Michaels Companies, Inc.
Form S-1/A
June 24, 2014

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As filed with the Securities and Exchange Commission on June 24, 2014

Registration No. 333-193000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT No. 6
to

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

THE MICHAELS COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**5945**	**37-1737959**
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charles M. Sonsteby
Chief Administrative Officer and Chief Financial Officer
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David A. Fine
Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, Massachusetts 02199
Telephone: (617) 951-7000

Michael J. Veitenheimer
The Michaels Companies, Inc.
Senior Vice President General Counsel
and Secretary
8000 Bent Branch Drive
Irving, Texas 75063
Telephone: (972) 409-1300

D. Rhett Brandon
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Telephone: (212) 455-2000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee(3)**
Common Stock	31,944,445	$19.00	$606,944,455	$78,175

(1)

Includes 4,166,667 shares of common stock issuable upon exercise of the underwriters' option to purchase additional shares of common stock.

(2)

Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended, based upon an estimate of the maximum offering price.

(3)

Fee already paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated June 24, 2014

Prospectus

27,777,778 shares

The Michaels Companies, Inc.

Common Stock

This is an initial public offering of shares of Common Stock of The Michaels Companies, Inc. We are offering 27,777,778 shares of Common Stock.

Prior to this offering, there has been no public market for the Common Stock. We currently anticipate the initial public offering price of the Common Stock will be between $17.00 and $19.00 per share.

We intend to list our Common Stock on The Nasdaq Global Select Market, subject to notice of issuance, under the symbol "MIK".

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us before expenses	$	$

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See "Underwriting."

The selling stockholders identified in this prospectus have granted the underwriters an option for a period of 30 days to purchase, on the same terms and conditions as set forth above, up to an additional 4,166,667 shares of our Common Stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Investing in our Common Stock involves risks. See "Risk Factors" beginning on page 16 to read about factors you should consider before buying shares of our Common Stock.

The underwriters expect to deliver the shares of Common Stock on or about , 2014.

J.P. Morgan **Goldman, Sachs & Co.**

Barclays **Deutsche Bank Securities**

BofA Merrill Lynch **Credit Suisse** **Morgan Stanley** **Wells Fargo Securities**

Guggenheim Securities
Macquarie Capital
Nomura
Piper Jaffray
Raymond James
Stephens Inc.
SunTrust Robinson Humphrey

Ramirez & Co., Inc. **Telsey Advisory Group** **The Williams Capital Group, L.P.**

, 2014.

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus.

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Note regarding trademarks and service marks

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business, including, without limitation, "Aaron Brothers", "Aaron Brothers Art & Framing", "Artistree", "Michaels", "Michaels the Arts and Crafts Store", "Recollections", the stylized "Timeframe" logo, "Where Creativity Happens", and the stylized Michaels logos. We have registered our primary private brands including Artist's Loft, ArtMinds, Celebrate It, Creatology, Craft Smart, Recollections, Loops & Threads, Studio Décor, Bead Landing, imagin8, MiDesign@Michaels, and Ashland. Solely for convenience, some of the trademarks, service marks and trade names referred to in this prospectus are listed without the ©, ® and symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trademarks, service marks, trade names and domain names. The trademarks, service marks and trade names of other companies appearing in this prospectus are, to our knowledge, the property of their respective owners.

Note regarding market and industry data

Industry and market data included in this prospectus were obtained from our own internal data, data from industry trade publications and groups, consumer research and marketing studies and, in some cases, are management estimates based on industry and other knowledge and experience in the markets in which we operate. Our estimates have been based on information obtained from our suppliers, customers, trade and business organizations and other contacts in the markets in which we operate, including the Craft & Hobby Association ("CHA") and Interbrand. We believe these estimates to be accurate as of the date of this prospectus.

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Prospectus summary

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Common Stock. You should read the entire prospectus, including the more detailed information and the financial statements appearing elsewhere in this prospectus and the section entitled "Risk Factors." As part of the reorganization described under "The Reorganization," in July 2013 Michaels Stores, Inc. ("MSI") became an indirect, wholly-owned subsidiary of The Michaels Companies, Inc. Unless the context otherwise requires, the terms "Michaels," "our company," "the Company," "we," "us," "our" and the like refer to The Michaels Companies, Inc. and its consolidated subsidiaries. Unless otherwise indicated, (i) the information provided in this prospectus assumes the underwriters' option to purchase additional shares is not exercised and (ii) references to our Common Stock contained in this prospectus give effect to a 1.476-for-one stock split effected on June 6, 2014.

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to January 31. References to fiscal year mean the year in which that fiscal year began. Fiscal 2013 ended on February 1, 2014, fiscal 2012 ended on February 2, 2013, and fiscal 2011 ended on January 28, 2012. Fiscal 2013 and 2011 contain 52 weeks and fiscal 2012 contains 53 weeks. References to "the first quarter of fiscal 2014" relate to the 13 weeks ended May 3, 2014, and references to "the first quarter of fiscal 2013" relate to the 13 weeks ended May 4, 2013.

Please note that our discussion of financial information for fiscal 2013 includes data from the period preceding the Reorganization (February 3, 2013 to July 21, 2013) and data from the period following the Reorganization (July 22, 2013 to February 1, 2014) on a combined basis.

Our company

We believe Michaels is where creativity happens. With 1,263 stores (consisting of 1,145 Michaels stores and 118 Aaron Brothers stores) as of May 31, 2014 and approximately $4.6 billion in sales in fiscal 2013, Michaels is the largest arts and crafts specialty retailer in North America based on store count. We also operate a market-leading vertically-integrated custom framing business. Our mission is to inspire and enable customer creativity, create a fun and rewarding place to work, foster meaningful connections with our communities and lead the industry in growth and innovation. With helpful store associates and a broad selection of merchandise combined with compelling in-store events and online content, we believe we offer the most complete arts and crafts experience and are the preferred destination in the industry.

Our stores are at the heart of our customer engagement strategy, showcasing our artistic and creative products while providing an opportunity for our store associates to interact with customers and help them develop creative ideas. We carry a broad and deep assortment of approximately 36,000 stock-keeping units ("SKUs") in arts, crafts, scrapbooking, floral, framing, home décor, seasonal offerings and children's hobbies that enable us to satisfy the diverse needs of our customers. We have also developed a robust online platform which promotes social networking, and includes expert tips, project ideas, marketing content and information on upcoming store events. In recent years, we have capitalized on our market-leading scale to create a team and infrastructure dedicated to designing, sourcing and delivering high quality, on-trend merchandise, including a growing number of products under our portfolio of private brands.

Our private branded products, which represented approximately 48% of total Net sales in fiscal 2013, are only available at Michaels and allow us to further differentiate our merchandise while enhancing product

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margins. We are also able to use our scale and market leadership to identify and secure exclusive third party products. We believe our compelling store experience and broad product offering distinguish us from our competitors and position Michaels as the leading brand that defines arts and crafts.

Our experienced management team has undertaken a series of key initiatives designed to enhance the strength of our market position and our potential for future growth. These initiatives include:

- making our stores more inviting to a broader set of customers, including those new to do-it-yourself ("DIY") projects and more experienced crafters;

- enhancing our in-store shopping experience by creating a more visually appealing environment through improved signage and open sightlines to make it easier for our customers to shop;

- becoming a true multi-channel retailer with our e-commerce platform launch in 2014 to complement our existing web and mobile platforms;

- strengthening our connections with existing customers and reaching new customers through an expanded marketing program including print, digital, direct mail, broadcast and community events;

- broadening our merchandising and sourcing capabilities to better identify and source new trends, merchandise and categories that enhance our portfolio of exclusive brands and products; and

- developing flexible store formats to address different markets and facilitate expansion.

Financial performance

We believe the strength of our business model and the impact of our initiatives have delivered consistent sales growth and Net income improvement. We believe these strong results place us among the best performers in the specialty retail sector and create a foundation for future growth.

- In fiscal 2013, Net sales increased to $4,570 million, a 3.7% improvement over the previous year, which included a 53rd week, driven by comparable store sales growth of 2.9% and the opening of 56 new Michaels and Aaron Brothers stores, including the relocation of 14 Michaels and 2 Aaron Brothers stores.

- During the third quarter of fiscal 2013, we introduced, and are the exclusive big-box retailer of, the Rainbow Loom. In an effort to drive sales of the Rainbow Loom, we dedicated significant advertising and marketing efforts to this on-trend children's craft product. Sales of the Rainbow Loom and replacement rubber bands contributed 2.9% to our comparable stores sales increase for fiscal 2013.

- In the first quarter of fiscal 2014, Net sales increased to $1,052 million, a 5.9% improvement over the first quarter of fiscal 2013. Comparable store sales for the first quarter of fiscal 2014 increased 3.8% over the first quarter of fiscal 2013.

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Our industry and our customer

We operate within the large, growing and fragmented arts and crafts industry. According to the CHA 2011 Attitude & Usage Study, which represents the most recent available third party estimate of industry size, the arts and crafts industry generated approximately $30.3 billion in sales for the twelve months ended June 30, 2011, up from $27.3 billion in sales for the twelve months ended December 31, 2008. This represents a compounded annual growth rate of 4.3%, but excludes custom framing, which is one of our key categories. According to the CHA 2012 State of the Craft Industry report, our industry remains highly fragmented as craft and fabric chain stores ("multi store chains") comprise approximately 26% of the market. The balance consists of mass merchants, discounters, independent operators and online retailers.

Our core customer is an important driver of our success. Based on an internal study, we believe our typical customer is female (79%), spans a broad age range (68% are under 55, with 43% between the ages of 35 and 54), and has a median household income of approximately $81,000.

According to CHA, approximately 55% of U.S. households participated in at least one crafting project during 2012, which represented over 62 million households. Additionally, these households purchased crafting supplies, on average, 1.9 times per month and reported participating in approximately three crafting categories during the year. We believe the broad, multi-generational appeal, high personal attachment and the low-cost, project-based nature of crafting creates a loyal, resilient following. This is supported by CHA findings that nearly half of crafters report being a crafter for 10 or more years.

We further believe the rapid expansion and acceptance of digital social communities and societal trends towards DIY creative expression have expanded our potential customer base beyond the historical experienced crafter to include project-focused beginners. According to the CHA, nearly two-thirds of crafters use the internet to source ideas and information about crafting, with retail websites (31%) and social media websites (23%) being cited as the most frequently used internet sources.

Our competitive strengths

Leading market position in an attractive industry. We believe our leading market position provides us with a number of advantages relative to our competitors and positions us to continue to capture market share. Our scale allows us to invest in product sourcing and innovation as well as proprietary store and online content, which we believe differentiates us from local and regional arts and crafts retailers. The breadth and depth of our assortment, combined with a large share of private brand products, strengthen our competitive position relative to mass merchants, which devote only a small portion of shelf space to the category. Our category leadership attracts significant traffic to our websites, which include engaging online content and information on upcoming store events designed to be an extension of the Michaels brand.

Sophisticated global sourcing and innovation capabilities. Our infrastructure and our internal product development and global sourcing team position us to continue to deliver a differentiated level of innovation, quality and value to our customers. Our global sourcing network allows us to control new product introductions, maintain quality standards, monitor delivery times, and manage product costs and inventory levels in order to enhance profitability. Further, through our wholly-owned subsidiary Artistree, we operate a vertically integrated custom frame design and manufacturing business, which delivers high-quality and innovative framing products at competitive prices, while capturing both manufacturing and retail margins.

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Industry defining brands. We believe Michaels is the leading brand in the arts and crafts category. We are the only arts and crafts retailer named on Interbrand's list of Best Retail Brands in the United States, ranking 33rd in April 2014.

The strength of the Michaels brand reflects, in part, our ability to offer unique merchandise at a compelling value. We believe products offered under our internally developed portfolio of 11 private brands are of equal or better quality than third party branded products and generate higher gross margins. In fiscal 2013, sales of our private brands exceeded $2.2 billion.

Highly effective customer engagement strategy. We engage with our customers through a data-driven, multi-channel communication strategy. Our marketing approach has expanded beyond the primary use of newspaper circulars to a strategy using multiple forms of media, including digital, social media, direct marketing, broadcast and event-based promotions. Our nationally coordinated craft education program offers a broad curriculum of hands-on instruction in stores. We successfully grew total participation in this program to 799,000 in fiscal 2013 from 257,000 in fiscal 2009.

Our customer engagement strategy provides us with a deep understanding of customers' buying preferences, including assortment, brand and price. This strategy enables us to be a source of ideas and creativity, which ultimately increases loyalty and comparable store sales growth. It also allows us to better understand and cater to the needs of both our core expert crafters, as well as beginners. Further, we believe our new e-commerce platform launched in 2014 builds on our existing marketing-focused website and opens additional avenues to engage with our customers and increase sales.

Strong cash flow generation. Our ability to deliver strong financial performance, including the generation of net cash from operations of $2.0 billion from fiscal 2009 through fiscal 2013, allows us to take advantage of the opportunities listed above, as well as invest in new initiatives to drive continued growth.

Experienced management team. Our current management team has deep leadership experience across multiple retail operations and consumer product companies.

Our business strategy

We intend to strengthen our position in the marketplace by executing store, e-commerce, marketing and merchandising initiatives through the following strategies:

Drive comparable store sales growth

Engaging with our customers. We believe we will capture additional market share from our existing customers and attract new customers by enhancing our customer engagement strategy. We expect to drive sustainable long-term sales growth by improving our brand positioning, expanding our marketing channels to include more direct mail, digital and broadcast efforts, and building customer loyalty by leveraging our large customer database. For example, we utilize our proprietary customer database, along with our email marketing database of more than 12 million customers, to offer increasingly personalized marketing communications to augment our already effective mass marketing vehicles.

Compelling store experience. We will further enhance our in-store shopping experience to broaden our customer base. Giving our stores a more consistent look and feel, including improved visual merchandising and more open sightlines, will make it easier for our customers to shop, as well as more efficient for us to operate our stores. We continue to refine our store operating model to increase efficiency and the amount of interaction our associates have with customers. Furthermore, our stores and community rooms have increasingly become a popular destination for a variety of events such as birthday parties and children's

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seasonal crafting programs. These initiatives strengthen our relationship with customers, create further opportunities to visit our stores and attract new customers to the Michaels experience.

Providing differentiated and inspiring merchandise. We will leverage our merchandising, global sourcing and trend teams to continually introduce new, exclusive and on-trend products and creative solutions. We plan to emphasize speed to market to capitalize on changing consumer demand that continues to accelerate with the success of social media sites like Pinterest and Facebook. We believe this will further differentiate us from our competitors, attract more customers, and increase the frequency of visits to our stores and websites.

Expanding our customer base. We will broaden our target customer base to include more beginners: consumers who are interested in customizing and personalizing creative projects, but who may be hesitant to try due to time constraints or limited experience. We expect to achieve this through changes to our product assortment, packaging, visual merchandising, and in-store and online education.

Expand multi-channel business platform

Driving store growth. Based on our detailed market-by-market analysis, we believe there is opportunity for continued new store growth, with the potential for approximately 1,500 Michaels stores in North America. Over the past five fiscal years we have opened 201 Michaels stores, including 57 relocations, and expanded our target geographic markets beyond the traditional suburban community to include urban and smaller markets that we had not previously targeted. Based on recent performance, we believe our new stores will continue to generate an attractive pre-tax cash-on-cash return of approximately 30% on our initial net investment by their fourth year after opening.

In fiscal 2014, we plan to open 40 to 45 new Michaels stores, including 10 to 15 relocations. We expect these and future openings will be funded by our strong operating cash flow.

e-commerce platform. Our e-commerce platform, launched in 2014, is designed to leverage our highly visited marketing and educational websites to sell a broad range of products directly to customers online. Over the last 12 months, we have had approximately 188 million visits to michaels.com; we also have approximately 1.8 million Facebook followers, more than 395,000 Pinterest followers and over 134,000 Twitter followers. We expect our new e-commerce platform will allow us to sell much of our current assortment while also expanding into e-commerce-only products. Although we expect this channel will produce a more limited sales penetration than more commoditized retail categories, we believe it will augment our multi-channel strategy to broaden our customer base and improve the shopping experience.

Enhance operating margins and cash flow

Exclusive brand and global sourcing initiatives. We plan to increase the penetration of our exclusive products, largely through private brands, and believe additional opportunities exist to expand our global sourcing and product design capabilities. We believe this will allow us to improve our selection and introduce new products tailored to our customers' tastes, while more effectively controlling costs and expanding our margins.

Pricing and promotional strategies. We will continue to leverage our understanding of customer demand and improve our merchandising systems to deliver promotions that enhance customer value and improve margin. Our refined pricing and promotional models can be customized at the store level to better capture the price elasticity of our products and target promotional messages to customers. This analytically-based strategy allows us to optimize the types of offers sent through our mass and targeted marketing channels.

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Operating leverage. As we continue to grow, we will seek to further benefit from our scale and the infrastructure and capabilities we have developed to support our store network. From fiscal 2009 through fiscal 2013, we have been able to leverage our scale to reduce Selling, general, and administrative expense as a percentage of sales by 130 basis points.

Summary risk factors

The fragmented arts and crafts industry can be highly competitive, specifically in regard to comparable products sold online or by mass merchandisers, and we may face intense competition in the future that could impact our planned growth and results of operations as discussed in the "Risk Factors" section of this prospectus. You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the risk factors in the "Risk Factors" section of this prospectus before deciding whether to invest in our Common Stock. Among the important risks relating to our business and our ability to successfully execute our business strategy are the following:

- General economic factors and changes in consumer preference may adversely affect our performance and could materially adversely affect our sales, results of operations and cash flow

- Our substantial debt, of which $3.7 billion was outstanding at May 3, 2014, could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk associated with our $1.6 billion in variable rate debt, prevent us from meeting our obligations under our notes and credit facilities and limit our flexibility in operating our business

- Our recent data breach or a failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information, which could result in an additional data breach, could materially adversely affect our reputation, financial condition and operating results

- Competition, including Internet-based competition, could negatively impact our business

- Our significant reliance on foreign suppliers, particularly those located in China, increases our risk of obtaining adequate, timely, and cost-effective product supplies

- Even if we are able to substantially continue our strategy of expanding our store base, our success will depend on how well we manage our business

- Damage to the reputations of the Michaels brand or our private and exclusive brands could adversely affect our sales

- Our fourth quarter has historically been our highest quarter for sales and profitability, and a weak fourth quarter could have material adverse impacts on us

- If a supplier fails us, transitioning to other qualified vendors could affect our sales and profitability

- Our promotional and merchandising programs are dependent on consumer responses, which could be unfavorable or unexpected, adversely impacting our sales

- Our holding company structure makes us, and certain of our direct and indirect subsidiaries, dependent on the operations of our, and their, subsidiaries to meet our, and their, financial obligations

Investment funds affiliated with the Sponsors (as defined below) will own approximately 80% of the outstanding shares of our Common Stock upon the consummation of this offering and as a result will have the ability to control the outcome of matters submitted for stockholder approval, including the ability to direct the election of all of the members of our Board of Directors, and they may have interests that differ from those of our other stockholders

The risks described above and other risks we face are described in further detail under the "Risk Factors" section of this prospectus, which you should carefully review.

The Reorganization

In July 2013, the Company's corporate structure was reorganized into a holding company structure (the "Reorganization"). The Michaels Companies, Michaels FinCo Holdings, LLC ("FinCo Holdings"), Michaels FinCo, Inc. ("FinCo Inc.") and Michaels Funding, Inc. ("Holdings") and Michaels Stores MergerCo, Inc. ("MergerCo") were formed in connection with the Reorganization and (i) MergerCo was merged with and into MSI with MSI being the surviving corporation; (ii) each share of MSI common stock was converted into the right to receive one share of Common Stock of the Company, subject to the same vesting conditions, if any, as applied to the share so converted, and each such share of MSI common stock was cancelled and retired and ceased to exist; and (iii) each option to purchase one or more shares of common stock of MSI was assumed by the Company and converted into an option to purchase an equivalent number of shares of Common Stock of the Company with the remaining terms of each such option remaining unchanged, except as was necessary to reflect the Reorganization. Approximately 174.8 million shares of MSI common stock were converted into an equivalent number of shares of Common Stock of the Company. The MSI shares were then cancelled and retired. MSI then issued 100 shares of stock with a $0.10 par value to Holdings. As a result of the Reorganization, FinCo Holdings is wholly owned by the Company, FinCo Inc. and Holdings are wholly owned by FinCo Holdings, and MSI is wholly owned by Holdings.

Our history

We were incorporated in Delaware in July 2013 in connection with the Reorganization of MSI into a holding company structure. MSI was incorporated in Delaware in 1983 and is headquartered in Irving, Texas. On October 31, 2006, substantially all of the common stock of MSI was acquired through a merger transaction (the "Merger") by affiliates of two investment firms, Bain Capital Partners, LLC and The Blackstone Group L.P. (collectively, together with their applicable affiliates, the "Sponsors"), with certain shares retained by investment funds managed by Highfields Capital Management LP ("Highfields") (then-existing shareholders of Michaels Stores, Inc.). As a result of the Merger and the Reorganization, Michaels Holdings LLC, an entity controlled by our Sponsors, currently owns approximately 93% of our outstanding Common Stock.

Subsequent to the Reorganization, on July 29, 2013, FinCo Holdings and FinCo Inc. issued $800 million aggregate principal amount of 7.50%/8.25% PIK Toggle Notes due 2018 (the "Holdco Notes") in a private transaction. The net proceeds from the debt issuance were approximately $783 million, after deducting the initial purchasers' discount and fees and expenses. FinCo Holdings distributed the net proceeds to the Company and the proceeds were used to fund a cash dividend to the Company's equity and equity-award holders and pay related fees and expenses. Amounts paid to our Sponsors and other non-management equity holders were approximately $714 million and $49 million, respectively. Amounts paid to current executive officers were approximately $3 million and amounts paid to other management equity holders (including former management) were approximately $14 million. In addition, approximately $2 million will be paid to management equity holders at the time restricted stock awards vest. No dividends were directly paid to directors of the Company. The dividend was paid to provide liquidity to our equity holders.

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Our Sponsors

Bain Capital, LLC ("Bain Capital") (www.baincapital.com) is a global private investment firm that, together with its affiliates (including Bain Capital Partners, LLC), manages several pools of capital including private equity, venture capital, public equity, credit products and absolute return investments with over $75 billion in assets under management. Since its inception in 1984, Bain Capital has made private equity, growth, and venture capital investments in over 400 companies in a variety of industries around the world. Bain Capital consumer and retail private equity investments have included such leading businesses as Toys "R" Us, Bright Horizons Family Solutions, Dollarama, Burlington Coat Factory, Dunkin' Brands and Gymboree. Headquartered in Boston, Bain Capital has offices in New York, Chicago, Palo Alto, London, Luxembourg, Munich, Melbourne, Hong Kong, Shanghai, Tokyo and Mumbai.

The Blackstone Group L.P. ("The Blackstone Group") is one of the world's leading investment and advisory firms. The Blackstone Group seeks to create positive economic impact and long term value for its investors, the companies it invests in, the companies it advises and the broader global economy. The Blackstone Group does this through the commitment of its extraordinary people and flexible capital. The Blackstone Group's asset management businesses include investment vehicles focused on private equity, real estate, hedge fund solutions, non-investment grade credit, secondary funds, and multi asset class exposures falling outside of other funds mandates. The Blackstone Group also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Further information is available at *www.blackstone.com*.

Payments to the Sponsors and Highfields in connection with the offering

In connection with this offering, we plan to terminate our management services agreement with the Sponsors and Highfields, and pay Bain Capital, The Blackstone Group and Highfields termination fees in the amount of approximately $14 million, $14 million and $2 million, respectively.

Recent developments

Additional 2020 Senior Subordinated Notes. On June 16, 2014, MSI and certain of its subsidiaries, as guarantors, issued an additional $250,000,000 in aggregate principal amount of MSI's 5$^7/_8$% senior subordinated notes due December 15, 2020 (the "Additional 2020 Senior Subordinated Notes") at a price of 102% of their aggregate principal amount, yielding gross proceeds of $255,000,000 before commissions and expenses. The Additional 2020 Senior Subordinated Notes were issued on June 16, 2014 as part of the same series as MSI's 5$^7/_8$% senior subordinated notes due December 15, 2020 (together with the Additional 2020 Senior Subordinated Notes, the "2020 Senior Subordinated Notes") issued in December 2013. MSI intends to use the net proceeds from the Additional 2020 Senior Subordinated Notes to redeem a portion of its 7$^3/_4$% Senior Notes due 2018 (the "2018 Senior Notes"), to pay the applicable make-whole premium and accrued and unpaid interest to, but not including, the applicable redemption date and to pay related fees and expenses.

Incremental Term Loans. On June 6, 2014, MSI also priced an additional $850 million in aggregate principal amount of additional term loan indebtedness (the "Incremental Term Loans") under its restated senior secured term loan facility (the "Restated Term Loan Credit Facility"). On June 10, 2014, MSI entered into an amendment to its Restated Term Loan Credit Facility to effect the Incremental Term Loans (the "First Amendment"). The closing of the First Amendment and funding of the Incremental Term Loans will be subject to, and simultaneous with, the closing of this offering. The Incremental Term Loans will be issued at a purchase price equal to 99.5% of the aggregate principal amount, and MSI intends to use the net proceeds of the Incremental Term Loans to redeem the remaining outstanding 2018 Senior Notes that are not redeemed with the net proceeds from the offering of the Additional 2020 Senior Subordinated Notes. Accordingly, MSI currently plans to redeem all of its outstanding 2018 Senior Notes with the net proceeds from the Additional 2020 Senior Subordinated Notes and the Incremental Term Loans.

On a *pro forma* basis as of May 3, 2014, after giving effect to the issuance of the Additional 2020 Senior Subordinated Notes and the incurrence of the Incremental Term Loans and the redemption of the 2018 Senior Notes, we would have had total indebtedness of $3,788 million and an additional approximately $589 million of additional borrowing capacity (after giving effect to then-outstanding letters of credit) under our Restated Revolving Credit Facility. If we redeem all of the 2018 Senior Notes, we estimate we would pay a make-whole premium of approximately $58 million plus accrued and unpaid interest thereon. We expect to incur fees and expenses in connection with the Incremental Term Loans of approximately $10 million.

The Incremental Term Loans will have an interest rate margin of 3.00%, for LIBOR rate loans, and 2.00%, for base rate loans. Incremental Term Loans bearing interest based on LIBOR will be subject to a floor of 1%. We anticipate that the Incremental Term Loans will accrue interest at approximately 4.00%, assuming effective LIBOR of 1.00%. After also giving effect to the issuance of the Additional 2020 Senior Subordinated Notes and the redemption of all of the 2018 Senior Notes, we expect that our annual interest expense going forward will decrease by approximately $29 million.

The estimates above are subject to change based on a number of variables, including the date and make-whole premium of the redemption of the 2018 Senior Notes.

Company information

Our principal executive offices are located at 8000 Bent Branch Drive, Irving, Texas 75063; our telephone number at that address is (972) 409-1300 and our Internet address is *www.michaels.com*. Our website, and the information contained on our website, are not part of this prospectus.

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The offering

Common Stock offered by The Michaels Companies, Inc.	27,777,778 shares
Common Stock to be outstanding after this offering	203,103,838.7 shares (after giving effect to the 1.476-for-one stock split effected on June 6, 2014)
Underwriters' option to purchase additional shares	The selling stockholders have granted the underwriters a 30-day option to purchase up to 4,166,667 additional shares of Common Stock.
Use of proceeds	We estimate the net proceeds to us from this offering, after deducting estimated offering expenses and underwriting discounts, will be approximately $466 million, assuming the shares are offered at $18.00 per share, which is the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering to redeem $466 million of the Holdco Notes. We also intend to use cash on hand to pay the applicable redemption premium of $5 million (1% of the principal amount of the Holdco Notes being redeemed). We will not receive any of the net proceeds from any sale of shares of Common Stock by the selling stockholders. See "Use of Proceeds".
Dividend policy	We have no current plans to pay dividends on our Common Stock in the foreseeable future.
Principal stockholders	Upon completion of this offering, investment funds affiliated with the Sponsors will indirectly beneficially own a controlling interest in us. As a result, we currently intend to avail ourselves of the controlled company exemption under the rules of The NASDAQ Stock Market. For more information, see "Risk Factors Risk Factors Relating to This Offering and Ownership of Our Common Stock We are a "controlled company" within the meaning of the rules of The NASDAQ Stock Market and, as a result, expect to qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements" and "Management Corporate Governance Board Committees".
Risk factors	You should carefully read and consider the information set forth in the "Risk Factors" section of this prospectus and all other information set forth in this prospectus before investing in our Common Stock.

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Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to some of our directors, officers, employees and certain other persons who are otherwise associated with us through a directed share program. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.
NASDAQ symbol	"MIK"

The number of shares of our Common Stock to be outstanding after this offering is determined as of May 31, 2014 and is based on shares of our Common Stock outstanding as of such date, and: (1) assumes an offering price of $18.00 per share (the mid-point of the price range set forth on the cover of this prospectus); (2) gives effect to a 1.476-for-one stock split effected on June 6, 2014; and (3) excludes an aggregate of 6,642,000.0 shares of Common Stock reserved for issuance and not yet issued under our long-term equity incentive plan, as amended and restated (the "2014 Omnibus Plan"), including shares reserved for issuance but not yet issued pursuant to awards granted prior to the plan's amendment and restatement as then in effect (the "Equity Incentive Plan").

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Summary consolidated financial and operating data

The following table sets forth our summary consolidated financial and operating data as of the dates and for the periods indicated. Our summary consolidated balance sheet data as of February 1, 2014 and February 2, 2013, and our consolidated results of operations data and cash flow data for each of the three years ended February 1, 2014, February 2, 2013 and January 28, 2012, respectively, have been derived from our audited Consolidated Financial Statements, which are included elsewhere in this prospectus. Our summary consolidated balance sheet data as of January 28, 2012 has been derived from our historical audited financial statement for such year, which are not included in this prospectus. Other operating data and store counts included in the following table are unaudited for all periods presented. The summary consolidated results of operations, cash flow data and balance sheet data presented as of and for the quarters ended May 4, 2013 and May 3, 2014 are derived from our unaudited Consolidated Financial Statements appearing elsewhere in this prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

We operate on a fiscal calendar, which in a given fiscal year consists of a 52- or 53-week period ending on the Saturday closest to January 31. Fiscal 2013 is the 52-week period ended February 1, 2014, fiscal 2012 is the 53-week period ended February 2, 2013 and fiscal 2011 is the 52-week period ended January 28, 2012. References to "the first quarter of fiscal 2014" relate to the 13 weeks ended May 3, 2014, and references to "the first quarter of fiscal 2013" relate to the 13 weeks ended May 4, 2013.

Our discussion of financial information for fiscal 2013 includes data from the period preceding the Reorganization (February 3, 2013 to July 21, 2013) and data from the period following the Reorganization (July 22, 2013 to February 1, 2014) on a combined basis.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. The following summaries of our consolidated financial and operating data for the periods presented should be read in conjunction with "Risk Factors", "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the related notes, which are included elsewhere in this prospectus.

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(in millions, except earnings per common share, operating and store count data)	Fiscal Year(1) 2013	2012	2011	Quarters Ended May 3, 2014	May 4, 2013
Results of Operations Data:					
Net sales	$ 4,570	$ 4,408	$ 4,210	$ 1,052	$ 993
Operating income	610	592	538	139	128
Interest expense	215	245	254	57	47
Net income(1)	243	200	157	45	46
Earnings per Common share, basic	$ 1.39	$ 1.14	$ 0.90	$ 0.26	$ 0.26
Earnings per Common share, diluted	$ 1.36	$ 1.12	$ 0.89	$ 0.25	$ 0.26
Weighted average shares used in computing per share amounts, basic	174.8	174.7	174.6	175.1	174.8
Weighted average shares used in computing per share amounts, diluted	178.7	178.2	176.7	178.9	178.7
Balance Sheet Data:					
Cash and equivalents	$ 239	$ 56	$ 371	$ 115	$ 55
Merchandise inventories	901	862	845	930	843
Current portion of long-term debt	16	150	127	16	198
Long-term debt	3,678	2,891	3,363	3,673	2,887
Working capital	450	188	478	493	231
Cash flow data:					
Cash flows provided by (used in) operating activities	$ 449	$ 299	$ 409	$ (74)	$ 2
Cash flows used in investing activities	(112)	(124)	(109)	(31)	(22)
Cash flows (used in) provided by financing activities	(154)	(490)	(248)	(19)	19
Other Operating Data:					
Average net sales per selling square foot(2)	$ 218	$ 215	$ 212		
Comparable store sales increase (decrease)(3)	2.9%	1.5%	3.2%	3.8%	(0.7)%
Total selling square footage (in millions)	21.1	20.6	20.1	21.2	20.8
Adjusted EBITDA (in millions)(4)	$ 792	$ 747	$ 707	$ 179	$ 165
Stores Open at End of Period:					
Michaels	1,136	1,099	1,064	1,144	1,113
Aaron Brothers	121	125	134	118	122
Total stores open at end of period	1,257	1,224	1,198	1,262	1,235

(1) Fiscal 2013 refinancing costs and losses on early extinguishments of debt include $7 million ($4 million, net of tax) of refinancing costs associated with our 2020 Senior Subordinated Notes and a $7 million ($4 million, net of tax) loss related to the redemption of $137 million in aggregate principal amount of our $11^{3}/_{8}$% Senior Subordinated Notes due November 1, 2016 ("2016 Senior Subordinated Notes"). Fiscal 2012 refinancing costs and losses on early extinguishments of debt include $12 million ($8 million, net of tax) of refinancing costs associated with our Restated Term Loan Credit Facility, an $8 million ($5 million, net of tax) loss related to our amended and restated senior secured term loan facility and prepayment of our B-1 Term Loans, an $11 million ($7 million, net of tax) loss related to the redemption of our remaining outstanding 13% Subordinated Discount Notes due November 1, 2016 ("Subordinated Discount Notes"), and a $2 million ($1 million, net of tax) loss related to the amendment and restatement of our senior secured asset-based Revolving Credit Facility. Fiscal 2011 refinancing costs and losses on early extinguishments of debt include an $18 million ($11 million, net of tax) loss related to the early extinguishment of $163 million face value, or $155 million accreted value, of our outstanding Subordinated Discount Notes and $7 million face value of our 2016 Senior Subordinated Notes.

(2) The calculation of average net sales per selling square foot includes only Michaels comparable stores, as defined below. Aaron Brothers, which is a smaller store model, is excluded from the calculation.

(3) Comparable store sales increase (decrease) represents the increase (decrease) in Net sales for stores open the same number of months in the indicated and comparable period of the previous year, including stores that

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were relocated or expanded during either period. A store is deemed to become comparable in its 14th month of operation in order to eliminate grand opening sales distortions. A store temporarily closed more than two weeks is not considered comparable during the month it is closed. If a store is closed longer than two weeks but less than two months, it becomes comparable in the month in which it reopens, subject to a mid-month convention. A store closed longer than two months becomes comparable in its 14th month of operation after its reopening.

(4) The table presents Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). The Company defines Adjusted EBITDA as Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") (excluding refinancing costs and losses on early extinguishments of debt) adjusted for certain defined amounts that are added to, or subtracted from, EBITDA (excluding refinancing costs and losses on early extinguishments of debt) (collectively, the "Adjustments") in accordance with the Company's Restated Term Loan Credit Facility and Restated Revolving Credit Facility. The Adjustments are described in further detail in the table and the footnotes to the table below.

The Company has presented EBITDA (excluding refinancing costs and losses on early extinguishments of debt) and Adjusted EBITDA to provide investors with additional information to evaluate our operating performance and our ability to service our debt. Adjusted EBITDA is a required calculation under the Company's Restated Term Loan Credit Facility and Restated Revolving Credit Facility. As it relates to the Restated Term Loan Credit Facility, Adjusted EBITDA is used in the calculations of fixed charge coverage and leverage ratios, which, under certain circumstances may result in limitations on MSI's ability to make restricted payments as well as the determination of mandatory repayments of the loans. Under the Restated Revolving Credit Facility, Adjusted EBITDA is used in the calculation of fixed charge coverage ratios, which under certain circumstances, may restrict MSI's ability to make certain payments (characterized as restricted payments), investments (including acquisitions) and debt repayments, and which under certain circumstances will be used as a maintenance covenant.

As EBITDA (excluding refinancing costs and losses on early extinguishments of debt) and Adjusted EBITDA are not measures of operating performance or liquidity calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), these measures should not be considered in isolation of, or as a substitute for, Net income, as an indicator of operating performance, or Net cash provided by operating activities as an indicator of liquidity. Our computation of EBITDA (excluding refinancing costs and losses on early extinguishments of debt) and Adjusted EBITDA may differ from similarly titled measures used by other companies. As EBITDA (excluding refinancing costs and losses on early extinguishments of debt) and Adjusted EBITDA exclude certain financial information compared with Net income and Net cash provided by operating activities, the most directly comparable GAAP financial measures, users of this financial information should consider the types of events and transactions which are excluded.

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The table below shows a reconciliation of EBITDA (excluding refinancing costs and losses on early extinguishments of debt) and Adjusted EBITDA to Net income and Net cash provided by operating activities.

	Fiscal Years			Quarters Ended	
(in millions)	**2013**	**2012**	**2011**	**May 3, 2014**	**May 4, 2013**
Net cash provided by (used in) operating activities	$ 449	$ 299	$ 409	$ (74)	$ 2
Depreciation and amortization	(106)	(97)	(101)	(27)	(25)
Share-based compensation	(34)	(21)	(41)	(4)	(4)
Debt issuance costs amortization	(10)	(14)	(17)	(3)	(2)
Accretion of long-term debt	1		(35)		
Change in fair value of contingent consideration			4		
Change in fair value of interest rate cap			(5)		
Refinancing costs and losses on early extinguishments of debt	(14)	(33)	(18)		(7)
Impairment of intangible assets		(8)			
Changes in assets and liabilities	(43)	74	(39)	153	82
Net income	243	200	157	45	46
Interest expense	215	245	254	57	47
Refinancing costs and losses on early extinguishments of debt	14	33	18		7
Provision for income taxes	136	115	100	37	28
Depreciation and amortization	106	97	101	27	25
EBITDA (excluding refinancing costs and losses on early extinguishments of debt)	714	690	630	166	153
Adjustments:					
Share-based compensation and related taxes	35	21	41	4	4
Management fees to Sponsors and others	14	13	13	3	4
Impairment of intangible assets		8			
Termination expense	5	1	1		
Store pre-opening costs	5	5	4	1	2
Store remodel costs	7	2	2	3	
Foreign currency transaction losses (gains)	2	(1)	4		
Store closing costs	5	4	7	1	
Gain on contingent consideration			(4)		
Loss on interest rate cap			5		
Other(1)	5	4	4	1	2
Adjusted EBITDA	$ 792	$ 747	$ 707	$ 179	$ 165

(1) Other adjustments relate to items such as moving & relocation expenses, franchise taxes, foreign currency hedge, sign on bonuses and certain legal settlements.

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Risk factors

An investment in our Common Stock involves various risks. We are a holding company with no material assets other than our interest in our direct and indirect subsidiaries, including MSI. We do not have any independent operations and our only source of liquidity is from our subsidiaries. You should carefully consider the following risks and all of the other information contained in this prospectus before investing in our Common Stock. The risks described below are those which we believe are the material risks we face. Any of the risk factors described could significantly and adversely affect our business, prospects, sales, revenues, gross profit, cash flows, financial condition, and results of operations. In any such case, the trading price of our Common Stock could decline, and you may lose all or part of your investment in our Common Stock.

Risks relating to our business and industry

We face risks related to the effect of economic uncertainty.

In the event of a prolonged economic downturn or slow recovery, our growth, prospects, results of operations, cash flows and financial condition could be adversely impacted. Our stores offer arts and crafts supplies and products for the crafter, and custom framing for the do-it-yourself home decorator, which some customers may perceive as discretionary. Pressure on discretionary income brought on by economic downturns and slow recoveries, including housing market declines, rising energy prices and weak labor markets, may cause consumers to reduce the amount they spend on discretionary items. For example, as a result of the recession during fiscal 2007 and fiscal 2008, despite adding a number of new stores, our total Net sales decreased from $3,862 million to $3,817 million. The current economic environment may continue to adversely affect consumer confidence and retail spending, decreasing demand for our merchandise. Current economic conditions also make it difficult for us to accurately forecast future demand trends, which could cause us to purchase excess inventories, resulting in increases in our inventory carrying cost, or limit our ability to satisfy customer demand and potentially lose market share.

We face risks related to our substantial indebtedness.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk associated with our variable rate debt and prevent us from meeting our obligations under our notes and credit facilities. As of May 3, 2014, after giving effect to the application of proceeds from this offering as set forth under "Use of Proceeds", the issuance of Additional 2020 Senior Subordinated Notes, the expected incurrence of the Incremental Term Loans, and the anticipated use of such proceeds, as described in "Prospectus summary Recent developments", we would have had total outstanding debt of $3,322 million, of which approximately $2,473 million was subject to variable interest rates and $849 million was subject to fixed interest rates, and an additional approximately $589 million of additional borrowing capacity (after giving effect to $61 million of letters of credit then outstanding) under our Restated Revolving Credit Facility. Our substantial indebtedness could have important consequences to us, including:

- making it more difficult for us to satisfy our obligations with respect to our debt, and any failure to comply with the obligations under our debt instruments, including restrictive covenants, could result in an event of default under the agreements governing our indebtedness

- increasing our vulnerability to general economic and industry conditions

- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our debt, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, selling and marketing efforts, product development, future business opportunities and other purposes

exposing us to the risk of increased interest rates as certain of our borrowings, including under our Senior Secured Credit Facilities, which consist of the Restated Revolving Credit Facility and the Restated Term Loan Credit Facility (each, as defined below), are at variable rates

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures

limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes

limiting our ability to plan for, or adjust to, changing market conditions and placing us at a competitive disadvantage compared to our competitors who may be less highly leveraged

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations, and ability to satisfy our obligations under our indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject, in the case of Holdings, MSI and FinCo Holdings and their subsidiaries, to the restrictions contained in our Senior Secured Credit Facilities and the indentures governing our notes. In addition, our Senior Secured Credit Facilities and indentures governing our notes do not restrict our owners from creating new holding companies that may be able to incur indebtedness without regard to the restrictions set forth in our Senior Secured Credit Facilities and indentures governing our notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Changes in customer demands could materially adversely affect our sales, results of operations and cash flow.

Our success depends on our ability to anticipate and respond in a timely manner to changing customer demands and preferences for products and supplies used in creative activities. If we misjudge the market, we may significantly overstock unpopular products and be forced to take significant inventory markdowns, or experience shortages of key items, either of which could have a material adverse impact on our operating results and cash flow. In addition, adverse weather conditions, economic instability and consumer confidence volatility could have material adverse impacts on our sales and operating results.

Our recent results of operations have been significantly enhanced by sales of one product, the Rainbow Loom. Sales of the Rainbow Loom and replacement rubber bands were the primary driver of the increase in our Net sales in the fiscal year ended February 1, 2014 compared to the prior fiscal year. Based on our retail experience, we expect that the popularity of this product will diminish over time, and our results of operations could be affected by our inability to anticipate demand for this product and stock the appropriate level of inventory. Similarly, if we identify products in the future that have a significant effect on our results of operations, we could face similar challenges and risks that could affect our profitability.

We have recently experienced a data breach and such data breach and any future failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information could result in an additional data breach which could materially adversely affect our reputation, financial condition and operating results.

The protection of our customer, associate and Company data is critically important to us. Our customers and associates have a high expectation that we will adequately safeguard and protect their sensitive personal information. We have become increasingly centralized and dependent upon automated information technology processes. In addition, a portion of our business operations is conducted electronically, increasing the risk of attack or interception that could cause loss or misuse of data, system failures or

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disruption of operations. This risk has increased with the recent launch of our e-commerce platform in 2014. Improper activities by third parties, exploitation of encryption technology, new data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of our networks, payment card terminals or other payment systems. In particular, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. Any failure to maintain the security of our customers' sensitive information, or data belonging to ourselves or our suppliers, could put us at a competitive disadvantage, result in deterioration of our customers' confidence in us, and subject us to potential litigation, liability, fines and penalties, resulting in a possible material adverse impact on our financial condition and results of operations. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses and would not remedy damage to our reputation.

In January 2014, we learned of possible fraudulent activity on some U.S. payment cards that had been used at Michaels, suggesting we may have experienced a data security attack. The Company retained two independent, expert security firms to conduct an extensive investigation. The Company also has been working closely with law enforcement authorities and coordinating with banks and payment processors to determine the facts.

After extensive analysis, we discovered evidence confirming that systems of Michaels stores in the United States and its subsidiary, Aaron Brothers, were attacked by criminals using highly sophisticated malware that had not been encountered previously by either of the security firms (the "Data Breach").

The Company believes it has now identified the malware and it no longer presents a threat while shopping at Michaels or Aaron Brothers. During the course of the investigation, we determined the following:

- The affected systems contained certain payment card information, such as payment card number and expiration date, about both Michaels and Aaron Brothers customers. There is no evidence that other customer personal information, such as name, address or PIN, was at risk in connection with this issue.

- Regarding Michaels stores, the attack potentially targeted a limited portion of the point-of-sale systems at a varying number of stores between May 8, 2013 and January 27, 2014. Only a small percentage of payment cards used in the affected stores during the times of exposure were impacted by this issue. The analysis conducted by the security firms and the Company shows that approximately 2.6 million cards may have been impacted, which represents about 7% of payment cards used at Michaels stores in the U.S. during the relevant time period.

- Regarding Aaron Brothers, we have confirmed that between June 26, 2013 and February 27, 2014, 54 Aaron Brothers stores were affected by this malware. We estimate that approximately 400,000 cards were potentially impacted during this period.

- We have received a limited number of reports from the payment card brands and banks of fraudulent use of payment cards potentially connected to Michaels or Aaron Brothers.

We are offering identity protection, credit monitoring and fraud assistance services to affected Michaels and Aaron Brothers customers in the U.S. for 12 months at no cost to them. In addition, the Data Breach has given rise to putative class action litigation on behalf of customers and regulatory investigations, as further described under "Business Legal Proceedings".

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There can be no assurance that we will not suffer a similar criminal attack in the future, that unauthorized parties will not gain access to personal information, or that any such incident will be discovered in a timely way. Regardless of the conclusion of the investigation, the Data Breach could adversely affect the Michaels and Aaron Brothers brands, has caused us to incur legal and other fees and may cause us to incur additional material fees, and could discourage customers from shopping in our stores.

Competition, including Internet-based competition, could negatively impact our business.

The retail arts and crafts industry, including custom framing, is competitive, which could result in the pressure to reduce prices and losses in our market share. We must remain competitive in the areas of quality, price, breadth of selection, customer service, and convenience. We compete with mass merchants (*e.g*., Wal-Mart Stores, Inc. and Target Corporation), which dedicate a portion of their selling space to a limited selection of craft supplies and seasonal and holiday merchandise, along with national and regional chains and local merchants. We also compete with specialty retailers, which include Hobby Lobby Stores, Inc., A.C. Moore Arts & Crafts, Inc. and Jo-Ann Stores, Inc. Some of our competitors, particularly the mass merchants, are larger and have greater financial resources than we do. We also face competition from Internet-based retailers, such as Amazon.com, Inc., in addition to traditional store-based retailers, who may be larger, more experienced and able to offer products we cannot. This could result in increased price competition since our customers could more readily search and compare non-private brand products. Furthermore, we ultimately compete with alternative sources of entertainment and leisure for our customers.

Our reliance on foreign suppliers increases our risk of obtaining adequate, timely and cost-effective product supplies.

We rely to a significant extent on foreign manufacturers for our merchandise, particularly manufacturers located in China. In addition, many of our domestic suppliers purchase a portion of their products from foreign sources. This reliance increases the risk that we will not have adequate and timely supplies of various products due to local political, economic, social, or environmental conditions (including acts of terrorism, the outbreak of war, or the occurrence of natural disaster), transportation delays (including dock strikes and other work stoppages), restrictive actions by foreign governments, or changes in U.S. laws and regulations affecting imports or domestic distribution. Reliance on foreign manufacturers also increases our exposure to trade infringement claims and reduces our ability to return product for various reasons.

We are at a risk for higher costs associated with goods manufactured in China. Significant increases in wages or wage taxes paid by contract facilities may increase the cost of goods manufactured, which could have a material adverse effect on our profit margins and profitability.

All of our products manufactured overseas and imported into the U.S. are subject to duties collected by the U.S. Customs Service. We may be subjected to additional duties, significant monetary penalties, the seizure and forfeiture of the products we are attempting to import, or the loss of import privileges if we or our suppliers are found to be in violation of U.S. laws and regulations applicable to the importation of our products.

Our success will depend on how well we manage our business.

Even if we are able to continue our strategy of expanding our store base, or additionally, to expand our business through acquisitions or vertical integration opportunities, we may experience problems which may adversely impact profitability or cash flow. For example:

- the costs of opening and operating new stores may offset the increased sales generated by the additional stores

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- the closure of unsuccessful stores may result in the retention of liability for expensive leases

- a significant portion of our management's time and energy may be consumed with issues unrelated to advancing our core business strategies

- our e-commerce platform may be unprofitable, cannibalize sales from our existing stores, or be uncompetitive against other Internet-based retailers who sell similar merchandise

- the implementation of future operational efficiency initiatives, which may include the consolidation of certain operations and/or the possible co-sourcing of additional selected functions, may not produce the desired reduction in costs and may result in disruptions arising from such actions

- failure to maintain stable relations with our labor force may impact our store operations and sales

- our suppliers may be unable to meet the increased demand of additional stores in a timely manner

- we may be unable to expand our existing distribution centers or use third party distribution centers on a cost-effective basis to provide merchandise to our new stores

Our growth depends on our ability to open new stores and increase comparable store sales.

One of our key business strategies is to expand our base of retail stores. If we are unable to continue this strategy, our ability to increase our sales, profitability and cash flow could be impaired. To the extent we are unable to open new stores as we anticipate, our sales growth would come only from increases in comparable store sales. Growth in profitability in that case would depend significantly on our ability to improve gross margin. We may be unable to continue our store growth strategy if we cannot identify suitable sites for additional stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire and train a sufficient number of qualified associates.

Damage to the reputation of the Michaels brand or our private and exclusive brands could adversely affect our sales.

We believe the Michaels brand name and many of our private and exclusive brand names are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. To be successful in the future, we must continue to preserve, grow and utilize the value of Michaels' reputation. Reputational value is based in large part on perceptions of subjective qualities, and even isolated incidents may erode trust and confidence. In addition, we develop and promote private and exclusive brands, which we believe have generated national recognition. Our private brands amounted to approximately 48% of Net sales in fiscal 2013. Damage to the reputations (whether or not justified) of our brand names could arise from product failures, data privacy or security incidents, litigation or various forms of adverse publicity (including adverse publicity generated as a result of a vendor's or a supplier's failure to comply with general social accountability practices), especially in social media outlets, and may generate negative customer sentiment, potentially resulting in a reduction in our sales and earnings.

A weak fourth quarter could materially adversely affect our result of operations.

Our business is highly seasonal. Our inventories and short-term borrowings may grow in the third fiscal quarter as we prepare for our peak selling season in the third and fourth fiscal quarters. Our most important quarter in terms of sales, profitability and cash flow historically has been the fourth fiscal quarter. If for any reason our fourth fiscal quarter results were substantially below expectations, our operating results for the full year would be materially adversely affected, and we could have substantial excess inventory, especially in seasonal merchandise that is difficult to liquidate.

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Suppliers from whom our products are sourced may fail us and transitioning to other qualified vendors could materially adversely affect our revenue and gross profit.

The products we sell are sourced from a wide variety of domestic and international vendors. Global sourcing has become an increasingly important part of our business, as we have undertaken efforts to increase the amount of product we source directly from overseas manufacturers. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. Any issues related to transitioning vendors could adversely affect our revenue and gross profit.

Many of our suppliers are small firms that produce a limited number of items. Given their limited resources, these firms are susceptible to cash flow issues, access to capital, production difficulties, quality control issues and problems in delivering agreed-upon quantities on schedule. We may not be able, if necessary, to return products to these suppliers and obtain refunds of our purchase price or obtain reimbursement or indemnification from them if their products prove defective. These suppliers may also be unable to withstand a downturn in economic conditions. Significant failures on the part of our key suppliers could have a material adverse effect on our results of operations.

In addition, many of these suppliers require extensive advance notice of our requirements in order to supply products in the quantities we desire. This long lead time may limit our ability to respond timely to shifts in demand.

Unexpected or unfavorable consumer responses to our promotional or merchandising programs could materially adversely affect our sales, results of operations, cash flow and financial condition.

Brand recognition, quality and price have a significant influence on consumers' choices among competing products and brands. Advertising, promotion, merchandising and the cadence of new product introductions also have a significant impact on consumers' buying decisions. If we misjudge consumer responses to our existing or future promotional activities, this could have a material adverse impact on our sales, results of operations, cash flow and financial condition.

We believe improvements in our merchandise offering help drive sales at our stores. We could be materially adversely affected by poor execution of changes to our merchandise offering or by unexpected consumer responses to changes in our merchandise offering.

Our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends, and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, maintain and use data provided to us through our online activities and other customer interactions in our business. Our current and future marketing programs depend on our ability to collect, maintain and use this information, and our ability to do so is subject to certain contractual restrictions in third party contracts as well as evolving international, federal and state laws and enforcement trends. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules or may conflict with our practices. If so, we may suffer damage to our reputation and be subject to proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management, increase our costs of doing business and result in monetary liability.

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In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the federal or state level, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm and our potential liability for security breaches may increase.

Product recalls and/or product liability, as well as changes in product safety and other consumer protection laws, may adversely impact our operations, merchandise offerings, reputation, results of operations, cash flow and financial condition.

We are subject to regulations by a variety of federal, state and international regulatory authorities, including the Consumer Product Safety Commission. In fiscal 2013, we purchased merchandise from approximately 600 vendors. Since a majority of our merchandise is manufactured in foreign countries, one or more of our vendors might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise ships to our stores. Any issues of product safety, including but not limited to those manufactured in foreign countries, could cause us to recall some of those products. If our vendors fail to manufacture or import merchandise that adheres to our quality control standards, our reputation and brands could be damaged, potentially leading to increases in customer litigation against us. Furthermore, to the extent we are unable to replace any recalled products, we may have to reduce our merchandise offerings, resulting in a decrease in sales, especially if a recall occurs near or during a seasonal period. If our vendors are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws. The Consumer Product Safety Improvement Act of 2008 imposes significant requirements on manufacturing, importing, testing and labeling requirements for our products. In the event that we are unable to timely comply with regulatory changes or regulators do not believe we are complying with current regulations applicable to us, significant fines or penalties could result, and could adversely affect our reputation, results of operations, cash flow and financial condition.

Significant increases in inflation or commodity prices such as petroleum, natural gas, electricity, steel, wood and paper may adversely affect our costs, including cost of merchandise.

Significant future increases in commodity prices or inflation could adversely affect our costs, including cost of merchandise and distribution costs. Furthermore, the transportation industry may experience a shortage or reduction of capacity, which could be exacerbated by higher fuel prices. Our results of operations may be adversely affected if we are unable to secure, or are able to secure only at significantly higher costs, adequate transportation resources to fulfill our receipt of goods or delivery schedules to the stores.

Improvements to our supply chain may not be fully successful.

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the identification and implementation of improvements to our supply chain, including merchandise ordering, transportation, and receipt processing. We continue to implement enhancements to our distribution systems and processes, which are designed to improve efficiency throughout the supply chain and at our stores. Significant changes to our supply chain could have a material adverse impact on our results of operations.

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We may be subject to information technology system failures or network disruptions, or our information systems may prove inadequate, resulting in damage to our reputation, business operations and financial condition.

We depend on our management information systems for many aspects of our business, including our perpetual inventory, automated replenishment, and weighted average cost stock ledger systems which are necessary to properly forecast, manage, analyze and record our inventory. The Company may be subject to information technology system failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, denial-of-service attacks, computer viruses, physical or electronic break-ins, or similar events or disruptions. System redundancy may be ineffective or inadequate, and the Company's disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to the Company's online services and preclude store transactions. System failures and disruptions could also impede the manufacturing and shipping of products, transactions processing and financial reporting. Additionally, we may be materially adversely affected if we are unable to improve, upgrade, maintain, and expand our systems.

Changes in newspaper subscription rates may result in reduced exposure to our circular advertisements.

A substantial portion of our promotional activities utilize circular advertisements in local newspapers. A continued decline in consumer subscriptions of these newspapers could reduce the frequency with which consumers receive our circular advertisements, thereby negatively affecting sales, results of operations and cash flow.

Changes in regulations or enforcement, or our failure to comply with existing or future regulations, may adversely impact our business.

We are subject to federal, state, provincial and local regulations with respect to our operations in the U.S. and Canada. There are a number of legislative and regulatory initiatives that could adversely impact our business if they are enacted or enforced. Those initiatives include wage or workforce issues (such as minimum-wage requirements, overtime and other working conditions and citizenship requirements), collective bargaining matters, environmental regulation, price and promotion regulation, trade regulations and others.

We expect that the Patient Protection and Affordable Care Act, which was signed into law on March 23, 2010, will increase our annual associate health care costs. Proposed changes in tax regulations may also change our effective tax rate as our business is subject to a combination of applicable tax rates in the various countries, states and other jurisdictions in which we operate. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. A change in accounting standards or practices can have a significant effect on our reported results of operations. Failure to comply with legal requirements could result in, among other things, increased litigation risk that could affect us adversely by subjecting us to significant monetary damages and other remedies or by increasing our litigation expenses, administrative enforcement actions, fines and civil and criminal liability. For example, in fiscal 2012, we settled a pricing and promotion investigation by the New York State Attorney General's office through the payment of a fine and other consideration pursuant to an Assurance of Discontinuance, and could be subject to similar investigations, as well as lawsuits, in the future. We are currently subject to class action lawsuits alleging violations of wage and workforce laws and to a purported class action lawsuit alleging violations of Ohio state law in relation to our advertising and pricing practices (see "Business Legal Proceedings"). If such issues become more expensive to address, or if new issues arise, they could increase our expenses, generate negative publicity, or otherwise adversely affect us.

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Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our Senior Secured Credit Facilities and the indentures governing our notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of the relevant borrowers, issuers, guarantors and their restricted subsidiaries to, among other things:

- incur or guarantee additional debt
- pay dividends or distributions on our capital stock or redeem, repurchase or retire our capital stock or indebtedness
- issue stock of subsidiaries
- make certain investments, loans, advances and acquisitions
- create liens on our assets to secure debt
- enter into transactions with affiliates
- merge or consolidate with another company
- sell or otherwise transfer assets

In addition, under the Restated Term Loan Credit Facility, MSI is required to meet specified financial ratios in order to undertake certain actions, and under our Restated Revolving Credit Facility, MSI is required to meet specified financial ratios in order to undertake certain actions, and under certain circumstances, MSI may be required to maintain a specified fixed charge coverage ratio. Our ability to meet those tests can be affected by events beyond our control, and we cannot assure you we will meet them. A breach of any of these covenants could result in a default under our Senior Secured Credit Facilities, which could also lead to an event of default under our notes if any of the Senior Secured Credit Facilities were accelerated. Upon the occurrence of an event of default under our Senior Secured Credit Facilities, the lenders could elect to declare all amounts outstanding under our Senior Secured Credit Facilities to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our Senior Secured Credit Facilities could proceed against the collateral granted to them to secure such indebtedness. Holdings, MSI and certain of MSI's subsidiaries have pledged substantially all of their assets, including the capital stock of MSI and certain of its subsidiaries, as collateral under our Senior Secured Credit Facilities. If the indebtedness under our Senior Secured Credit Facilities or our notes were to be accelerated, our assets may not be sufficient to repay such indebtedness in full. See "Description of Certain Indebtedness."

Disruptions in the capital markets could increase our costs of doing business.

Any disruption in the capital markets could make it difficult for us to raise additional capital when needed, or to eventually refinance our existing indebtedness on acceptable terms or at all. Similarly, if our suppliers face challenges in obtaining credit when needed, or otherwise face difficult business conditions, they may become unable to offer us the merchandise we use in our business thereby causing reductions in our revenues, or they may demand more favorable payment terms, all of which could adversely affect our results of operations, cash flows and financial condition.

Our real estate leases generally obligate us for long periods, which subject us to various financial risks.

We lease virtually all of our store, distribution center, and administrative locations, generally for long terms. While we have the right to terminate some of our leases under specified conditions by making specified payments, we may not be able to terminate a particular lease if or when we would like to do so.

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If we decide to close stores, we are generally required to continue paying rent and operating expenses for the balance of the lease term, or paying to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign or sublease vacated locations, we may remain liable on the lease obligations if the assignee or sublessee does not perform. In addition, when leases for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms, or at all, which could cause us to close stores. Accordingly, we are subject to the risks associated with leasing real estate, which can have a material adverse effect on our results.

We have co-sourced certain of our information technology, accounts payable, payroll, accounting and human resources functions and may co-source other administrative functions, which makes us more dependent upon third parties.

We place significant reliance on third party providers for the co-sourcing of certain of our information technology ("IT"), accounts payable, payroll, accounting and human resources functions. This co-sourcing initiative is a component of our ongoing strategy to increase efficiencies, increase our IT capabilities, monitor our costs and seek additional cost savings. These functions are generally performed in offshore locations, with Michaels oversight. As a result, we are relying on third parties to ensure that certain functional needs are sufficiently met. This reliance subjects us to risks arising from the loss of control over these processes, changes in pricing that may affect our operating results, and potentially, termination of provision of these services by our suppliers. If our service providers fail to perform, we may have difficulty arranging for an alternate supplier or rebuilding our own internal resources, and we could incur significant costs, all of which may have a significant adverse effect on our business. We may co-source other administrative functions in the future, which would further increase our reliance on third parties. Further, the use of offshore service providers may expose us to risks related to local political, economic, social or environmental conditions (including acts of terrorism, the outbreak of war, or the occurrence of natural disaster), restrictive actions by foreign governments or changes in U.S. laws and regulations. The success of our e-commerce platform, launched in 2014, is in part dependent on such co-sourced resources and therefore might impact these risks.

We are exposed to fluctuations in exchange rates between the U.S. and Canadian dollar, which is the functional currency of our Canadian subsidiary.

Our Canadian operating subsidiary purchases inventory in U.S. dollars, which is sold in Canadian dollars and exposes us to foreign exchange rate fluctuations. As well, our customers at border locations can be sensitive to cross-border price differences. Substantial foreign currency fluctuations could adversely affect our business.

We are dependent upon the services of our senior management team.

We are dependent on the services, abilities and experience of our executive officers, including Carl S. Rubin, our Chief Executive Officer, and Charles M. Sonsteby, our Chief Administrative Officer and Chief Financial Officer. The permanent loss of the services of any of these senior executives and any change in the composition of our senior management team could have a negative impact on our ability to execute on our business and operating strategies.

Failure to attract and retain quality sales, distribution center and other associates in appropriate numbers as well as experienced buying and management personnel could adversely affect our performance.

Our performance depends on recruiting, developing, training and retaining quality sales, distribution center and other associates in large numbers as well as experienced buying and management personnel. Many of our store level associates are in entry level or part-time positions with historically high rates of turnover.

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Our ability to meet our labor needs while controlling labor costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs and governmental labor and employment requirements. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing our wages could cause our earnings to decrease. The market for retail management is highly competitive and, similar to other retailers, we face challenges in securing sufficient management talent. If we do not continue to attract, train and retain quality associates and management personnel, our performance could be adversely affected.

Our results may be adversely affected by serious disruptions or catastrophic events, including geo-political events and weather.

Unforeseen public health issues, such as pandemics and epidemics, and geo-political events, such as civil unrest in a country in which our suppliers are located or terrorist or military activities disrupting transportation, communication or utility systems, as well as natural disasters such as hurricanes, tornadoes, floods, earthquakes and other adverse weather and climate conditions, whether occurring in the U.S. or abroad, particularly during peak seasonal periods, could disrupt our operations or the operations of one or more of our vendors or could severely damage or destroy one or more of our stores or distribution facilities located in the affected areas. For example, day to day operations, particularly our ability to receive products from our vendors or transport products to our stores could be adversely affected, or we could be required to close stores or distribution centers in the affected areas or in areas served by the affected distribution center. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and global financial markets and economy. Such occurrences could significantly impact our operating results and financial performance. For example, during the fourth quarter of fiscal 2012, our Net sales were adversely affected by Hurricane Sandy.

Our holding company structure makes us, and certain of our direct and indirect subsidiaries, dependent on the operations of our, and their, subsidiaries to meet our financial obligations.

We, and certain of our direct and indirect subsidiaries, have no significant assets other than our, and their, interest in our, and their, direct and indirect subsidiaries, including MSI. As a result, we, and certain of our direct and indirect subsidiaries, rely exclusively upon payments, dividends and distributions from our, and their, direct and indirect subsidiaries for our, and their, cash flows. Our ability to pay dividends, if any are declared, to our shareholders is dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to pay upstream dividends and make loans or loan repayments.

We are controlled by the Sponsors, whose interests may conflict with yours and those of our Company.

We are controlled by the Sponsors, who currently indirectly own approximately 93% of our Common Stock in the aggregate and will own approximately 80% after the completion of this offering. For as long as the Sponsors continue to beneficially own a majority of the outstanding shares of our Common Stock, they will be able to direct the election of all of the members of our Board of Directors ("Board") and could exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional Common Stock or other equity securities, the repurchase or redemption of Common Stock and the payment of dividends. Similarly, the Sponsors will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that might be favorable to them. Even if their ownership falls below a majority, so long as the Sponsors continue to hold a significant portion of our outstanding Common Stock, the Sponsors may continue to be able to strongly influence or effectively control our decisions. Additionally, the Sponsors are in the business of making investments in

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companies and may acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Risk factors relating to this offering and ownership of our Common Stock

We are a "controlled company" within the meaning of the rules of The NASDAQ Stock Market and, as a result, expect to qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements.

After completion of this offering, the Sponsors will continue to control a majority of the voting power of our outstanding Common Stock. As a result, we will be a "controlled company" within the meaning of the corporate governance standards of The NASDAQ Stock Market. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our Board consist of independent directors
- the requirement that we have a Nominating/Corporate Governance Committee that is composed entirely of independent directors with a written charter addressing the Committee's purpose and responsibilities
- the requirement that we have a Compensation Committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities

Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors and our Compensation Committee will not consist entirely of independent directors. In addition, we will not have a Nominating/Corporate Governance Committee. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of The NASDAQ Stock Market.

The Sponsors are not subject to any contractual obligation to retain their controlling interest, except that they have agreed, subject to certain exceptions, not to sell or otherwise dispose of any shares of our Common Stock or other securities exercisable or convertible into our Common Stock for a period of at least 180 days after the date of this prospectus without the prior written consent of J.P. Morgan Securities LLC and Goldman, Sachs & Co. There can be no assurance as to the period of time during which any of the Sponsors will in fact maintain its ownership of our Common Stock following the offering.

Our stock price could be extremely volatile and may decline and, as a result, you may not be able to resell your shares at or above the price you paid for them.

There currently is no public market for our Common Stock, and an active public market for our Common Stock may not develop or be sustained after this offering. In addition, the stock market in general has been highly volatile. As a result, the market price of our Common Stock is likely to be similarly volatile, and investors in our Common Stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of their investment. The price of our Common Stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this prospectus and others such as:

- variations in our operating performance and the performance of our competitors
- actual or anticipated fluctuations in our quarterly or annual operating results

- publication of research reports by securities analysts about us or our competitors or our industry
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market
- additions and departures of key personnel
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy
- the passage of legislation or other regulatory developments affecting us or our industry
- speculation in the press or investment community
- changes in accounting principles
- terrorist acts, acts of war or periods of widespread civil unrest
- natural disasters and other calamities
- changes in general market and economic conditions

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Following the closing of this offering, our Board has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of Common Stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of Common Stock or voting preferred stock would reduce your influence over matters on which our stockholders vote, and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

There may be sales of a substantial amount of our Common Stock after this offering by our current stockholders, and these sales could cause the price of our Common Stock to fall.

After this offering, there will be 203,103,838.7 shares of Common Stock outstanding, after giving effect to a 1.476-for-one stock split effected on June 6, 2014. Of our issued and outstanding shares, all the Common Stock sold in this offering will be freely transferable, except for any shares held by our "affiliates", as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Following completion of this offering, approximately 86% of our outstanding Common Stock will be held by investment funds affiliated with the Sponsors, Highfields and members of our management and employees.

Each of our directors, executive officers and significant equity holders (including affiliates of the Sponsors) have entered into a lock-up agreement with J.P. Morgan Securities LLC and Goldman, Sachs & Co. on behalf of the underwriters which restricts their sales of our Common Stock for a period of 180 days after the date of this prospectus, subject to certain exceptions and automatic extensions in certain circumstances.

See "Shares Eligible For Future Sale Lock-Up Agreements".

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Sales of substantial amounts of our Common Stock in the public market after this offering, or the perception that such sales will occur, could adversely affect the market price of our Common Stock and make it difficult for us to raise funds through securities offerings in the future. Of the shares to be outstanding after the offering, the shares offered by this prospectus will be eligible for immediate sale in the public market without restriction by persons other than our affiliates. Our remaining outstanding shares will become available for resale in the public market as shown in the chart below, subject to the provisions of Rule 144 and Rule 701.

Number of shares	**Date available for resale**
1,429,159.1	On the date of this offering (, 2014)
175,326,060.7	180 days after this offering (, 2014), subject to certain exceptions and automatic extensions in certain circumstances

Beginning 180 days after this offering, subject to certain exceptions and automatic extensions in certain circumstances, holders of shares of our Common Stock may require us to register their shares for resale under the federal securities laws, and holders of additional shares of our Common Stock would be entitled to have their shares included in any such registration statement, all subject to reduction upon the request of the underwriter of the offering, if any. Registration of those shares would allow the holders to immediately resell their shares in the public market. Any such sales or anticipation thereof could cause the market price of our Common Stock to decline.

In addition, after this offering, we intend to register shares of Common Stock that will be reserved for issuance under our 2014 Omnibus Plan (which will amend and restate our Equity Incentive Plan in connection with this offering). For more information, see "Shares Eligible For Future Sale Registrations on Form S-8".

Certain participants in our directed share program must hold their shares for a minimum of 180 days following the date of the final prospectus related to this offering and accordingly will be subject to market risks not imposed on other investors in the offering.

At our request, the underwriters have reserved up to 1,388,888 shares of the Common Stock offered hereby for sale to our employees and certain other participants. Purchasers of these shares who have entered into a lock-up agreement with the underwriters in connection with this offering, which generally includes our officers, directors and significant stockholders, will be required to agree that they will not, subject to exceptions, offer, sell, contract to sell or otherwise dispose of or hedge any such shares for a period of 180 days after the date of the final prospectus relating to this offering, subject to certain specified extensions. As a result of such restriction, such purchasers may face risks not faced by other investors who have the right to sell their shares at any time following the offering. These risks include the market risk of holding our shares during the period that such restrictions are in effect. In addition, the price of our Common Stock may be adversely affected following expiration of the lock-up period if there is an increase in the number of shares for sale in the market.

Provisions in our charter documents and Delaware law may deter takeover efforts that may be beneficial to stockholder value.

In addition to the Sponsors' beneficial ownership of a controlling percentage of our Common Stock, Delaware law and provisions we expect to be included in our certificate of incorporation and bylaws as in effect upon the completion of this offering could make it harder for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include limitations on actions by our stockholders. In addition, our Board has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquiror. Our certificate of incorporation to be in effect after this offering will also impose some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding Common Stock other than the Sponsors. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures and efforts by stockholders to change the direction or management of the company may be unsuccessful. See "Description of Capital Stock".

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or the bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

If you purchase shares in this offering, you will suffer immediate and substantial dilution.

If you purchase shares of our Common Stock in this offering, you will incur immediate and substantial dilution in the adjusted net tangible book deficit of your stock of $(30.18) per share as of May 3, 2014 based on an assumed initial public offering price of $18.00 per share (the mid-point of the offering range shown on the cover of this prospectus) and after giving effect to a 1.476-for-one stock split effected on June 6, 2014, because the price that you pay will be substantially greater than the net tangible book value per share of the shares you acquire. You will experience additional dilution upon the exercise of options to purchase our Common Stock, including those options currently outstanding and those granted in the future, and the issuance of restricted stock or other equity awards under our stock incentive plans. To the extent we raise additional capital by issuing equity securities, our stockholders will experience substantial additional dilution. See "Dilution".

Because our executive officers hold or may hold restricted stock or option awards that will vest upon a change of control, these officers may have interests in us that conflict with yours.

As of May 3, 2014 (and after giving effect to the stock split effected on June 6, 2014), our executive officers hold, in the aggregate, 557,838.0 shares of restricted stock and options to purchase 2,729,622.9 shares that would automatically vest upon a change of control. See "Executive Compensation Potential Payments upon Termination or Change of Control" for additional information. As a result, these officers may view certain change of control transactions more favorably than an investor in this offering due to the vesting opportunities available to them and, as a result, may have an economic incentive to support a transaction that you may not believe to be favorable to stockholders who purchased shares in this offering. This offering will not constitute a change of control for purposes of the relevant awards and agreements.

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The Sponsors will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

We are currently controlled, and after this offering is completed will continue to be controlled, by the Sponsors who currently indirectly own approximately 93% of our Common Stock in the aggregate. Upon the completion of this offering, investment funds affiliated with the Sponsors will beneficially own approximately 80% of our outstanding Common Stock (approximately 78% if the underwriters exercise in full the option to purchase additional shares from the selling stockholders). For as long as the Sponsors continue to beneficially own shares of Common Stock representing more than 50% of the voting power of our Common Stock, they will be able to direct the election of all of the members of our Board of Directors and could exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional Common Stock or other equity securities, the repurchase or redemption of Common Stock and the payment of dividends. Similarly, these entities will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that might be favorable to them. Even if their ownership falls below 50%, the Sponsors may continue to be able to strongly influence or effectively control our decisions so long as they continue to hold a significant portion of our Common Stock. In addition, each of the Sponsors will have a contractual right to nominate three directors to our Board for as long as such Sponsor owns at least 25% of our outstanding Common Stock, two directors for so long as such Sponsor owns at least 10% of our outstanding Common Stock and one director for so long as such Sponsor owns at least 3% of our outstanding Common Stock.

Additionally, the Sponsors are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Because we have no current plans to pay cash dividends on our Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Common Stock for a price greater than you paid.

We may retain future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior credit facility. As a result, you may not receive any return on an investment in our Common Stock unless you sell our Common Stock for a price greater than you paid.

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Cautionary note regarding forward-looking statements

This prospectus contains forward-looking statements within the meaning of federal securities laws that relate to future events or our future financial performance. In many cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "assume", "believe", "can have", "continue", "could", "due", "estimate", "expect", "forecast", "goal", "intend", "likely", "may", "objective", "outlook", "plan", "potential", "positioned", "predict", "pro forma", "project", "should", "target", "will", "would" or the negative of these terms or other comparable terminology. These forward-looking statements are made based on our management's expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and other factors could cause our actual results to differ materially from those matters expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Important factors that may cause actual results to differ materially from the results expressed or implied by these forward-looking statements are set forth under "Risk Factors". All forward-looking statements in this prospectus are based on information available to us on the date of this prospectus. We undertake no obligation, except as may be required by law, to publicly update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.

Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

- general economic factors and changes in consumer preference may adversely affect our performance and could materially adversely affect our sales, results of operations and cash flow

- our substantial debt could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk, prevent us from meeting our obligations under our notes and credit facilities and limit our flexibility in operating our business

- our recent data breach or a failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information, which could result in an additional data breach, could materially adversely affect our reputation, financial condition and operating results

- competition, including Internet-based competition, could negatively impact our business

- our significant reliance on foreign suppliers, particularly those located in China, increases our risk of obtaining adequate, timely, and cost-effective product supplies

- even if we are able to substantially continue our strategy of expanding our store base, our success will depend on how well we manage our business

- damage to the reputations of the Michaels brand or our private and exclusive brands could adversely affect sales

- our fourth quarter has historically been our highest quarter for sales and profitability, and a weak fourth quarter could have material adverse impacts on us our promotional and merchandising programs are dependent on consumer responses, which could be unfavorable or unexpected, adversely impacting our sales

our holding company structure makes us, and certain of our direct and indirect subsidiaries, dependent on the operations of our, and their, subsidiaries to meet our, and their, financial obligations

investment funds affiliated with the Sponsors will have the ability to control the outcome of matters submitted for stockholder approval and they may have interests that differ from those of our other stockholders

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and it is not possible for us to predict all of them. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this prospectus as well as other cautionary statements that are made from time to time in our other Securities and Exchange Commission ("SEC") filings and public communications. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this prospectus. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly whether as a result of new information, future developments or otherwise.

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Use of proceeds

We estimate that the net proceeds we will receive from the sale of the shares of our Common Stock in this offering, after deducting underwriter discounts and commissions and estimated expenses payable by us, will be approximately $466 million. This estimate assumes an initial public offering price of $18.00 per share, the mid-point of the range set forth on the cover page of this prospectus. We will not receive any of the net proceeds from the sale of shares of Common Stock by the selling stockholders if the underwriters exercise their option to purchase additional shares, which are estimated to be approximately $71 million if such option is exercised in full. See "Principal and Selling Stockholders".

We intend to use the net proceeds from this offering to redeem $466 million of the Holdco Notes. We also intend to use cash on hand to pay the applicable make-whole premium of $5 million (1% of the principal amount of the Holdco Notes being redeemed). The Holdco Notes were issued in July 2013 and mature in August 2018. The interest rate on the Holdco Notes is 7.50% per annum with respect to cash interest and 8.25% per annum with respect to PIK Interest, which is the cash interest rate plus 75 basis points. Net proceeds of the Holdco Note issuance were used to pay a cash dividend, distribution and other payments to our equity and equity award holders and pay related fees and expenses.

A $1.00 increase (decrease) in the assumed initial public offering price of $18.00 per share would increase (decrease) the net proceeds to us from this offering by $26 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

Until the proceeds from this offering are used as described above, we intend to invest them in short-term, investment-grade securities.

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Dividend policy

The Company does not anticipate paying any cash dividends in the near future. Instead, we anticipate that all of our earnings for the foreseeable future will be used to repay debt, for working capital, to support our operations and to finance the growth and development of our business. Any future determination to pay dividends will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under agreements for indebtedness, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board may deem relevant.

In July 2013, FinCo Holdings and FinCo Inc. issued the Holdco Notes. FinCo Holdings distributed the proceeds, net of expenses, to us. We used this cash to pay a cash dividend, distribution and other payments to our equity and equity award holders of approximately $781 million (excluding approximately $2 million currently held in escrow for the benefit of holders of restricted shares of the Company's Common Stock) and pay related fees and expenses.

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Capitalization

The following table sets forth our cash, cash equivalents and capitalization as of May 3, 2014;

- on an actual basis (after giving effect to the 1.476-for-one stock split effected on June 6, 2014);
- on an as adjusted basis to give effect to the issuance of the Additional 2020 Senior Subordinated Notes, the expected incurrence of Incremental Term Loans, and the redemption of the 2018 Senior Notes with the net proceeds from such issuance and incurrence as if each had occurred on May 3, 2014; and
- on an as further adjusted basis to also give effect to (1) this offering, (2) the application of net proceeds from this offering as described in "Use of Proceeds" and (3) the payment of approximately $30 million in the aggregate out of general funds in fees under the management agreements with the Sponsors and Highfields as if each had occurred on May 3, 2014. See "Certain Relationships and Related Party Transactions Management Agreements with the Sponsors and Others".

You should read the following table together with our Consolidated Financial Statements and the related notes appearing elsewhere in this prospectus and the sections of this prospectus titled "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Historical Consolidated Financial and Operating Data".

	As of May 3, 2014		
(In millions)	**Actual**	**As adjusted(1)**	**As further adjusted(2)**
Cash and cash equivalents	$ 115	$ 153	$ 118
Restated Term Loan Credit Facility	$ 1,623	$ 2,473	$ 2,473
Restated Revolving Credit Facilty			
Holdco Notes due 2018	800	800	334
Senior Notes due 2018	1,006		
Senior Subordinated Notes due 2020	260	515	515
Total debt	3,689	3,788	3,322
Stockholders' deficit:			
Common Stock $0.06775 par value; 324,720,000.0 shares authorized and 175,326,060.7 shares issued and outstanding (after giving effect to the 1.476-for-one stock split effected on June 6, 2014) on an actual and as adjusted basis; 350,000,000.0 shares authorized and 203,103,838.7 shares issued and outstanding on an as further adjusted basis	12	12	14
Additional paid-in capital(3)	100	100	564
Accumulated deficit(4)	(2,845)	(2,877)	(2,898)
Accumulated other comprehensive (loss)	(1)	(1)	(1)
Total stockholders' deficit	$ (2,734)	$ (2,766)	$ (2,321)
Total capitalization	$ 955	$ 1,022	$ 1,001

(1) Following the issuance of the Additional 2020 Senior Subordinated Notes, we intend to issue an irrevocable redemption notice to the holders of the outstanding 2018 Senior Notes for a partial redemption of 2018 Senior Notes. A portion of the 2018 Senior Notes will be redeemed on the applicable redemption date set forth in the notice of

redemption. We currently intend to redeem $235 million of the 2018 Senior Notes with the net proceeds from the Additional 2020 Senior Subordinated Notes offering. We currently intend to redeem the remaining outstanding 2018 Senior Notes with the net proceeds of the Incremental Term Loans. We will also pay the applicable make-whole premium and accrued and unpaid interest to, but not including, the applicable redemption dates on such portion of the 2018 Senior Notes.

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(2) A $1.00 increase (decrease) in the assumed initial public offering price of $18 per share would increase (decrease) our Additional paid-in capital and (decrease) increase the Holdco Notes by $26 million, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

(3) The change in Additional paid-in capital relates to the proceeds from this offering less the amount in Common Stock above, and estimated fees of $34 million, which includes $28 million of underwriter fees and discounts and $6 million of additional expense. Such estimates are subject to change based on final expenses.

(4) The change in Accumulated deficit relates to the impact for certain costs, net of tax, which impact Net income. The estimated make-whole redemption premium for the full redemption of the 2018 Senior Notes would be approximately $58 million ($35 million, tax effected). In addition, the Company will recognize as a reduction of refinancing costs, the net $6 million ($4 million, tax effected) of unamortized premium and discount previously deferred for the 2018 Senior Notes. As Further Adjusted includes $30 million ($18 million, tax effected) of termination fees to our Sponsors and Highfields. Such estimates are subject to change based on final expenses, the final redemption dates, and final make-whole premiums.

The table set forth above is based on the number of shares of our Common Stock outstanding as of May 3, 2014. This table does not reflect:

- 10,849,023.6 shares of our Common Stock issuable upon the exercise of outstanding stock options, at a weighted average exercise price of $9.47 per share as of May 3, 2014, 6,298,885.8 of which were then exercisable

- 691,870.6 of common stock pursuant to outstanding and unvested restricted stock awards under our 2014 Omnibus Plan

- 3,117,413.8 shares of our Common Stock reserved for issuance in respect of future awards and not yet issued under our Equity Incentive Plan, now reserved as additional issuable shares under our 2014 Omnibus Plan

- another 6,642,000.0 shares of our Common Stock reserved as additional issuable shares under our 2014 Omnibus Plan

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Dilution

If you invest in our Common Stock, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our Common Stock and the net tangible book value per share of our Common Stock after this offering. Dilution results from the fact that the initial public offering price per share of Common Stock is substantially in excess of the net tangible book value per share of our Common Stock attributable to the existing stockholders for our presently outstanding shares of Common Stock. Net tangible book value deficiency per share before the offering has been determined by dividing net tangible book value (total book value of tangible assets, which excludes goodwill, net intangible assets and debt issue costs, less total liabilities) by the number of shares of Common Stock outstanding at May 3, 2014.

Our net tangible book value deficiency as of May 3, 2014 was $(2,878) million, or $(16.42) per share of our Common Stock, based on 175,326,060.7 shares of our Common Stock outstanding immediately prior to the closing of this offering after giving effect to a 1.476-for-one stock split effected on June 6, 2014. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering.

After giving effect to (i) the issuance of the Additional 2020 Senior Subordinated Notes, the anticipated incurrence of the Incremental Term Loans and the expected use of proceeds from such offerings, as described in "Prospectus summary Recent developments" (the "Refinancing"), and (ii) the receipt of the estimated net proceeds from the sale by us of 27,777,778 shares, assuming an initial public offering price of $18.00 per share (the mid-point of the offering range shown on the cover of this prospectus) and after giving effect to a 1.476-for-one stock split effected on June 6, 2014 and to the application of the estimated net proceeds from this offering as described under "Use of Proceeds," our net tangible book value deficiency at May 3, 2014 would have been $(2,474) million, or $(12.18) per share of Common Stock. This represents an immediate increase in net tangible book value per share of $4.24 to existing stockholders and an immediate decrease in net tangible book value per share of $30.18 to you. The following table illustrates the dilution.

Assumed initial public offering price per share of Common Stock		$ 18.00
Net tangible book value (deficit) per share at May 3, 2014	$ (16.42)	
Decrease per share attributable to the Refinancing	$ (0.23)	
Increase per share attributable to new investors in this offering	$ 4.47	
As adjusted net tangible book value (deficit) per share of Common Stock after the refinancing and this offering		$ (12.18)
Dilution per share to new investors		$ (30.18)

A $1.00 increase (decrease) in the assumed initial public offering price of $18.00 per share of our Common Stock would increase (decrease) our net tangible book value after giving to the offering by $26 million, or by $0.13 per share of our Common Stock, assuming no change to the number of shares of our Common Stock offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated expenses payable by us.

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The following table summarizes, on an as adjusted basis as of May 3, 2014, the total number of shares of our Common Stock purchased from us, the total cash consideration paid to us and the average price per share of our Common Stock paid by (i) our existing stockholders and (ii) the new investors purchasing shares of our Common Stock in this offering.

	Shares of our Common Stock purchased		Total consideration		Average price per share of our Common Stock
	Number	Percent	Amount	Percent	
Existing Stockholders(1)	175,326,061	86%	$ 1,771,683,292	78%	$ 10.11
New investors	27,777,778	14%	$ 500,000,000	22%	$ 18.00
Total	203,103,839	100%	$ 2,271,683,292	100%	$ 11.18

(1) Total consideration excludes the return of cumulative dividends paid to existing stockholders of $782 million.

If the underwriters were to fully exercise the underwriters' option to purchase additional shares of our Common Stock from the selling stockholders, the percentage of shares of our Common Stock held by existing stockholders would be approximately 84%, and the percentage of shares of our Common Stock held by new investors would be approximately 16%.

The table above does not reflect 6,298,885.8 vested options outstanding as of May 3, 2014 under our 2014 Omnibus Plan with a weighted-average exercise price of approximately $8.07 per share; 691,870.6 shares of common stock pursuant to outstanding and unvested restricted stock awards under our 2014 Omnibus Plan; and shares underlying awards granted after May 3, 2014 (if any) under our 2014 Omnibus Plan. To the extent that we grant options or other equity awards to our employees or directors in the future, and those options or other equity awards are exercised or become vested or other issuances of shares of our Common Stock are made, there will be further dilution to new investors.

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Selected historical consolidated financial and operating data

The following table sets forth our selected historical consolidated financial and operating data as of the dates and for the periods indicated. Our selected historical consolidated balance sheet data as of February 1, 2014 and February 2, 2013, and our selected historical consolidated results of operations data and cash flow data for each of the three years ended February 1, 2014, February 2, 2013 and January 28, 2012, respectively, have been derived from our audited Consolidated Financial Statements, which are included elsewhere in this prospectus. Other operating data included in the table is unaudited for all periods presented. The selected historical consolidated results of operations, cash flow data and balance sheet data presented as of and for the quarters ended May 3, 2014 and May 4, 2013 are derived from our unaudited Consolidated Financial Statements appearing elsewhere in this prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

We operate on a fiscal calendar, which in a given fiscal year consists of a 52- or 53-week period ending on the Saturday closest to January 31. Fiscal 2013 is the 52-week period ended February 1, 2014, and fiscal 2012 is the 53-week period ended February 2, 2013. Fiscal 2011 ended on January 28, 2012, fiscal 2010 ended on January 29, 2011 and fiscal 2009 ended on January 30, 2010; all of which are 52-week periods. References to "the first quarter of fiscal 2014" relate to the 13 weeks ended May 3, 2014, and references to "the first quarter of fiscal 2013" relate to the 13 weeks ended May 4, 2013.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. The following summaries of our consolidated financial and operating data for the periods presented should be read in conjunction with "Risk Factors", "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the related notes, which are included elsewhere in this prospectus.

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(in millions, except earnings per common share, other operating and store count data)	Fiscal Year(1) 2013	2012	2011	2010	2009	Quarter Ended May 3, 2014	May 4, 2013
Results of Operations Data:							
Net sales	$ 4,570	$ 4,408	$ 4,210	$ 4,031	$ 3,888	$ 1,052	$ 993
Operating income	610	592	538	488	397	139	128
Interest expense	215	245	254	276	257	57	47
Refinancing costs and losses on early extinguishments of debt(2)	14	33	18	53			7
Net income	243	200	157	103			