d)	\$ 235,428	\$ 6,141
Balances 30+ days delinquent as a percentage of total customer accounts receivable ^(e)	16.9%	41.3%
Average customer accounts receivable	\$ 1,443,936	\$ 15,761
Finance charge and fee income	\$ 94,145	\$ 1,167
Finance charge and fee income rate ^(f)	26.1%	11.4%
Net principal charge-offs	\$ 70,869	\$ 2,751
Net principal charge-off rate ^(g)	19.6%	26.7%

	13-Weeks Ended	
	April 29, 2016	
	Revolving ^(b)	FreshStart ^(c)
Balance active accounts	1,867	143
Average balance outstanding	\$ 730	\$ 114
Customer accounts receivable	\$ 1,363,342	\$ 16,393
Balances 30+ days delinquent ^(d)	\$ 216,535	\$ 7,426
Balances 30+ days delinquent as a percentage of total customer accounts receivable ^(e)	15.9%	45.3%
Average customer accounts receivable	\$ 1,407,855	\$ 17,381
Finance charge and fee income	\$ 97,541	\$ 1,502
Finance charge and fee income rate ^(f)	27.7%	14.3%
Net principal charge-offs	\$ 61,606	\$ 2,960
Net principal charge-off rate ^(g)	17.5%	28.2%

(a) Includes \$2.0 million additional provision due to the exit of PayCheck Direct.

(b) Revolving serviced portfolio includes Northstar Portfolio revolving credit accounts.

(c) FreshStart serviced portfolio is Fingerhut's installment accounts.

(d) Delinquent balances as of the customers' statement cycle dates prior to or on fiscal period end.

(e) Delinquent balances as of the customers' statement cycle dates prior to or on fiscal period end as a percentage of total customer accounts receivable as of the customers' statement cycle dates prior to or on fiscal period end.

(f) Revolving finance charge and fee income rate represents finance charge and fee income as a percentage of average customer accounts receivable for the 13-week periods ended May 5, 2017 and April 29, 2016, respectively, annualized to 52-week periods for comparability. FreshStart finance charge and fee income rate represents finance charge and fee income as a percentage of the 13 weeks of FreshStart related sales five months prior to the 13-week periods ended May 5, 2017 and April 29, 2016, respectively.

(g) Revolving net principal charge-off rate represents net principal charge-offs as a percentage of average customer accounts receivable for the 13-week periods ended May 5, 2017 and April 29, 2016, respectively, annualized to 52-week periods for comparability. FreshStart net principal charge-off rate represents net principal charge-offs as a percentage of the 13 weeks of FreshStart related sales five months prior to the 13-week periods ended May 5, 2017 and April 29, 2016, respectively.

BLUESTEM BRANDS, INC.
Non-GAAP Financial Measures
(unaudited - in thousands)

To supplement the consolidated financial information of Bluestem Brands, Inc. and its subsidiaries for the 13-weeks ended May 5, 2017, which are presented in accordance with GAAP, Bluestem uses the following measures that are not in accordance with, or an alternative to, measures prepared in accordance with GAAP ("non-GAAP measures"):

Contribution margin, as presented, is defined as net sales less cost of goods sold, sales and marketing expenses and net credit expense. Contribution Margin represents the combined performance of merchandising, marketing and credit management activities.

Adjusted general and administrative expenses, as presented, is defined as general and administrative expenses adjusted for stock-based compensation expense, integration costs, restructuring costs and other.

Adjusted EBITDA, as presented, represents net loss before income tax benefit, interest expense, net, amortization and depreciation expense, loss on impairment, loss on servicing right, stock-based compensation expense, integration costs, restructuring costs and other.

Free cash flow, as presented, represents Adjusted EBITDA, as defined above, less maintenance capital expenditures.

Program agreement adjusted EBITDA, as presented, represents Adjusted EBITDA, as defined above, plus adjustments allowed for under Bluestem's Program Agreement including certain transaction-related expected cost savings, Orchard Portfolio adjusted EBITDA prior to Bluestem's acquisition of the Orchard Portfolio, certain non-cash charges, certain one-time charges and expected cost savings reflecting the projected impact of cost synergies such as savings in print and paper, transportation, credit operations and marketing. Other includes charges such as, but not limited to or necessarily inclusive of, strategic investments, system implementations, executive recruiting and public company cost.

Lender adjusted EBITDA, as presented, represents Program Agreement Adjusted EBITDA, as defined above, less designated unrestricted subsidiaries, which consists of the subsidiary making sales for our PayCheck Direct business, and incremental expected cost savings as allowed for under Bluestem's lender agreements.

Leverage ratio debt, as presented, is defined as short-term debt plus long-term debt plus deferred charges and less cash and cash equivalents.

Program agreement leverage ratio, as presented, represents Leverage Ratio Debt, as defined above, divided by Program Agreement Adjusted EBITDA, as defined above.

Lender leverage ratio, as presented, represents Leverage Ratio Debt, as defined above, divided by Lender Adjusted EBITDA, as defined above.

Working capital, as presented, is defined as total current assets less total current liabilities.

Adjusted working capital, as presented, represents working capital, as defined above, plus current income taxes payable.

Program agreement net liquidity, as presented, is defined as cash and cash equivalents less credit card receivables ("Lender cash and cash equivalents") as defined by the lender plus availability under the asset backed line of credit.

Lender net liquidity, as presented, is defined as program net liquidity, as defined above, less unrestricted subsidiary cash as defined by the lender.

We provide these measures because we believe they are useful to investors in evaluating our operating performance and financial condition compared to other companies in our industry and to evaluate our financial condition and operating performance compared to term loan and program agreement financial covenants. As non-GAAP measures, they have limitations in that they do not reflect all of the amounts associated with Bluestem's results of operations as determined in accordance with GAAP and are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures should be considered along with the GAAP financial presentation and should not be considered in isolation or as a substitute for results reported in accordance with GAAP. In addition, our calculations of contribution margin, adjusted general and administrative expense, adjusted EBITDA, free cash flow, program agreement adjusted EBITDA, lender adjusted EBITDA, lender leverage ratio debt, program agreement leverage ratio, lender leverage ratio, working capital, adjusted working capital, and program and lender net liquidity may not be comparable to the calculations of such measures by other companies.

BLUESTEM BRANDS, INC.
Non-GAAP Financial Measures
(unaudited - in thousands)

The following table reconciles contribution margin from the nearest GAAP performance measure, which is net loss:

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Contribution margin:		
Net loss	\$ (30,453)	\$ (19,171)
Income tax benefit	(16,034)	(11,923)
Interest expense, net	12,865	13,523
Loss on impairment	230	—
Amortization and depreciation not included in cost of sales	15,413	16,234
General and administrative expenses	65,035	64,960
Contribution margin	\$ 47,056	\$ 63,623
Contribution margin % of net sales	11.0%	14.8%

The following table reconciles adjusted general and administrative expenses from the nearest GAAP performance measure, which is general and administrative expenses:

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Adjusted general and administrative expenses:		
General and administrative expenses	\$ 65,035	\$ 64,960
Less:		
Stock-based compensation expense	1,234	1,280
Integration costs	—	2,069
Restructuring costs	12,160	—
Other	1,977	443
Adjusted general and administrative expenses	\$ 49,664	\$ 61,168
Adjusted general and administrative expenses % of net sales	11.6%	14.3%

The following table reconciles adjusted EBITDA from the nearest GAAP performance measure, which is net loss:

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Adjusted EBITDA:		
Net loss	\$ (30,453)	\$ (19,171)
Income tax benefit	(16,034)	(11,923)
Interest expense, net	12,865	13,523
Amortization and depreciation expense	16,801	17,318
Loss on impairment	230	—
EBITDA	(16,591)	(253)
Loss on servicing right	1,250	—
Stock-based compensation expense	1,234	1,280
Integration costs	—	2,069
Restructuring costs	17,909	—
Other	1,977	570
Adjusted EBITDA	\$ 5,779	\$ 3,666
Adjusted EBITDA % of net sales	1.4%	0.9%

BLUESTEM BRANDS, INC.
Non-GAAP Financial Measures
(unaudited - in thousands)

The following table reconciles free cash flow from adjusted EBITDA:

	13-Weeks Ended	
	May 5, 2017	April 29, 2016
Free cash flow:		
Adjusted EBITDA	\$ 5,779	\$ 3,666
Less:		
Maintenance capital expenditures	1,077	4,927
Free cash flow	\$ 4,702	\$ (1,261)
Free cash flow % of net sales	1.1%	(0.3)%

The following table presents trailing twelve months lender adjusted EBITDA and leverage ratios:

	Trailing Twelve Fiscal Months	
	May 5, 2017	April 29, 2016
Adjusted EBITDA	\$ 92,977	\$ 127,593
Expected cost savings ^(a)	19,070	—
Orchard pre-acquisition adjusted EBITDA	—	12,134
Non-cash charges	629	282
One-time charges	858	—
Other ^(b)	16,895	6,899
Program agreement adjusted EBITDA	130,429	146,908
Unrestricted subsidiary ^(c)	10,604	—
Incremental expected cost savings ^(a,d)	2,121	—
Lender adjusted EBITDA	\$ 143,154	\$ 146,908
Leverage ratio debt:		
Short-term debt		
Current portion of term loan, net of discount	\$ 23,943	\$ 24,881
Asset backed line of credit	37,244	92,285
Capital lease obligation and other	2,155	2,173
Total short-term debt	63,342	119,339
Term loan, net of discount	437,502	481,316
Capital lease obligation	1,807	1,995
Total long-term debt	439,309	483,311
Total debt	502,651	602,650
Plus: Deferred charges	8,759	11,780
Less: Cash and cash equivalents	(4,672)	(2,763)
Leverage ratio debt	\$ 506,738	\$ 611,667
Program agreement leverage ratio	3.89	4.16
Program agreement leverage ratio requirement	5.00	5.00
Lender leverage ratio	3.54	4.16
Lender leverage ratio requirement	4.50	4.75

(a) Expected cost savings reflects the projected impact of cost synergies such as, but not limited to or necessarily inclusive of the implemented headcount reductions, catalog circulation reductions and anticipated vendor savings.

(b) Other includes charges such as, but not limited to or necessarily inclusive of, strategic investment charges, system implementation charges, executive recruiting and public company costs.

(c) Bluestem Enterprises, Inc. ("BEI"), a subsidiary of Bluestem, was designated as an unrestricted subsidiary under Bluestem's term loan agreement at the end of fiscal 2016, which requires BEI's results of operations to be excluded from Bluestem's consolidated adjusted EBITDA calculation per the term loan agreement.

(d) Due to the unrestricted subsidiary designation, incremental expected cost savings above Program Agreement threshold limitations are able to be included in lender adjusted EBITDA.

BLUESTEM BRANDS, INC.
Non-GAAP Financial Measures
(unaudited - in thousands)

The following table presents adjusted working capital and net liquidities:

	<u>May 5, 2017</u>	<u>April 29, 2016</u>
Total current assets	\$ 341,300	\$ 456,660
Total current liabilities	<u>377,040</u>	<u>427,463</u>
Working capital	\$ (35,740)	\$ 29,197
Plus: Current income taxes payable ^(e)	26,818	24,997
Adjusted working capital	<u>\$ (8,922)</u>	<u>\$ 54,194</u>
Cash & cash equivalents	\$ 14,173	\$ 14,550
Less: Third party credit card receivables	<u>9,501</u>	<u>11,787</u>
Lender cash & cash equivalents	4,672	2,763
Plus: Asset backed line availability	81,605	63,357
Program agreement net liquidity	<u>\$ 86,277</u>	<u>\$ 66,120</u>
Less: Unrestricted subsidiary cash	<u>(30)</u>	<u>—</u>
Lender net liquidity	<u>\$ 86,247</u>	<u>\$ 66,120</u>
Program agreement and lender net liquidity requirement	\$ 40,000	\$ 40,000

(e) Current income taxes payable are substantially all inter-company liabilities among entities consolidated within Bluestem Group Inc.