



## Tilly's, Inc. Announces Third Quarter Operating Results, Net Loss Beats Prior Outlook

November 30, 2023

IRVINE, Calif.--(BUSINESS WIRE)--Nov. 30, 2023-- Tilly's, Inc. (NYSE: TLYS, the "Company") today announced financial results for the third quarter of fiscal 2023 ended October 28, 2023.

"Our third quarter results represent a sequential improvement over the first and second quarters of the fiscal year. We continue to work towards protecting product margins, managing inventories and controlling operating expenses amid a continuing difficult economic environment, particularly for our young customer demographic," commented Ed Thomas, President and Chief Executive Officer. "Although more promotionally driven than in years past, we were pleased to produce comparable net sales growth compared to last year over Black Friday weekend."

### Operating Results Overview

#### Fiscal 2023 Third Quarter Operating Results Overview

The following comparisons refer to the Company's operating results for the third quarter of fiscal 2023 ended October 28, 2023 versus the third quarter of fiscal 2022 ended October 29, 2022.

- Total net sales were \$166.5 million, a decrease of \$11.4 million or 6.4%, compared to \$177.8 million last year. Total comparable net sales, including both physical stores and e-commerce ("e-com"), decreased by 9.0%.
  - Net sales from physical stores were \$132.4 million, a decrease of \$9.1 million or 6.4%, compared to \$141.5 million last year, with a comparable store net sales decrease of 9.1%. Net sales from physical stores represented 79.6% of total net sales both this year and last year. The Company ended the third quarter with 249 total stores compared to 247 total stores at the end of the third quarter last year.
  - Net sales from e-com were \$34.0 million, a decrease of \$2.3 million or 6.2%, compared to \$36.3 million last year. E-com net sales represented 20.4% of total net sales both this year and last year.
- Gross profit, including buying, distribution, and occupancy costs, was \$48.7 million, or 29.3% of net sales, compared to \$54.6 million, or 30.7% of net sales, last year. Buying, distribution, and occupancy costs deleveraged by 90 basis points, despite being \$1.0 million lower than last year primarily due to a decrease in distribution costs resulting from reduced freight costs, partially offset by higher occupancy costs as a result of two net additional stores compared to last year. Product margins declined by 50 basis points primarily due to increased markdowns and estimated inventory valuation reserves.
- Selling, general and administrative ("SG&A") expenses were \$51.2 million, or 30.8% of net sales, compared to \$48.3 million, or 27.1% of net sales, last year. Primary SG&A increases were attributable to non-cash store impairment charges of \$1.7 million, marketing expenses of \$0.7 million, and combined store and corporate payroll and related benefits expenses of \$0.7 million.
- Operating loss was \$(2.5) million, or (1.5)% of net sales, compared to operating income of \$6.3 million, or 3.6% of net sales, last year, due to the combined impact of the factors noted above.
- Other income was \$1.3 million compared to \$0.7 million last year, primarily attributable to earning significantly higher rates of return on our marketable securities compared to last year.
- Income tax benefit was \$(0.3) million, or 28.0% of pre-tax loss, compared to income tax expense of \$1.8 million, or 26.3% of pre-tax income, last year. The increase in the effective income tax rate was primarily attributable to decrease in pre-tax income and discrete income tax items associated with stock-based compensation.
- Net loss was \$(0.8) million, or \$(0.03) per share, compared to net income of \$5.1 million, or \$0.17 per diluted share, last year. Weighted average shares were 29.9 million this year compared to 30.0 million diluted shares last year.

#### Fiscal 2023 Year-to-Date Third Quarter Operating Results Overview

The following comparisons refer to the Company's operating results for the first thirty-nine weeks of fiscal 2023 ended October 28, 2023 versus the first thirty-nine weeks of fiscal 2022 ended October 29, 2022.

- Total net sales were \$450.1 million, a decrease of \$41.9 million or 8.5%, compared to \$491.9 million last year. Total comparable net sales, including both physical stores and e-com, decreased by 11.3%.
  - Net sales from physical stores were \$360.0 million, a decrease of \$36.1 million or 9.1%, compared to \$396.1 million last year, with a comparable store net sales decrease of 12.3%. Net sales from physical stores represented 80.0% of total net sales compared to 80.5% of total net sales last year.
  - Net sales from e-com were \$90.0 million, a decrease of \$5.8 million or 6.1%, compared to \$95.8 million last year. E-com net sales represented 20.0% of total net sales compared to 19.5% of total net sales last year.
- Gross profit, including buying, distribution, and occupancy costs, was \$119.0 million, or 26.4% of net sales, compared to

\$150.4 million, or 30.6% of net sales, last year. Buying, distribution, and occupancy costs deleveraged by 260 basis points and increased by \$2.3 million collectively, predominantly due to occupancy costs, as a result of operating two net additional stores and carrying these costs against a lower level of net sales this year, partially offset by a decrease in distribution costs resulting from reduced freight costs. Product margins declined by 150 basis points primarily due to increased markdowns and estimated inventory valuation reserves.

- SG&A expenses were \$141.4 million, or 31.4% of net sales, compared to \$137.8 million, or 28.0% of net sales, last year. Primary SG&A increases were attributable to non-cash store impairment charges of \$2.6 million and corporate payroll and related benefits expenses of \$1.4 million, primarily due to the impact of wage increases associated with employee retention. These increases were partially offset by smaller reductions in store supplies and store payroll.
- Operating loss was \$(22.5) million, or (5.0)% of net sales, compared to operating income of \$12.6 million, or 2.6% of net sales, last year, due to the combined impact of the factors noted above.
- Other income was \$3.6 million compared to \$0.9 million last year, primarily due to earning significantly higher rates of return on our marketable securities compared to last year.
- Income tax benefit was \$(4.9) million, or 26.0% of pre-tax loss, compared to income tax expense of \$3.7 million, or 27.2% of pre-tax income, last year. The decrease in the effective income tax rate was primarily attributable to a decrease in pre-tax income and discrete income tax items associated with stock-based compensation.
- Net loss was \$(13.9) million, or \$(0.47) per share, compared to net income of \$9.8 million, or \$0.32 per diluted share, last year. Weighted average shares were 29.8 million this year compared to 30.4 million diluted shares last year.

### **Balance Sheet and Liquidity**

As of October 28, 2023, the Company had \$93.9 million of cash and marketable securities and no debt outstanding compared to \$105.8 million and no debt outstanding at the end of the third quarter last year. The Company ended the third quarter with inventories at cost up 0.8% per square foot while unit inventories were down 3.2% per square foot compared to last year.

Total year-to-date capital expenditures at the end of the third quarter were \$10.5 million this year compared to \$11.9 million last year. The Company currently expects its total capital expenditures for fiscal 2023 will be approximately \$13 million, inclusive of 7 total new stores and upgrades to certain distribution and information technology systems.

### **Fiscal 2023 Fourth Quarter Outlook**

This year's fourth quarter includes an additional week, making it a 14-week quarter compared to 13 weeks last year. Total comparable net sales through November 28, 2023, decreased by (6.5)% with a comparable net sales decrease in physical stores of (13.6)% and an increase in e-commerce comparable net sales of 11.0%. Based on current quarter-to-date comparable net sales results and current and historical trends, the Company currently estimates that its fiscal 2023 fourth quarter net sales will be in the range of approximately \$172 million to \$178 million, translating to an estimated comparable net sales decrease in the range of approximately (6)% to (9)% compared to last year. The Company currently estimates its SG&A expenses for the fourth quarter of fiscal 2023 to be approximately \$55 million to \$56 million, pre-tax loss to be in the range of approximately \$(5.0) million to \$(8.0) million, and estimated income tax rate to be approximately 26%. The Company currently expects its loss per share for the fourth quarter of fiscal 2023 to be in the range of \$(0.12) to \$(0.20) based on estimated weighted average shares of approximately 29.9 million. The Company currently expects to have 248 stores open at the end of the fiscal year, a net decrease of one store from the end of last fiscal year.

### **Fiscal 2024 New Store and Capital Expenditure Plans**

The Company currently expects its total capital expenditures for fiscal 2024 not to exceed \$15 million, primarily for the construction of 4 new stores and continued upgrades to certain distribution and information technology systems.

### **Conference Call Information**

A conference call to discuss these financial results is scheduled for today, November 30, 2023, at 4:30 p.m. ET (1:30 p.m. PT). Investors and analysts interested in participating in the call are invited to dial (877) 300-8521 (domestic) or (412) 317-6026 (international). The conference call will also be available to interested parties through a live webcast at [www.tillys.com](http://www.tillys.com). Please visit the website and select the "Investor Relations" link at least 15 minutes prior to the start of the call to register and download any necessary software. A telephone replay of the call will be available until December 7, 2023, by dialing (844) 512-2921 (domestic) or (412) 317-6671 (international) and entering the conference identification number: 10183514.

### **About Tillys**

Tillys is a leading, destination specialty retailer of casual apparel, footwear, accessories and hardgoods for young men, young women, boys and girls with an extensive selection of iconic global, emerging, and proprietary brands rooted in an active, outdoor and social lifestyle. Tillys is headquartered in Irvine, California and currently operates 252 total stores across 33 states, as well as its website, [www.tillys.com](http://www.tillys.com).

### **Forward-Looking Statements**

Certain statements in this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements regarding our current operating expectations in light of historical results, the impacts of inflation and potential recession on us and our customers, including on our future financial condition or operating results, expectations regarding customer traffic, our supply chain, our ability to properly manage our inventory levels, and any other statements about our future cash position, financial flexibility, expectations, plans, intentions, beliefs or prospects expressed by management are forward-looking statements. These forward-looking statements are based on management's current expectations and beliefs, but they involve a number of risks and uncertainties that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including, but not limited to the impact of inflation on consumer behavior and our business and operations, supply chain difficulties, and our ability to respond thereto, our ability to respond to changing customer preferences and trends, attract customer traffic at our stores and online, execute our growth and long-term strategies, expand into new markets, grow our e-commerce business,

effectively manage our inventory and costs, effectively compete with other retailers, attract talented employees, or enhance awareness of our brand and brand image, general consumer spending patterns and levels, including changes in historical spending patterns, the markets generally, our ability to satisfy our financial obligations, including under our credit facility and our leases, and other factors that are detailed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC"), including those detailed in the section titled "Risk Factors" and in our other filings with the SEC, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and on our website at [www.tillys.com](http://www.tillys.com) under the heading "Investor Relations". Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. We do not undertake any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. This release should be read in conjunction with our financial statements and notes thereto contained in our Form 10-K.

**Tilly's, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except par value)  
(unaudited)

	October 28, 2023	January 28, 2023	October 29, 2022
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 44,425	\$ 73,526	\$ 75,786
Marketable securities	49,523	39,753	29,985
Receivables	7,118	9,240	11,352
Merchandise inventories	82,753	62,117	81,589
Prepaid expenses and other current assets	11,816	17,762	16,036
<b>Total current assets</b>	<b>195,635</b>	<b>202,398</b>	<b>214,748</b>
Operating lease assets	216,205	212,845	222,664
Property and equipment, net	49,220	50,635	51,279
Deferred tax assets	13,229	8,497	10,261
Other assets	1,685	1,377	1,488
<b>TOTAL ASSETS</b>	<b>\$ 475,974</b>	<b>\$ 475,752</b>	<b>\$ 500,440</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 27,025	\$ 15,956	\$ 30,225
Accrued expenses	14,688	15,889	17,239
Deferred revenue	13,520	16,103	13,859
Accrued compensation and benefits	10,590	8,183	9,756
Current portion of operating lease liabilities	50,063	48,864	50,047
Current portion of operating lease liabilities, related party	3,048	2,839	2,771
Other liabilities	330	470	806
<b>Total current liabilities</b>	<b>119,264</b>	<b>108,304</b>	<b>124,703</b>
Long-term liabilities:			
Noncurrent portion of operating lease liabilities	171,388	167,913	176,621
Noncurrent portion of operating lease liabilities, related party	20,081	22,388	23,129
Other liabilities	391	349	455
<b>Total long-term liabilities</b>	<b>191,860</b>	<b>190,650</b>	<b>200,205</b>
<b>Total liabilities</b>	<b>311,124</b>	<b>298,954</b>	<b>324,908</b>
Stockholders' equity:			
Common stock (Class A)	23	23	23
Common stock (Class B)	7	7	7
Preferred stock	—	—	—
Additional paid-in capital	171,754	170,033	168,749
(Accumulated deficit) retained earnings	(7,410)	6,530	6,634
Accumulated other comprehensive income	476	205	119
<b>Total stockholders' equity</b>	<b>164,850</b>	<b>176,798</b>	<b>175,532</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 475,974</b>	<b>\$ 475,752</b>	<b>\$ 500,440</b>

**Tilly's, Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except per share data)  
(unaudited)

Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022

<b>Net sales</b>	<b>\$ 166,475</b>	<b>\$ 177,847</b>	<b>\$ 450,063</b>	<b>\$ 491,930</b>
Cost of goods sold (includes buying, distribution, and occupancy costs)	116,825	122,346	328,297	338,870
Rent expense, related party	931	918	2,793	2,680
<b>Total cost of goods sold (includes buying, distribution, and occupancy costs)</b>	<b>117,756</b>	<b>123,264</b>	<b>331,090</b>	<b>341,550</b>
<b>Gross profit</b>	<b>48,719</b>	<b>54,583</b>	<b>118,973</b>	<b>150,380</b>
Selling, general and administrative expenses	51,101	48,134	141,035	137,405
Rent expense, related party	134	134	400	400
<b>Total selling, general and administrative expenses</b>	<b>51,235</b>	<b>48,268</b>	<b>141,435</b>	<b>137,805</b>
<b>Operating (loss) income</b>	<b>(2,516)</b>	<b>6,315</b>	<b>(22,462)</b>	<b>12,575</b>
Other income, net	1,341	675	3,625	862
<b>(Loss) income before income taxes</b>	<b>(1,175)</b>	<b>6,990</b>	<b>(18,837)</b>	<b>13,437</b>
Income tax (benefit) expense	(328)	1,841	(4,897)	3,656
<b>Net (loss) income</b>	<b>\$ (847)</b>	<b>\$ 5,149</b>	<b>\$ (13,940)</b>	<b>\$ 9,781</b>
Basic (loss) earnings per share of Class A and Class B common stock	\$ (0.03)	\$ 0.17	\$ (0.47)	\$ 0.32
Diluted (loss) earnings per share of Class A and Class B common stock	\$ (0.03)	\$ 0.17	\$ (0.47)	\$ 0.32
Weighted average basic shares outstanding	29,872	29,894	29,834	30,226
Weighted average diluted shares outstanding	29,872	30,050	29,834	30,428

**Tilly's, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 28, 2023</b>	<b>October 29, 2022</b>
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (13,940)	\$ 9,781
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	9,547	10,515
Stock-based compensation expense	1,684	1,764
Impairment of assets	2,631	14
Loss on disposal of assets	2	64
(Gain) interest on maturities of marketable securities	(1,156)	(230)
Deferred income taxes	(4,732)	1,167
Changes in operating assets and liabilities:		
Receivables	4,196	(705)
Merchandise inventories	(20,636)	(15,944)
Prepaid expenses and other assets	5,980	557
Accounts payable	11,033	2,068
Accrued expenses	106	(4,253)
Accrued compensation and benefits	2,407	(7,300)
Operating lease liabilities	(4,545)	(4,637)
Deferred revenue	(2,583)	(3,237)
Other liabilities	(452)	(706)
<b>Net cash used in operating activities</b>	<b>(10,458)</b>	<b>(11,082)</b>
<b>Cash flows from investing activities</b>		
Purchases of marketable securities	(88,146)	(49,779)
Purchases of property and equipment	(10,543)	(11,897)
Proceeds from maturities of marketable securities	80,000	117,189
Proceeds from sale of property and equipment	9	—
<b>Net cash (used in) provided by investing activities</b>	<b>(18,680)</b>	<b>55,513</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	210	56
Taxes paid on short-swing profits disgorgement payment	(173)	—
Share repurchases related to share repurchase program	—	(10,902)
<b>Net cash provided by (used in) financing activities</b>	<b>37</b>	<b>(10,846)</b>

<b>Change in cash and cash equivalents</b>	<b>(29,101)</b>	<b>33,585</b>
Cash and cash equivalents, beginning of period	73,526	42,201
<b>Cash and cash equivalents, end of period</b>	<b>\$ 44,425</b>	<b>\$ 75,786</b>

**Tilly's, Inc.**  
**Store Count and Square Footage**

	<b>Store Count at Beginning of Quarter</b>	<b>New Stores Opened During Quarter</b>	<b>Stores Permanently Closed During Quarter</b>	<b>Store Count at End of Quarter</b>	<b>Total Gross Square Footage End of Quarter (in thousands)</b>
<b>2022 Q1</b>	241	—	—	241	1,764
<b>2022 Q2</b>	241	2	1	242	1,767
<b>2022 Q3</b>	242	5	—	247	1,800
<b>2022 Q4</b>	247	4	2	249	1,818
<b>2023 Q1</b>	249	1	2	248	1,809
<b>2023 Q2</b>	248	—	2	246	1,792
<b>2023 Q3</b>	246	3	—	249	1,810

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Source: Tilly's, Inc.