

TILLYS

2024 Annual Report



To Our Stockholders:

As the co-founder of Tillys, I care personally and deeply about this company and its success. Over the last two fiscal years our business and performance have been challenged. Certainly, the economic environment has contributed to our difficulties, as well as those of our long-standing, heritage brand partners that we shared success with over most of the last 42 years we have been in business. Yet, we have had to acknowledge that the impact on our operating results appears to have been more significant than most competitors this past year.

We urgently need to change the trajectory of our performance despite environmental headwinds, and we have taken steps in that direction. Since I assumed the role of Chief Executive Officer in late January 2024, we have challenged every major facet of what we do, why we have done it the way we historically have, and how we can do it better. While it is taking longer than we anticipated to improve our business as a whole, we were able to improve our product margins by 150 basis points during fiscal 2024 coming off the historical lows we produced in fiscal 2023. We made meaningful progress toward producing much more engaging marketing content, including our first-ever brand campaign and launch of our new TikTok shop, and made important strides toward improving our presence and customer engagement on social media. In November 2024, we made a change in merchandising leadership in order to improve the trajectory of our business. In fiscal 2025, we have planned much tighter inventory commitments and intend to operate with lower unit inventories throughout the year. We have also planned meaningful expense reductions with the assistance of various operational business partners. Thankfully, we entered this difficult period with a strong, debt-free balance sheet that has helped us manage our way through these difficult times thus far. We intend to remain disciplined and conscientious in managing our available resources. We are hopeful that we will begin to see signs that our business is getting back on track in fiscal 2025.

Thank you all as stockholders for trusting us through this journey. It is likely to remain challenging to turn our business around in the current economic environment, but we have a wonderful team of people working very hard to turn our business around. We believe we can do it and we are fully committed to rise to the challenge. We look forward to sharing our progress with you as we aim to return to generating sales growth, continue improving our product margins, and ultimately return to profitability over time.

Hezy Shaked

Co-Founder, Executive Chairman of the Board, President and Chief Executive Officer

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended February 1, 2025

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 001-35535

TILLY'S, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10 Whatney, Irvine, CA
(Address of principal executive offices)

45-2164791
(I.R.S. Employer
Identification No.)
92618
(Zip Code)

(949) 609-5599

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock, \$0.001 par value per share	TLYS	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer:	☐	Accelerated filer:	☒
Nonaccelerated filer:	☐	Smaller reporting company:	☒
		Emerging growth company:	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

As of August 2, 2024, the last trading day of the registrant's most recently completed second quarter, the aggregate market value of voting stock held by non-affiliates of the registrant was \$118,072,516 based on the closing price of the registrant's common stock of \$5.25 per share.

As of April 4, 2025, the registrant had 22,845,799 shares of Class A common stock, par value \$0.001 per share, outstanding, and 7,306,108 shares of Class B common stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement (the "Proxy Statement") for its Annual Meeting of Stockholders anticipated to be held June 11, 2025 are incorporated by reference into Part III of this Annual Report on Form 10-K. Only those portions of the Proxy Statement which are specifically incorporated by reference herein shall constitute a part of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this Report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenues, comparable store sales, operating income, earnings per share, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- Our recent history of operating losses, and our potential need to commence borrowing under our credit facility and/or to acquire additional liquidity;
- the impacts of inflation on consumer spending generally and on our expense management, operating results and financial condition;
- our ability to adapt to declines in consumer confidence and decreases in consumer spending;
- the impact of fluctuations in the price and availability of raw materials, labor, and transportation;
- our ability to compete effectively in an environment of intense competition in stores, online and via social media marketing platforms;
- our ability to effectively manage inventory levels;
- most of our merchandise is made in foreign countries, making price and availability of our merchandise susceptible to international trade conditions;
- our ability to adapt to changing trends in traffic for our stores and changes in our customers' purchasing patterns;
- our ability to identify and respond to new and changing customer fashion preferences and fashion-related trends;
- our ability to secure desirable lease arrangements and other economics to improve our profitability;
- our ability to successfully open new stores and profitably operate our existing stores;
- our ability to attract customers to our website and generate acceptable levels of return from our digital marketing efforts and other e-com growth initiatives;
- our ability to generate adequate cash from our existing stores and e-com to support our business;
- our ability to generate sufficient undiscounted cash flows to recover our investment in long-lived and right-of-use assets;
- our ability to generate sufficient pre-tax income to fully utilize our deferred tax assets;
- the success of the malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations in which our stores are located;
- our ability to adapt to unseasonable weather impacting sales of our seasonal merchandise;
- our dependence on third-party vendors to provide us with sufficient quantities of merchandise at acceptable prices and on time;
- our ability to adapt to significant changes in sales due to the seasonality of our business;
- our dependence upon key executive management or our inability to hire or retain the talent required for our business;
- our ability to establish, maintain and enhance a strong brand image;
- our ability to balance proprietary branded merchandise with the third-party branded merchandise we sell;
- our ability to efficiently utilize our e-com fulfillment center;
- our ability to generate sufficient cash flows to make significant periodic lease payments for our stores, corporate offices and distribution centers;
- our ability to attract customers in the various retail venues and geographies in which our stores are located;
- our ability to respond to litigation claims we are subject to;
- our ability to respond to changes in employment and wage and hour laws;
- failure of our vendors and their manufacturing sources to use acceptable labor or other practices;
- our ability to effectively respond to disruptions in our supply chain and distribution center;
- our ability to adjust to increasing costs of mailing catalogs, paper and printing;
- failure of our information technology systems to support our business, before and after our planned upgrades;
- our ability to secure our data and comply with privacy laws and the security standards of the credit card industry;
- disruptions to our information systems in the ordinary course of business, as a result of systems upgrades or due to intentional attacks;
- our ability to protect our trademarks or other intellectual property rights;
- our potential liability if we or our vendors unknowingly infringe upon the intellectual property rights of third parties;

- natural disasters, unusually adverse weather conditions, port delays, boycotts, epidemics, pandemics, acts of war, terrorism, civil unrest and other unanticipated events;
- the potential effects of unionization and work stoppages or slowdowns by our employees;
- continuing costs incurred as a result of being a public company; and
- our ability to respond to risks associated with climate change, environmental, social and governance initiatives, and sustainability initiatives.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon 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.

See “Risk Factors” for a more complete discussion of the risks and uncertainties mentioned above and for discussion of other risks and uncertainties. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this Report and hereafter in our other SEC filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the disclosures and forward-looking statements included in this Report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

Item 1. Business

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 assortment of iconic global, emerging, and proprietary brands rooted in an active, outdoor and social lifestyle. Tillys is headquartered in Irvine, California and operated 240 stores in 33 states as of February 1, 2025. Our stores are located in malls, lifestyle centers, "power" centers, community centers, outlet centers, and street-front locations. Customers may also shop online at www.tillys.com, where we feature the same assortment of products as is carried in our brick-and-mortar stores, supplemented by additional online-only styles. Our goal is to serve as a destination for the latest, most relevant merchandise and brands important to our customers.

The Tillys concept began in 1982 when our co-founders, Hezy Shaked and Tilly Levine, opened their first store in Orange County, California. Since 1984, the business has been conducted through World of Jeans & Tops ("WOJT"), a California corporation, which operates under the name "Tillys". In May 2011, Tilly's, Inc., a Delaware corporation, was formed solely for the purpose of reorganizing the corporate structure of WOJT in preparation for an initial public offering. As part of the initial public offering in May 2012, WOJT became a wholly owned subsidiary of Tilly's, Inc.

As used in this Report, except where the context otherwise requires or where otherwise indicated, the terms "the Company", "we", "our", "us", and "Tillys" refer to Tilly's, Inc. and its subsidiary, WOJT.

Our fiscal year ends on the Saturday closest to January 31. For example, "fiscal 2024" refers to the fiscal year ended February 1, 2025; "fiscal 2023" refers to the fiscal year ended February 3, 2024; and "fiscal 2022" refers to the fiscal year ended January 28, 2023.

Our Strengths

We believe that the following strengths distinguish us from our competitors:

- *Destination retailer with a broad and differentiated assortment.* We believe the combined depth and breadth of apparel, footwear and accessories offered at our stores exceeds the selection offered at many other specialty retailers. We offer an extensive selection of lifestyle and emerging third-party brands, as well as proprietary brands. Our merchandise includes a wide assortment of relevant brands, styles, colors, sizes, and price points to ensure our customers have a variety of choices every time they visit our stores. We offer a mix of merchandise across the apparel, footwear and accessories categories serving young men, young women, boys, and girls. We believe that by combining proven and emerging fashion trends and core style products with a vibrant blend of carefully selected music and visuals, we provide an in-store experience that is authentic, fun, and engaging for our core customers. We believe that our differentiated in-store environment, evolving selection of brands, and broader and deeper assortment positions us as a retail destination that appeals to a larger demographic than many other specialty retailers.
- *Dynamic merchandise model.* We believe our extensive selection of third-party and proprietary merchandise allows us to identify and offer several trends simultaneously and offer a greater range of price points. By closely monitoring trends and shipping product to our stores multiple times per week, we seek to adjust our merchandise mix based on store size and location on a frequent basis. We continuously seek to update our merchandise mix by introducing emerging brands and new merchandise from established brands. Our merchandising capabilities enable us to adjust our merchandise mix with a frequency that promotes a current look to our stores and website.
- *Flexible real estate strategy across real estate venues and geographies.* Historically, our stores have proven to be successful in a variety of retail centers and geographies. We operate stores in malls, lifestyle centers, power centers, community centers, outlet centers, and street-front locations across 86 markets in 33 states. We believe our historical success in operating in these different retail venues and geographies demonstrates the portability of the Tillys brand.
- *Multi-pronged marketing approach.* We utilize a multi-pronged marketing strategy to attempt to connect with our customers and drive traffic to our stores and online platforms. We offer an integrated digital platform for our customers to shop how and when they like, in-store, online and on their mobile device, to seek to drive meaningful connection with our customers. We regularly collaborate with our brand partners on exclusive in-store events, new customer acquisition, and contests to attempt to build credibility with our target audience and strengthen the connection between Tillys and our customers' active lifestyle. We have a customer loyalty program, "Tillys Rewards", to regularly engage with our customers, reward our most loyal customers, and gain valuable insights. We use social media to communicate directly with our customers while also encouraging customers to interact and provide feedback on our events and products. We also partner with influencers to drive brand awareness and create excitement for new products. All of these programs are intended to build customer awareness and loyalty, highlight key merchandise offerings, drive traffic to our stores and

online platforms, and promote the Tillys brand. We also seek to maintain a connection with our local communities through our various community outreach initiatives and events.

- *Systems and distribution/fulfillment infrastructure.* We believe our existing distribution and fulfillment infrastructure is adequate to support our business for the next few years. Our distribution center allows us to quickly sort and process merchandise and deliver it to our stores in a floor-ready format for immediate display. We also have a dedicated e-com fulfillment center to serve our customers' online orders in an efficient manner. During fiscal 2024, we completed an upgrade of our warehouse management systems with the goal of improving distribution efficiencies in support of our business.
- *Experienced management team.* Our senior management team, led by Hezy Shaked and Michael Henry, has extensive experience across a wide range of disciplines in the specialty retail and direct-to-consumer industries, including store operations, merchandising, distribution, real estate, and finance. Mr. Shaked, our Co-Founder, Executive Chairman of the Board of Directors, President and Chief Executive Officer, plays an important role in developing our long-term growth initiatives, driving planned improvements in our business, and cultivating our unique culture. Mr. Henry, our Executive Vice President and Chief Financial Officer, has over 20 years of specialty retail industry experience.

Key Operating Strategies

Despite our recent operating challenges, we continue to believe in the following strategies to drive long-term sales growth and a return to profitability, including:

- *Drive Comparable Store Sales Improvement.* We seek to maximize our comparable store sales by working to offer new, on-trend and relevant merchandise, including exclusive and proprietary branded merchandise, across a broad assortment of categories, increasing our brand awareness through our multi-pronged marketing approach, providing an authentic in-store and online experience for our core customers, and maintaining a high level of customer service. We continue to seek new opportunities to enhance our loyalty program to further reward our most loyal customers. We believe the combination of these factors, together with the operating strategies described below, give us an opportunity to improve our comparable store sales results over time.
- *Increase Our Operating Margins.* We believe we have the opportunity to drive operating margin expansion through net sales growth, store unit growth, improving product margins, and continued process improvements over time. We believe comparable store sales increases would permit us to generate more favorable buying costs from larger volume purchases, and better leverage largely fixed occupancy costs, labor costs for store management and corporate overhead, as well as the fixed portion of shipping and handling costs over higher sales volumes. In addition, we expect to improve operating efficiencies over time by leveraging previous investments in infrastructure, including our dedicated fulfillment center for e-com, upgraded warehouse management systems, website and mobile app, and in-store point-of-sale system. We will also continue to use established business processes to attempt to identify and execute initiatives focused on lowering our unit costs and improving operational efficiency throughout our organization.
- *Growth Opportunity in E-Com.* Our e-com net sales represented approximately 22%, 22% and 21% of our total net sales in fiscal 2024, 2023, and 2022, respectively. We believe that continued growth opportunities exist within the online portion of our business and, relative to fiscal 2024, we believe it has potential to grow as a percentage of total net sales in the future. We believe our e-com platform is an extension of our brand and retail stores, offering substantially the same merchandise assortment as offered in our stores but with opportunities to provide extensions of that same assortment online, whether in terms of sizing or particular styles that may not be available in stores at a particular point in time. Our goal is to provide our customers with a seamless shopping experience. Our e-com platform allows us to reach new customers and build our brand in markets where we currently do not have stores. For example, we generate e-com sales in all 50 states and the District of Columbia while having physical stores in just 33 states. Our target customer regularly shops online and via mobile devices in addition to visiting stores, giving us continuous opportunities to grow our e-com net sales over time. In recent years, we have invested in a new point-of-sale system and upgraded our website platform and order management system that have enhanced our omni-channel capabilities, including fulfilling e-com orders from stores, allowing customers to place orders online to pick up in-store, and ordering items in store for fulfillment by e-com. Moreover, partnerships with Afterpay, Apple, Google, Amazon, and Uber have provided our customers greater flexibility in payment options and delivery convenience, including same-day delivery or next-day delivery within certain areas. We plan to continue to invest in additional customer-facing technologies to improve customer convenience and engagement over time. Key drivers for potential future growth include deploying targeted online and mobile marketing efforts, leveraging customer personalization to cater to individual shopping patterns, and expanding our digital capabilities to meet evolving customer needs. We also expect to continue to expand digital marketing efforts through customer loyalty programs, SMS marketing, push messaging and building brand awareness in the communities surrounding our existing stores to drive net sales growth both in stores and online.

- *Improve Inventory Allocation and Management.* We continually seek to improve our inventory management over time through more refined micro-merchandising tactics based on specific store and online characteristics. We regularly update individual store profiles to highlight the differences in brand performance, gender penetrations, and customer interests that exist within our fleet of stores. We also monitor sell-through rates among stores and online to identify opportunities for inventory transfers to generate greater sales efficiencies. By adapting allocation strategies to capitalize on these individual store and online differences, we believe we can improve our net sales results.
- *Enhancing Omni-Channel Capabilities.* We have a direct-to-consumer program that allows online orders to be fulfilled and shipped directly to our customers from our brick-and-mortar stores when inventory is otherwise unavailable in our e-com fulfillment center. In addition, our omni-channel capabilities allow customer online orders to be picked up in our stores at our customers' discretion, allowing us to satisfy an order from existing inventories within our stores, as well as shipping product from our e-com fulfillment center to our stores. We also offer buy online pick-up in store, same-day delivery, and ship-to-store ordering options from a large majority of our stores. In fiscal 2024, we upgraded our search engine quality and our mobile app (iOS and Android) to a more personalized application targeted to our most loyal customers. We believe these omni-channel capabilities and investments will drive additional traffic to our stores, increase sales opportunities with customers who come to the store to pick up their online orders, and improve our online conversion rates overall.
- *Real Estate Opportunities.* With 240 total stores at the end of fiscal 2024, we believe there are numerous opportunities for Tillys to continue to open new stores in the future. We currently expect to open a limited number of stores during fiscal 2025 within existing markets. We intend to continue to maintain a disciplined approach to store openings in the future by targeting existing markets with room for growth and potential new markets with high population density, and clustering stores within key markets to build brand awareness. With regard to existing stores, we have nearly 90 lease decisions to make during fiscal 2025, covering a range of stores in a variety of markets. These lease decisions include lease extension options, lease kick-out options, and lease expirations that require negotiated renewals. In each case, our real estate decisions will be driven by the overarching goal of improving our profitability. As a result, we may close a limited number of stores from time to time if we are unable to achieve acceptable lease economics through our lease negotiations with landlords.

Merchandising, Purchasing, and Planning and Allocation

Merchandising

We seek to be viewed by our customers as the destination for the apparel, footwear, accessories and hardgoods that best represent their active, outdoor and social lifestyles. We believe we offer a compelling selection of global, specialty and emerging brands, styles, colors, sizes and price points to ensure our customers have a variety of choices every time they visit our stores. Our extensive selection of third-party and proprietary merchandise allows us the opportunity to identify and address trends more quickly, and offer a greater range of price points. We offer a mix of merchandise for young men, young women, boys and girls across the apparel, footwear, accessories and hardgoods categories. We believe this category mix contributes to our broad demographic appeal. Our apparel merchandise includes branded, fashion, and core styles for tops, outerwear, bottoms, swim and dresses. Accessories merchandise includes backpacks, hydration bottles, hats, sunglasses, small electronics and accessories, handbags, watches, jewelry, and more. We focus on our merchandise presentation and vary the visual displays in our stores and windows and website throughout the month, presenting new looks and fashion combinations to our customers.

Our ability to maintain an image consistent with our customers' lifestyles is important to our branded vendors and provides us better access to a wide assortment of products and styles. Our third-party and proprietary branded merchandise includes a broad selection of lifestyle and emerging brands. We strive to keep our merchandise mix current by continuously introducing emerging brands and styles in order to identify and respond to the evolving desires of our customers. Our third-party brands represented approximately 67%, 68% and 68% of our total net sales in fiscal 2024, 2023 and 2022, respectively, with no third-party brand accounting for more than 5% of our total net sales during fiscal 2024.

Selected third-party brands (in alpha-numeric order) include:

adidas	Affliction	Asics	BDG	Billabong
Birkenstock	Brixton	Converse	CVLA	Crocs
Dickies	Dr. Martens	Ed Hardy	edikted	Ethika
Free People	Herschel Supply Co.	HUF	Jansport	Katin
Levi's	Lira	Mitchell & Ness	New Balance	Nike and Nike SB
Nixon	O'Neill	Obey	Owala	Primitive
Reebok	Rhythm	Riot Society	Rip Curl	Roxy
RVCA	Salty Crew	Santa Cruz	Seager	Sendero Provisions Co.
Stance	Stanley	The North Face	Vans	Volcom
Von Dutch	47 Brand			

We supplement our third-party merchandise assortment with our own proprietary brands across many of our product categories. We utilize our own proprietary, branded merchandise to expand our price point range, identify and respond to changing fashion trends quickly, fill merchandise gaps and provide a deeper selection of styles and colors for proven fashion items. Our proprietary brands represented approximately 33%, 32% and 32% of our total net sales in fiscal 2024, 2023 and 2022, respectively. In fiscal 2024, our top two selling brands overall were our proprietary RSQ brand (23% of our total net sales) and our proprietary Full Tilt brand (6% of our total net sales).

Examples of our proprietary brands, ranked by total net sales generated in fiscal 2024, include:



Denim, apparel, accessories and fragrance brand for young men, young women and kids



Apparel and accessories brand for young women and girls



Apparel brand for young women



Apparel and accessories for young women

We believe that our extensive selection of merchandise, from established global, specialty and emerging third-party brands as well as our proprietary brands, caters to a wide demographic of core customers and enhances our image as a destination for sought-after apparel, footwear, and accessories.

Merchandise Purchasing

Our merchandising team is organized by category and product type under the leadership of our Senior Vice President, General Merchandise Manager, a technical design and fashion trend team, buyers, associate buyers and assistant buyers. We believe our team's ability to identify and source the proven and emerging fashion trends and core styles that are most relevant to our customers is key to creating opportunities to drive net sales growth and healthy product margins for our business.

Our purchasing approach focuses on product relevance, quality, fit, availability, cost and speed of production in order to provide timely frequent delivery of merchandise to our stores. Our purchasing group and planning and allocation team are highly coordinated and maintain a disciplined buying strategy.

To ensure a relevant assortment, our teams:

- perform comprehensive analysis of sales trends for both stores and e-com;
- constantly seek out new emerging brands, while maintaining close partnerships with existing brands;
- utilize trend and color forecasting services;
- attend trade shows and youth culture events;

- conduct store visits to gather feedback from our customers and staff; and
- maintain market and consumer insight through shopping trends of leading retailers, direct competitors and relevant social media influencers.

We have developed and maintained strong and, in many cases, long-standing relationships with our third-party vendors and we have a history of identifying and growing with emerging brands. We believe the Tillys brand, shopping experience and core customer lifestyle is highly consistent with the image and philosophy of our key vendors. We believe this facilitates a partnership culture with our key vendors and provides us access to an extensive variety of products and styles, as well as certain merchandise that is exclusive to our stores and website. Our merchandise purchasing group also works closely with independent third parties who design and procure merchandise for our proprietary brands. Our proprietary brand capabilities enhance our ability to rapidly identify and respond to trends and consistently offer proven fashion items that provide a broader demographic appeal. We work primarily with numerous vendors based in the United States to supply us with our proprietary branded product. These vendors source from both domestic and international markets and either have their own factories or contract with owners of factories to source finished product.

Planning and Allocation

We have developed inventory planning and allocation processes to support our merchandising strategies. Working closely with our merchandise purchasing team, the planning and allocation team utilizes a disciplined approach to buying, forecasting, inventory control and allocation. Our planning and allocation team continually analyzes inventory levels and sell-through data to regularly adjust the assortment at each store and the inventory levels for our company as a whole. Our broad third-party vendor base allows us to shift merchandise purchases to react quickly to changing consumer preferences and market conditions. Furthermore, the vendor base for our proprietary products provides us flexibility to develop our own branded products to quickly address emerging fashion trends and provide a deeper selection of styles, colors, and price points for proven fashion items. We modify our merchandising mix based upon store size, the season, and consumer preferences in different parts of the country. We are also able to react quickly to changing customer needs because we ship merchandise to our stores multiple times per week. Finally, we coordinate closely with our visual merchandise managers and marketing group in order to manage inventory levels in connection with our promotions and seasonality.

Stores

As of February 1, 2025, we operated 240 stores in 33 states averaging approximately 7,200 square feet per store. Our stores are located in regional mall, off-mall and outlet locations. Our stores generated average net sales of \$1.8 million per store, or \$247 per square foot, in fiscal 2024.

The table below shows our number of stores by type of retail center as of the end of each of the last three fiscal years:

	2024	2023	2022
Regional Mall	134	138	140
Off-Mall (1)	88	92	91
Outlet	18	18	18
	240	248	249

(1) Includes neighborhood and lifestyle centers, "power" centers, and street-front locations.

The table below shows the total number of stores by state as of February 1, 2025:

State	Store Count	State	Store Count	State	Store Count
Arizona	19	Michigan	1	Oklahoma	2
California	101	Minnesota	2	Oregon	4
Colorado	5	Missouri	1	Pennsylvania	4
Delaware	1	Nebraska	1	Rhode Island	2
Florida	16	New Hampshire	2	South Dakota	1
Georgia	2	Nevada	7	Tennessee	2
Illinois	7	New Jersey	6	Texas	18
Indiana	4	New Mexico	1	Utah	6
Kansas	1	New York	3	Virginia	2
Maryland	1	North Carolina	2	Washington	6
Massachusetts	5	Ohio	3	Wisconsin	2

Distinctive Store Experience

Tillys is a customer-driven lifestyle brand. We are energized and inspired by our customers' individuality and passion for an active, outdoor and social lifestyle. We believe our stores bring these interests together in a vibrant, stimulating and authentic environment that is an extension of our customers' multitasking lifestyles. We do this by blending the most relevant brands and styles with music videos, product-related visuals, and a dedicated team of store associates. Our associates share the same passion as our customers for the brands that we sell, enabling them to engage with our customers and make shopping at Tillys a fun, social experience. Outside of our stores, we seek to connect with our consumers using the same authentic approach, including social media, community outreach and sponsorship of contests, demonstrations, and other events. We believe the Tillys experience drives customer awareness, loyalty and repeat visits while generating excitement for our brand.

Store Openings and Closings

The following table shows the number of stores opened and closed in each of our last five fiscal years:

Fiscal Year	Stores Opened	Stores Closed	Total Number of Stores at End of Period
2020	2	4	238
2021	9	6	241
2022	11	3	249
2023	7	8	248
2024	7	15	240
	36	36	

We currently expect to open a limited number of new stores during fiscal 2025 within existing markets. We intend to continue to maintain a disciplined approach to store openings in the future by targeting existing markets with room for growth and potential new markets with high population density, clustering our stores to build better brand awareness in key markets. We focus on opening new stores in locations that have above-average incomes and an ability to draw from a sufficient population. We also expect to close certain stores in any given year based on market conditions, under-performance, or lease negotiations with landlords.

Store Management, Culture and Training

We believe our ability to attract, train, retain and motivate qualified employees at all levels of our organization is an important factor in creating a positive company culture and driving results over time. Each of our stores typically operates with a three to five member store management team. In addition, each store typically has 10 or more full time equivalent store associates who reflect our customers' lifestyles and promote the Tillys brand not only inside the store, but also in their schools and communities. The number of store associates we employ generally increases during peak selling seasons, particularly the back-to-school and the winter holiday seasons.

We have developed a corporate culture that we believe empowers the individual store managers to make store-level business decisions and we reward them when they exceed sales targets. We are committed to improving the skills and careers of our workforce and providing advancement opportunities for employees. We evaluate our store associates weekly on measures such as sales per hour, units per transaction and dollars per transaction to monitor productivity, recognize top performers and identify potential training opportunities. We endeavor to design incentive programs for store associates that promote a competitive, yet fun, culture that is consistent with our image.

We provide our managers with the knowledge and tools to succeed through comprehensive training programs, focusing on both operational expertise and supervisory skills. Our training programs and workshops are offered at the store, district and regional levels, allowing managers from multiple locations to interact with each other and exchange ideas to better operate stores. Store associates receive training from their managers to improve their product expertise and selling skills.

We believe Tillys is a place where people have a voice and will be heard. Accordingly, our workplace is built upon the foundation of employees with different backgrounds, communities, and points of view, yet all share the same core cultural values of working hard, giving back, and empowering others. In this regard, we aim to be a reflection of our customers, employees, and business partners.

E-Com

Our online net sales were \$125 million during fiscal 2024, or 21.9% of our total net sales. We believe our digital platform is an extension of our brand and retail stores, offering substantially the same merchandise assortment as offered in our stores but with opportunities to provide extensions of that same assortment online, whether in terms of sizing or particular styles that may not be available in stores at a particular point in time, providing our customers a seamless shopping experience. We believe that our target customer regularly shops online through various digital channels and mobile applications in addition to visiting stores. Our website serves both as a sales channel and a marketing tool to our extended customer base, including those customers in markets where we do not currently have stores. For example, we sell merchandise to customers in all 50 states and the District of Columbia while having physical stores in just 33 states. We also believe our fully-integrated digital platform reinforces the Tillys brand image and serves as an advertising vehicle for our retail stores. Similar to the merchandising approach in our stores, we frequently change the look of our website to highlight new brands and products. We utilize multiple tools to drive traffic online and to our stores, including our marketing materials in our retail stores, search engine marketing, paid social media marketing, online ad placement, shopping site partnerships, third-party affiliations, email marketing, digital marketing, SMS marketing, and push notifications. In addition, we utilize our website to offer current information on our upcoming events, promotions and store locations.

Marketing and Advertising

Our marketing approach is designed to create an authentic connection with our customers by consistently generating excitement for our brand and the active, outdoor and social lifestyle we represent. We utilize an omni-channel marketing strategy to connect with our customers and drive traffic to our stores and online platform, comprised of the following:

- *Loyalty Program.* We have a customer loyalty program wherein customers accumulate points based on purchase activity. Once a loyalty member achieves a certain point level, the member earns awards that may be used towards purchase of merchandise. Once an award is earned, our loyalty program allows customers to redeem their award instantly towards the purchase of merchandise or to continue to build up to additional awards over time. We currently expire unredeemed awards and accumulated partial points 365 days after the customer's purchase date on which those awards/points were earned. This program is designed to interact with our customers in a more direct and targeted manner, and to provide more insight into their shopping behaviors and preferences. We are actively engaging with customers through Tillys Rewards by offering early access to product launches, events and promotional deals to loyalty members. We are also using the data and information provided by loyalty members to personalize the experience to the user and improve the communication and offering.
- *Social Media.* Our customers find new brands and seasonal trends through use of social media. We create engaging and timely content across a variety of social media platforms to share the latest trends, brands, seasonal collection and trending memes to keep our audience of fans and followers engaged with our content. Our influencer strategy, in support of driving brand awareness and growth, is designed to connect customers to key styles, categories, trends and activities that is authentic to the Tillys brand.
- *Digital Marketing.* We use digital marketing to drive new customers to Tillys.com and our stores. We use multiple forms of digital advertising, including pay per click, display, retargeting, paid social and affiliate marketing. We continue to invest in digital marketing to grow our overall business.
- *Email Marketing.* We utilize email marketing to build awareness, drive traffic to our stores and online platform and to promote local in-store promotions and events. We consistently send emails to the customers in our proprietary database to introduce new brands and products, offer promotions on select merchandise, highlight key events and announce new store openings. We personalize emails and communications to customers and audiences.
- *Brand Partnerships.* We partner and collaborate with our vendors around exclusive events like photo opportunities, in-store performances, contests, demos, online marketing, giveaways, shopping sprees and VIP trips. We organize a variety of events, many involving influencers, musicians, and athletes. Through brand partnerships such as these, we are able to connect with and engage our customers in an exciting, authentic way. We are also partnering with brands in co-op marketing in an effort to grow awareness and increase brand sales.
- *Community Outreach.* We support the Tilly's Life Center Foundation ("TLC"), a non-profit charitable organization created by our co-founder, Tilly Levine, which seeks to empower our youth and improve their self-confidence through a variety of educational programs. We have given our customers the opportunity to support TLC with point-of-sale donations by allowing them to elect to "round up" their purchases to the nearest dollar and donate the rounded up portion to TLC.

Distribution

We process and distribute merchandise to our stores through a 126,000 square foot distribution facility co-located with our headquarters in Irvine, California. Our distribution center infrastructure includes warehouse management systems, material-handling equipment, radio frequency technologies, and automated sortation systems to enhance our processing speed and support our business needs. We ship merchandise to our stores multiple times per week, providing them with a steady flow of both new and replenishment products. Merchandise is shipped in a floor-ready condition (having price tickets, sensor tags and hangers when required), allowing store employees to spend less time with merchandise processing tasks and more time serving

our customers. We use our own fleet of trucks to transport merchandise to our Southern California stores and third-party distributors to transport merchandise to stores outside of our local area.

We also operate an 81,000 square foot e-com fulfillment center in Irvine, California to process e-com orders in a highly automated environment that leverages material-handling equipment, automated systems and other technologies consistent with our current distribution facility in order to support our e-com business.

We believe our distribution and fulfillment infrastructure is adequate to support our current business needs. During fiscal 2024, we upgraded our warehouse management systems to allow for more efficient inventory management across our distribution facilities to support future growth.

Information Technology

Our information technology systems provide a full range of business process support and information to our store, merchandising, financial, real estate and other business teams. We selected, customized and integrated our information systems to enable and support our dynamic merchandise model. We believe our systems provide us with improved operational efficiencies, scalability, management control and timely reporting that provides opportunities for us to identify and quickly respond to changes in our business. We believe that our information systems are scalable, flexible and have the capacity to accommodate our current business plans.

In fiscal 2024, we further upgraded our website and mobile application to better serve our customers. Our native mobile app is available on both Android and iOS platforms, complete with full loyalty integration, Apple Pay, omni-channel functionality, and a personalized user experience. On our website, we continued to enhance the customer experience by introducing Apple Pay and Google Pay, redesigning the interface, and improving the return process. Additionally, we have upgraded all store point-of-sale hardware, bolstered internet data connectivity to ensure redundancy across all locations, and integrated new delivery methods for enhanced customer convenience. We believe that these enhancements will improve customer engagement, expand sales opportunities, improve our real-time inventory visibility and order management, facilitate seamless omni-channel execution, and enhance our ability to manage customer relationships. During fiscal 2024, we also implemented new warehouse management software that we believe will improve efficiencies across both our stores and e-com distribution operations.

Competition

The teenage and young adult retail apparel, accessories and footwear industry is highly competitive. We compete with various publicly-traded and privately-held teen-oriented apparel retailers for customers, store locations, store associates and management personnel, including but not limited to Abercrombie & Fitch, Aeropostale, American Eagle Outfitters, Boot Barn, The Buckle, H&M, Hollister, Hot Topic, Pacific Sunwear, Urban Outfitters, and Zumiez. In addition, we compete with independent specialty shops, department stores, off-price retailers, online marketplaces such as Amazon, online retailers such as Shein, Revolve, Temu, and Fashion Nova, stores and websites operated by our third-party brands, and direct marketers that sell similar lines of merchandise and that target customers through catalogs, e-commerce and social media. Further, we may face new competitors and increased competition from existing competitors as we potentially expand into new markets and increase our presence in existing markets. Given the extensive number and types of retailers with which Tillys competes for customers, we believe that our target market is highly fragmented and we do not believe we have a significant share of this market.

Competition in our sector is based, among other things, upon merchandise offerings, store location, price and the ability to identify with the customer. We believe that we have the potential to compete effectively with our competitors based on our differentiated merchandising strategy, store environment, flexible real estate strategy and company culture. However, many of our competitors are larger, have significantly more stores, and have substantially greater financial, marketing and other resources than we do. Moreover, we recognize that we do not possess exclusive rights to many of the elements that comprise our in-store experience and product offerings. Our competitors can emulate facets of our business strategy and in-store experience, which could result in a reduction of any competitive advantage or special appeal that we might possess. For more details, see Item 1A. "Risk Factors—Risks Related to Our Business. We face intense competition in our industry and we may not be able to compete effectively."

Trademarks

"Ambitious", "Blue Crown", "Destined", "Eldon", "Full Tilt", "If it's not here...it's not happening", "Infamous", "RSQ", "RSQ by Tillys", "RSQ Skate", "Sky and Sparrow", "Tilly's", "Tilly's Clothing & Shoes", "Tilly's Clothing Shoes Accessories", "Tillys Home", "Vindicated", "West of Melrose", "2/S Tillys", and "2/Second Saturdays" and logos related to some of these names, are among our trademarks registered with the United States Patent and Trademark Office. We regard our trademarks as valuable and intend to maintain such marks and any related registrations. We are not aware of any claims of infringement or other challenges to our right to use our marks in the United States. We vigorously protect our trademarks.

Employees

As of February 1, 2025, we employed approximately 1,410 full-time and approximately 4,209 part-time employees, of which approximately 487 were employed at our corporate office and distribution facilities and approximately 5,132 were employed at our store locations. However, the number of total employees, especially part-time employees, fluctuates depending upon our seasonal needs and, in fiscal 2024, varied between approximately 5,500 and 7,600 employees. None of our employees are represented by a labor union and we consider our relationship with our employees to be good.

Government Regulation

We are subject to labor and employment laws, laws governing advertising and promotions, privacy laws, safety regulations, consumer protection regulations, intellectual property laws, accessibility laws, and other laws that regulate retailers and govern the promotion and sale of merchandise and the operation of stores and warehouse facilities, as well as laws governing public companies. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

Insurance

We use insurance to address or reduce our exposure to actual or potential enterprise risks, including but not limited to workers' compensation claims, property damage or loss, directors' and officers' liability, cyber/data security risks, fiduciary liability, general liability claims, automobile liability, employment practices liability, and employee-related health care, a portion of which is paid by the employees. We evaluate our insurance requirements on an ongoing basis to maintain what we believe to be adequate levels of coverage for these risks.

Seasonality

Due to the seasonal nature of the retail industry, we have historically experienced and expect to continue to experience fluctuations in our revenues and net income. Net revenues are typically smallest in the first quarter and largest during the fourth quarter of a given fiscal year. Our net sales fluctuate significantly in relation to various holidays and other peak shopping periods, including but not limited to the Thanksgiving and year-end holiday season, the back-to-school season, spring break periods, and other holidays. If, for any reason, our revenues were below seasonal norms or expectations during these quarters, particularly during peak selling periods, our annual results of operations could be adversely affected. The level of our working capital reflects the seasonality of our business. We expect inventory levels, along with an increase in accounts payable and accrued expenses, generally to reach their highest levels in anticipation of the increased revenues during these periods.

Environmental, Social, Governance (ESG) Matters

Environmental Matters

From a merchandising perspective in fiscal 2024, we continued to maintain our sustainability program in partnership with a variety of nationally and globally recognized third-party brands. We have curated a collection of product choices that use specific sustainability features, such as recycled materials, organic cotton, and reusable products. Selected brands involved in our sustainability program partnership include, among others, HydroFlask, The North Face, Billabong, adidas, Levi's, Brixton, RVCA, BDG, Rip Curl, Volcom, and O'Neill, as well as our own RSQ and Full Tilt proprietary brands.

From a distribution center operations perspective, substantially all purchased corrugated boxes used for shipping products from our distribution center to Tillys stores are made from previously used corrugated material. During fiscal 2024, we reused approximately 60% of those corrugated boxes for future shipping needs, and we recycled the remaining 40% of corrugated boxes. We endeavor to recycle packing material received with merchandise from our product suppliers. Our distribution centers are equipped with Design Lights Consortium classified LED lamps. Since fiscal 2023, our e-com distribution center has achieved and maintained the California Green Business Network Certification, which includes practices such as adopting energy-efficient light sensors and thermostats, implementing water fixtures with reduced water use, and enhancing recycling initiatives.

Social Matters

We support a variety of programs to assist the communities in which we operate, including but not limited to:

- We support the Tilly's Life Center Foundation ("TLC"), a non-profit charitable organization managed by our co-founder, Tilly Levine, which seeks to empower our youth and improve their self-confidence through a variety of educational programs. Our support of TLC includes customer donations at our store registers (round-up for charity), cash donations by the Company, use of a portion of our e-com distribution center office space for their operations, and use of Company staff to aid in event planning.
- We donate end of season products to certain charitable organizations for their use in supporting their respective missions.

Human Capital Management

- We provide a variety of health and wellness programs for our corporate employees to promote healthy lifestyles, including periodic onsite health fairs, blood drives, breast cancer screenings, flu shots, among other items.
- In order to help ensure we provide a healthy, respectful and safe working environment for all employees, we provide periodic diversity and anti-harassment training for all employees to improve workplace sensitivity.
- We distribute monthly health tips and guidelines to encourage healthy living habits, and we provide weekly fruit deliveries to our corporate office and distribution center break rooms to promote healthier eating choices.
- We provide one paid day off per year to all employees to be utilized for volunteer work of their choosing.

Governance Matters

Although we are a controlled company as a result of the Company stock held by our Co-Founder, Executive Chairman and Chief Executive Officer, Hezy Shaked, six of the seven members of our Board of Directors are independent under applicable NYSE rules. Each of our Board committees (Audit, Compensation, and Nominating/Governance) are chaired by, and comprised of, only the independent members of our Board of Directors, consistent with NYSE requirements. Our Board of Directors is comprised of four individuals who self-identify as men and three individuals who self-identify as women.

We maintain a Code of Ethical Business Conduct which can be found on our website at www.tillys.com under the Investor Relations link. We require all employees to periodically certify their reading, understanding, and compliance with such policy.

We maintain a whistleblower hotline wherein employees, customers and/or vendors can confidentially report unethical or illegal behavior by Company management or other employees.

As a publicly-traded company, we maintain an Insider Trading Policy that limits the time periods during which Company employees may trade in Company stock to avoid potential insider trading issues. This policy is distributed to all employees in advance of each quarterly trading window. Each trading window is only allowed to open after two full trading days have taken place following each of our quarterly earnings announcements. Each trading window is typically closed for the final month of each quarter and until the next quarterly earnings announcement has taken place.

We also maintain a Regulation FD-compliant Investor Relations policy which limits the time periods during which Company management is authorized to discuss business matters with external stock analysts and stockholders. Company management is precluded from communicating with such external parties for the final two weeks of each quarter and until the next quarterly earnings release has taken place.

Additional Information

We make available free of charge on our internet website, www.tillys.com, copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after filing such material electronically with, or otherwise furnishing it to, the Securities and Exchange Commission, or the SEC. In addition, these materials may be obtained at the web site maintained by the SEC at www.sec.gov. The reference to our website address does not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

Item 1A. Risk Factors

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business, prospects, financial condition and results of operations, any of which could subsequently have an adverse effect on the trading price of our Class A common stock, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors in its entirety, in addition to other information contained in or incorporated by reference into this Annual Report on Form 10-K and our other public filings with the SEC. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations in future periods.

Risks Related to our Business

We have a recent history of operating losses, and if we are unable to improve our performance or return to profitability, we may need to begin borrowing under our credit facility to finance operations and/or find additional sources of liquidity to meet our cash requirements.

We incurred net losses in fiscal 2024 and 2023. If we continue to incur significant operating losses, we may need to begin borrowing to finance our day-to-day operations and/or require additional sources of liquidity, including debt financing or equity financing to fund our operating requirements in the future. We cannot guarantee you that we will be successful in improving

our performance or, if we are able to do so, that we would be able to maintain profitability, including as a result of the factors described herein. If we require additional funding to meet our cash flow needs, we may be required to obtain such funding through, among other things, incurring debt under our existing credit agreement, additional loans or the issuance of debt or equity securities. However, additional funding may not be available to us on acceptable terms, or at all. If we are unable to meet our liquidity needs, our business and operating results would be adversely affected, including reputational harm, failure to satisfy our existing obligations, insolvency or bankruptcy.

Our net sales could be adversely impacted by decreases in consumer spending.

We depend upon consumers feeling confident to spend discretionary income on our product offerings to drive our sales. Consumer spending may be adversely impacted by economic conditions such as consumer confidence in future economic conditions, inflation in housing, energy, gasoline and food costs, interest and tax rates, employment levels, salary and wage levels, general business conditions, and the availability of consumer credit. In addition, consumer spending can be impacted by non-economic factors, including geopolitical issues, trade restrictions, unseasonable weather, pandemics/epidemics, and other factors that are outside of our control. These risks may be exacerbated for retailers like us who focus on specialty apparel, footwear and accessories. Our financial performance is particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores, such as the southwestern and northeastern United States and Florida. We experienced significant decreases in net sales during fiscal 2024 and 2023, at least partly in light of inflationary pressures on consumers and concerns regarding the economic and geo-political environment, and similar impacts may occur in the future. If periods of decreased consumer spending persist, our sales could continue to decrease, and our financial condition and results of operations could be adversely affected.

A rise in the cost of products and services that are necessary for the operation of our business could increase our cost of sales and cause our results of operations and margins to decline.

Fluctuations in the price, availability and quality of fabrics or other raw materials used to manufacture the products that we sell, as well as the price for transportation and labor, and other rising costs passed by our vendor partners to us, could have adverse impacts on our cost of sales and our ability to meet our customers' demands. In particular, because a key component of our clothing is cotton, increases in the cost of cotton may significantly affect the cost of the products that we sell and could have an adverse impact on our cost of sales. We may not be able to pass all or a portion of these higher costs on to our customers, which could have a material adverse effect on our profitability. In addition, our results of operations and financial condition may be materially adversely impacted by continued heightened levels of inflation and interest rate increases. These economic pressures may result in increased costs for many products and services that are necessary for the operation of our business (including product costs, labor costs, shipping costs, and digital marketing costs, among others), as well as decreases in consumer spending or demand for our products, any of which could adversely impact our financial condition and results of operations.

We face intense competition in our industry and we may not be able to compete effectively.

The teen-focused retail industry is highly competitive. We currently compete with a variety of publicly-traded and privately-held specialty apparel retail chains such as, but not limited to, Abercrombie & Fitch, Aeropostale, American Eagle Outfitters, Boot Barn, The Buckle, H&M, Hollister, Hot Topic, Pacific Sunwear, Urban Outfitters, and Zumiez. In addition, we compete with independent specialty shops, department stores, e-com only retailers such as Fashion Nova, Revolve, Shein and Temu, off-price retailers, online marketplaces such as Amazon, stores and websites operated by our third-party brands, and direct marketers that sell similar lines of merchandise and target customers through catalogs, e-com and social media. Moreover, the internet and new technologies facilitate competitive entry and comparison shopping in our retail market. While we offer a multichannel shopping experience and use social media as a way to interact with our customers and enhance their shopping experiences, multichannel retailing is rapidly evolving, and we may not be able to keep pace with changing customer expectations and new developments by our competitors. Competition with some or all of these retailers could require us to lower our prices or risk losing customers. In addition, significant or unusual promotional activities by our competitors and third-party brands may cause us to respond in-kind and adversely impact our operating cash flow. Because of these factors, current and future competition could have a material adverse effect on our financial condition and results of operations.

Furthermore, many of our competitors have greater financial, marketing and other resources than we currently do, and therefore may be able to devote greater resources to the marketing and sale of their products, generate national brand recognition or adopt more aggressive pricing policies than we can, which would put us at a competitive disadvantage. Moreover, we do not possess exclusive rights to many of the elements that comprise our in-store experience and product offerings. Our competitors may seek to emulate facets of our business strategy and in-store experience, which could result in a reduction of any competitive advantage or special appeal that we might possess. In addition, most of the third-party branded products we sell are sold to us on a non-exclusive basis. As a result, our current and future competitors may be able to duplicate or improve on some or all of our in-store experience or product offerings that we believe are important in differentiating our stores and our customers' shopping experience. If our competitors were to duplicate or improve on some or all of our in-store experience or product offerings, our competitive position and our business could suffer.

We purchase merchandise in advance of the season in which it will be sold and if we purchase too much inventory or do not manage our inventory levels effectively, we may need to reduce prices in order to sell it or face other negative impacts, which may adversely affect our overall profitability.

We must actively and effectively manage our purchase of inventory. Generally, we order merchandise months in advance of it being received and offered for sale. If there is a significant decrease in demand for our products, if we fail to accurately predict fashion trends or consumer demands, economic trends or unseasonable weather impacts the anticipated demand for certain product categories, or we are otherwise unable to accurately track inventory at the store level and aggregate daily sales information, communicate customer information and process purchasing card transactions, or process shipments of goods and report financial information, we may hold significant inventory, which can impact our ability to effectively cycle new products, increase storage costs or incur other costs or expenses, and we may be forced to rely on markdowns, promotional sales, or inventory liquidators to dispose of excess inventory. Due to unanticipated supply chain disruptions, we may fail to receive inventory timely or in line with when we anticipate customers will be seeking to purchase merchandise for a given season. In addition, seasonal fluctuations also affect our inventory levels, as we usually order and carry a significant amount of inventory before the back-to-school and winter holiday shopping seasons, which can heighten our risks of carrying excess inventory following those periods. If we are not successful in managing our inventory levels or selling our inventory, we may be forced to rely on markdowns or promotional sales to dispose of the inventory, or we may not be able to sell the inventory at all, which could have an adverse effect on our margins and operating income.

We may continue to experience comparable store sales or sales per square foot declines, which may cause our results of operations to decline.

The investing public may use comparable store sales or net store sales per square foot projections or results, over a certain period of time, such as on a quarterly or yearly basis, as an indicator of profitability. Our comparable store sales have been declining for the past three fiscal years and can vary significantly from period to period for a variety of reasons, such as the age of stores, changing economic factors, unseasonable weather, continued declines in mall and retail foot traffic, changing fashion trends, pricing, the timing of the release of new merchandise and promotional events and increased competition. These factors could cause comparable store sales or net store sales per square foot to continue to decline or fail to grow at expected rates, which could adversely affect our results of operations and stock price during such periods.

Our business depends upon identifying and responding to changing customer fashion preferences and fashion-related trends. If we cannot identify trends in advance or we select the wrong fashion trends, our sales could be adversely affected.

Fashion trends in the apparel, footwear and accessories market can change rapidly. We need to anticipate, identify and respond quickly to changing trends and consumer demands in order to provide the merchandise our customers seek and maintain our brand image. If we cannot identify changing trends in advance, fail to react to changing trends, misjudge the market for a trend, or fail to timely secure and market then-fashionable inventory, our sales could be adversely affected, and we may be faced with a substantial amount of unsold inventory, reduced sales, loss of customers, adverse impacts to our brand recognition and customer loyalty, or other missed opportunities. We may be forced to mark down our merchandise in order to dispose of slow moving inventory, which may result in lower profit margins. All of these risks could negatively impact our financial condition and results of operations.

We may not be able to implement our business strategies on the timelines we anticipate, in a cost-effective manner, or at all.

At any point in time, we are in the process of implementing new merchandising strategies, customer-facing technology enhancements, new systems or upgrades to existing systems, and cost reduction or containment plans. The implementation of these strategies or plans may not be completed or achieve the anticipated results within the expected timeframe, which may result in further declines in net sales or unanticipated cost increases. Even if implemented, we cannot assure that our strategies or plans will be successful to meet our current and future business needs or that they will operate as designed. If the implementation of our business strategies and plans are not executed efficiently and effectively, our business, financial condition, and our operating results could be adversely affected.

Our business depends upon our ability to successfully open profitable new stores and improve the performance of our existing stores, which is subject to a variety of risks and uncertainties.

There can be no assurance that we will be able to open new stores that are profitable or improve the performance of our existing stores sufficiently to achieve profitability.

Our ability to successfully open and operate new stores is subject to a variety of risks and uncertainties, such as:

- identifying suitable store locations, the availability of which is beyond our control;
- obtaining acceptable lease terms;
- sourcing sufficient levels of inventory;
- selecting the appropriate merchandise that appeals to our customers;
- hiring and retaining store employees;

- assimilating new store employees into our corporate culture;
- effectively marketing new store locations;
- avoiding construction delays and cost overruns in connection with the build-out of new stores; and
- integrating the new stores with our existing buying, distribution and other support operations.

Additionally, some of our new stores may open in locations close enough to our existing stores that a segment of customers will stop shopping at our existing locations and prefer to shop at the new locations, and therefore sales and profitability at those existing stores may decline. Any failure to continue to open profitable new stores or improve the performance of existing stores could have a material adverse effect on our financial condition, results of operations, and stock price.

Our business depends upon our ability to grow and improve the online portion of our business, which is subject to a variety of risks and uncertainties.

We sell merchandise over the internet through our website, www.tillys.com. The e-com retail market continues to rapidly evolve, creating new competition and increasing cost pressures from shipping charges and online marketing costs. As a result, there can be no guarantee that we will be able to increase our e-com net sales or to profitably operate our e-com operations. Growth in the online portion of our business subjects us to certain risks that could have an adverse effect on our results of operations, including:

- diversion of traffic from our stores;
- risks related to proper allocation of merchandise between e-com and stores;
- liability for online content;
- government regulation impacting the Internet, including with respect to privacy; and
- increased risks related to the computer systems that operate our website and related support systems, including computer viruses, electronic break-ins, other cyber security breaches, system errors or failures, or similar disruptions.

Our failure to address and respond to these risks successfully could reduce e-com net sales, increase costs and damage the reputation of our brand or our business. Any failure to increase e-com net sales or profitably operate our e-com operations could have a material adverse impact on our financial condition, results of operations, and stock price.

Our ability to attract customers to our stores depends significantly on the success of the retail centers where our stores are located.

We have historically depended on the location of our stores to generate a large proportion of traffic to our stores. We try to select well-known and popular malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations, usually near prominent retailers, to generate traffic to our stores. Traffic at these retail centers, and consequently our stores, could be adversely affected by economic downturns nationally or regionally, competition from Internet retailers, changes in consumer demographics, the closing or decrease in popularity of other retailers in the retail centers in which our stores are located, our inability to obtain or maintain desirable store locations within retail centers or the selection by prominent retailers and businesses of other locations. We, and the retail industry generally, have experienced continued declines in consumer traffic to retail centers as consumer purchasing behaviors have shifted toward online purchases and we may experience further declines in the future. A continuing reduction in traffic to retail centers may likely lead to a decrease in our net sales and results of operations, which could have a material adverse effect on our financial condition, results of operations and stock price.

We are required to make significant lease payments for our store leases, corporate offices, and distribution centers, which may strain our cash flow.

We lease all of our retail store locations as well as our corporate headquarters, warehouses, distribution and e-com fulfillment centers. We do not own any real estate. Leases for our stores are typically for terms of ten years and many can be extended in five-year increments. Many of our leases have early cancellation clauses which permit us to terminate the lease if certain sales thresholds are not met in certain periods of time. Our costs under these leases are a significant amount of our expenses and can grow rapidly with store count growth and/or increases in lease costs at existing locations over time. We are required to pay additional rent under many of our lease agreements based upon achieving certain sales plateaus for each store location. In addition, we must make significant payments for common area maintenance and real estate taxes. Many of our lease agreements also contain provisions which increase the rent payments on a set time schedule, causing the cash rent paid for a location to escalate over the term of the lease. In addition, rent costs could escalate when multi-year leases are renewed at the expiration of their lease term. These costs are significant, recurring and increasing, which places a consistent strain on our cash flows.

We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flows from operating activities, and sufficient funds are not otherwise available to us from borrowings under our available revolving credit facility or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or to fund our other liquidity and capital needs, which would harm our business.

Additional sites that we lease are likely to be subject to similar long-term leases. If an existing or future store is not profitable, and we decide to close it, we may, and have had to, nonetheless perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. We may also elect, or be required, to take actions with respect to some or all of our existing leases that are in contravention to the existing terms of those leases in response to adverse pressures, including negotiating with landlords for rent abatement, terminating certain leases, or discontinuing payment, which may subject us to legal, reputational and financial risks. In addition, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. If we are unable to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close, our business, profitability and results of operations may be harmed.

We buy and stock merchandise based upon seasonal weather patterns and therefore unseasonable weather could negatively impact our sales.

We buy select merchandise for sale based upon expected weather patterns during the seasons of winter, spring, summer and fall. If we encounter untimely aberrations in weather conditions, such as warmer winters or cooler summers than would be considered typical, these weather variations could cause some of our merchandise to be inconsistent with what consumers wish to purchase, causing our sales to decline. Furthermore, extended unseasonable weather conditions in regions such as the southwestern United States, particularly in California, Arizona, Nevada, Florida and the northeastern United States will likely have a greater impact on our sales because of our store concentration in those regions.

Our sales can significantly fluctuate based upon shopping seasons, which may cause our operating results to fluctuate disproportionately on a quarterly basis.

Because of a traditionally higher level of sales during the back-to-school and winter holiday shopping seasons, our sales are typically higher in the third and fourth fiscal quarters than they are in the first and second fiscal quarters. Accordingly, the results of a single fiscal quarter, particularly the third and fourth fiscal quarters, should not be relied on as an indication of our annual results or future performance. In addition, any factors that harm our third and fourth fiscal quarter operating results could have a disproportionate effect on our results of operations for the entire fiscal year.

If we fail to maintain good relationships with our suppliers or if our suppliers are unable or unwilling to provide us with sufficient quantities of merchandise at acceptable prices, our business and operations may be adversely affected.

Our business is largely dependent on continued good relations with our suppliers, including vendors for our third-party branded products and manufacturers for our proprietary branded products. We operate on a purchase order basis for our proprietary branded and third-party branded merchandise and do not have long-term contractual relationships with our suppliers. Accordingly, our suppliers can refuse to sell us merchandise, limit the type or quantity of merchandise they sell us or raise prices at any time, which can have an adverse impact on our business. Deterioration in our relationships with our suppliers, supply chain disruption, or increased demand for their products could have a material adverse impact on our business, and there can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. Also, some of our vendors are vertically integrated, selling products directly from their own retail stores, and therefore are in direct competition with us. These vendors may decide at some point in the future to reduce or discontinue supplying their merchandise to us, supply us less desirable merchandise or raise prices on the products they do sell us. Additionally, instances of supply chain disruptions and delays, as well as continued heightened inflation and tariffs, could lead to inefficiencies and heightened costs passed to us by our vendors that could negatively impact our performance and our results of operations. Further, if we lose key vendors or are unable to find alternative vendors to supply us with substitute merchandise for lost products, our business may be adversely affected.

If we cannot retain or find qualified employees to meet our staffing needs in our stores, our distribution and e-com fulfillment centers, or our corporate offices, our business could be adversely affected.

Our success depends upon the quality of the employees we hire. We seek employees who are motivated, represent our corporate culture and brand image and, for many positions, have knowledge of our merchandise and the skill necessary to excel in a customer service environment. The turnover rate in the retail industry is high and finding qualified candidates to fill positions may be difficult. If we cannot attract and retain corporate and distribution center employees, regional, district and store managers, and store associates with the qualifications we deem necessary at requisite cost, our ability to effectively operate and expand may be adversely affected. We additionally rely on temporary personnel to staff our distribution and fulfillment centers, as well as seasonal part-time employees to provide incremental staffing to our stores in busy selling seasons such as the back-to-school and winter holiday seasons. We cannot guarantee that we will be able to find adequate temporary or seasonal personnel to staff our operations when needed, which may strain our existing personnel or increase costs, and negatively impact our operations.

Our business largely depends on a strong brand image, and if we are not able to maintain and enhance our brand, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.

We believe that our brand image and brand awareness has contributed significantly to the historical success of our business. We also believe that maintaining and enhancing our brand image, particularly in new markets where we have limited brand recognition, is important to maintaining and expanding our customer base. Our ability to maintain or improve our brand image in our existing markets, successfully integrate new stores into their surrounding communities, or to expand into new markets could be adversely impacted if our marketing initiatives are unsuccessful and we fail to connect with our target customers. Maintaining and enhancing our brand image may require us to make substantial investments in areas such as merchandising, marketing, store operations, e-com, social media, community relations, store graphics, and employee training, which could adversely affect our cash flow and which may not ultimately be successful. Failure to successfully market our brand could harm our business, results of operations and financial condition.

Any inability to balance merchandise bearing our proprietary brands with the third-party branded merchandise we sell may have an adverse effect on our sales and gross margin.

Our proprietary branded merchandise represents a significant portion of our net sales. Our proprietary branded merchandise generally has a higher gross margin than the third-party branded merchandise we offer. As a result, we may determine that it is best for us to continue to hold or increase the penetration of our proprietary brands in the future. However, carrying our proprietary brands limits the amount of third-party branded merchandise we can carry and, therefore, there is a risk that the customers' perception that we offer many major brands will decline, and that our third-party branded partners may become less interested in working with us. By maintaining or increasing the amount of our proprietary branded merchandise, we are also exposed to greater fashion risk, as we may fail to anticipate fashion trends correctly. These risks could have a material adverse effect on sales and profitability.

Most of our merchandise is produced in foreign countries, making the price and availability of our merchandise susceptible to international trade and other international conditions.

Although we predominantly purchase our merchandise from domestic suppliers, these suppliers have a majority of their merchandise made in foreign countries. Some foreign countries can be, and have been, affected by political and economic instability and natural disasters, negatively impacting trade, which can result in material delays in the delivery of certain merchandise to us from foreign manufacturers. The countries in which our merchandise currently is manufactured or may be manufactured in the future could become subject to new trade restrictions imposed by the United States or other foreign governments. Trade restrictions, including increased tariffs or quotas, embargoes and customs restrictions, against apparel items, as well as United States or foreign labor strikes, work stoppages or boycotts, epidemics or pandemics could increase the cost or reduce the supply of apparel available to us and have a material adverse effect on our business, financial condition and results of operations. In addition, our merchandise supply could be impacted if our suppliers' imports become subject to existing or future duties and quotas, or if our suppliers face increased competition from other companies for production facilities, import quota capacity and shipping capacity. Any increase in the cost of our merchandise or limitation on the amount of merchandise we are able to purchase could have a material adverse effect on our financial condition and results of operations.

Changes in United States trade policy, including recently announced tariffs, could have a material adverse impact on our business, financial condition, and results of operations.

Changes in United States trade policy, including recently announced tariffs, could have a material adverse impact on our business, financial condition, and results of operations. The imposition of new tariffs or increases in existing tariffs on goods imported from countries where our vendors source products or obtain raw materials could result in increased costs for the products we sell. These cost increases may reduce our margins, require us to raise prices, change our assortments, and/or make our stores less competitive in the marketplace. If we are unable to mitigate these risks through supply chain adjustments by our vendors, changing vendors, pricing strategies, or other measures, our financial performance and growth prospects could be negatively affected.

Our corporate headquarters, distribution and e-com fulfillment centers and certain information technology systems are in Irvine, California, and if their operations are disrupted, we may not be able to fully operate our store support functions, ship merchandise to our stores, or fulfill e-com orders, which would adversely affect our business.

Our corporate headquarters, distribution centers and certain information technology systems are in two locations in Irvine, California. If we encounter any disruptions to our operations within these buildings or if they were to shut down for any reason, including by fire or other natural disaster, or as a result of pandemics/epidemics, then we may be prevented from effectively operating our stores, shipping and processing our merchandise and operating our e-com platform. Furthermore, the risk of disruption or shut down at these buildings is greater than it might be if they were located in another region, as southern California is prone to certain natural disasters such as earthquakes and wildfires. Any disruption or shut down at these locations could significantly impact our operations and have a material adverse effect on our financial condition and results of operations.

Our stores are mostly located in the southwestern and northeastern United States and in Florida, with a significant number of stores located in California, putting us at risk of concentration issues and other region-specific disruptions.

The majority of our stores are located in California, Arizona, Nevada, Florida and the northeastern United States. Sales in these states could be more susceptible to disruptions than other parts of the country, such as from economic and weather conditions, demographic and population changes and changes in fashion tastes, and consequently, we may be more susceptible to these factors than more geographically diversified competitors. Compared to the country as a whole, stores in California are exposed to a relatively high risk of damage from a major earthquake or wildfires, while stores in Florida are exposed to a relatively high risk from hurricane damage. Any negative impact upon or disruption to the operations of stores in these states could have a material adverse effect on our financial condition and results of operations.

Litigation costs and the outcome of litigation could have a material adverse effect on our business.

From time to time we may be subject to litigation claims through the ordinary course of our business operations regarding, but not limited to, employment matters, compliance with accessibility laws, apparel, footwear and accessory safety standards, security of customer and employee personal information, stockholder litigation, contractual relations with vendors, marketing and infringement of trademarks and other intellectual property rights. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may continue to be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows.

If our vendors and manufacturing sources fail to use acceptable labor or other practices our reputation may be harmed, which could negatively impact our business.

We purchase merchandise from independent third-party vendors and manufacturers. If any of these suppliers have practices that are not legal or accepted in the United States, consumers may develop a negative view of us, our brand image could be damaged, and we could become the subject of boycotts by our customers and/or interest groups. Further, if the suppliers violate labor or other laws of their own country, these violations could cause disruptions or delays in their shipments of merchandise. For example, much of our merchandise is manufactured in China and Mexico, which have different labor practices than the United States. We do not independently investigate whether our suppliers are operating in compliance with all applicable laws and therefore we rely upon the suppliers' representations set forth in our purchase orders and vendor agreements concerning the suppliers' compliance with such laws. If our goods are manufactured using illegal or unacceptable labor practices in these countries, or other countries from which our suppliers source the product we purchase, our ability to supply merchandise for our stores without interruption, our brand image and, consequently, our sales may be adversely affected.

If we lose key management personnel our operations could be negatively impacted.

Our business and growth depends upon the leadership and experience of our key executive management team, including our co-founder, Hezy Shaked, who currently serves as our President and Chief Executive Officer and Executive Chairman of our Board of Directors, and Michael Henry, our Executive Vice-President and Chief Financial Officer. We also may be unable to retain other existing management personnel that are critical to our success, which could result in harm to our vendor and employee relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. The loss of services of any of our key personnel could have a material adverse effect on our business and prospects, and could be viewed in a negative light by investors and analysts, which could cause our Class A common stock price to decline. All of our employees are employed at will and are not contractually bound to stay with the company. If we lose the services of any of our key personnel or we are not able to attract additional qualified personnel, we may not be able to successfully manage our business.

We rely on third parties to deliver merchandise to our stores located outside of southern California and to our customers and, therefore, our business could be negatively impacted by disruptions in the operations of these third-party providers.

We rely on third parties to ship our merchandise from our distribution center in Irvine, California to our stores located across the United States, as well as to ship e-com sales packages directly to our customers. Relying on these third-party delivery services puts us at risk from disruptions in their operations, such as employee strikes, inclement weather and epidemics/pandemics, and their inability to meet our shipping demands. If we are forced to use other delivery services, our costs could increase, and we may not be able to meet shipment deadlines. Moreover, we may not be able to obtain delivery terms as favorable as those received from the transportation providers we currently use, which would further increase our costs. These circumstances may negatively impact our financial condition and results of operations.

Risks Related to Information Technology, Data Privacy and Intellectual Property

If our information technology fails to operate or is unable to support our business, our operations could be disrupted.

We rely upon our management information systems in almost every aspect of our daily business operations. For example, our management information systems serve an integral part in enabling us to order merchandise, allocate merchandise among our stores and e-com operation, process merchandise at our distribution centers and retail stores, perform and track sales

transactions, manage personnel, pay vendors and employees, operate our website and report financial and accounting information to management. If our management information systems fail to operate or are unable to support our business, our store and e-com operations could be severely disrupted, and we could be required to make significant additional expenditures to remediate any such failure, which may negatively impact our financial condition.

Our business is subject to a variety of laws, rules, and other obligations regarding data protection and privacy, which could result in additional compliance costs, subject us to enforcement actions, or cause us to change our platform or business practices.

We are subject to a complex array of laws relating to the collection, use, retention, disclosure, security, and transfer of personal data. Many jurisdictions have passed laws in this area, including, for example, the California Consumer Privacy Act of 2018 and California Privacy Rights Act, including amendments thereto, and other jurisdictions are considering imposing and have imposed additional restrictions, including regulating the level of notice and consent required to collect and process end-user data. The data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. Complying with emerging and changing laws and requirements may cause us to incur substantial costs or require us to change our business practices.

The cost of compliance with these laws, regulations, policies, legal obligations and industry standards is high and is likely to increase in the future. If our privacy or data security measures fail or are perceived to fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or any changed interpretations of the foregoing, we may be subject to litigation, regulatory investigations, enforcement actions, inquiries, prosecutions, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, industry standards, or other legal obligations, or any changed interpretations of the foregoing, further limit the ability of our customers, partners or service providers to use and share personally identifiable information or other data or our ability to store, process and share personally identifiable information or other data, our costs could increase and our business, financial condition and operating results could be harmed. Even the perception of privacy or data protection concerns, whether or not valid, may inhibit customer engagement with us and our e-com platform. Any failure or perceived failure by us to comply with federal, state, or foreign laws or self-regulatory standards could result in negative publicity, significant fines and expenses for remediation, diversion of management time and effort and proceedings against us by governmental entities, individuals or others.

Our internal operations, management information systems and databases containing the personal information of our employees and customers could be disrupted by system security or operational failures or breached by intentional attacks. These disruptions or attacks could negatively impact our sales, increase our expenses, and harm our reputation.

Database privacy, network security and identity theft are matters of growing public concern. Hackers, computer programmers and internal users may be able to penetrate our network security and create system and operational disruptions, cause shutdowns or loss of data, and misappropriate our confidential information or that of third parties, including those of our employees and customers. We may incur significant costs related to prevention of breaches of our cyber-security and to comply with laws regarding the unauthorized disclosure of confidential information, including customer payment information, and we could incur significant expenses addressing problems created by security breaches to our network, including potential remediation efforts, reputational harm, and litigation. This risk is heightened because we collect and store customer information for marketing purposes, and use credit card information to process transactions (although tokenized). While we do take various precautions to secure customer information and prevent unauthorized access to our database of confidential information, if unauthorized parties, including external hackers or computer programmers, gain access to our database, they may nevertheless be able to steal this confidential information. There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information. Our failure to secure this information could result in costly litigation, adverse publicity or regulatory action that could have a material adverse effect on our financial condition and results of operations. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture that could unexpectedly interfere with our operations, including potentially unintentionally sharing personal information retained by us, or may not remain current with the rapidly-evolving cybersecurity risks. The cost to alleviate security risks, defects in software and hardware and address any problems that occur could negatively impact our sales, distribution and other critical functions, as well as our financial results.

If we are unable to protect our intellectual property rights, our financial results may be negatively impacted.

Our success depends in large part on our brand image. Our company's name, logo, domain name and our proprietary brands and our registered and unregistered trademarks and copyrights are valuable assets that serve to differentiate us from our competitors. We currently rely on a combination of copyright, trademark, trade dress and unfair competition laws to establish and protect our intellectual property rights. There can be no assurance that the steps taken by us to protect our proprietary rights will be adequate to prevent infringement of our trademarks and proprietary rights by others, including imitation and misappropriation of our brand. There can be no assurance that obstacles will not arise should we expand our product lines and

geographic scope. The unauthorized use or misappropriation of our intellectual property could damage our brand identity and the goodwill we created for our company, which could cause our sales to decline. Moreover, litigation may be necessary to protect or enforce these intellectual property rights, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows. If we cannot protect our intellectual property rights, our brand identity and the goodwill we created for our company may diminish, causing our sales to decline.

Most of our intellectual property has not been registered outside of the United States and we cannot prohibit other companies from using our unregistered trademarks in foreign countries. Use of our trademarks in foreign countries could negatively impact our identity in the United States and cause our sales to decline.

We may be subject to liability if we, or our vendors, infringe upon the intellectual property rights of third parties.

We may be subject to liability if we infringe upon the intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could harm our brand image. In addition, any payments we are required to make and any injunction with which we are required to comply as a result of such infringement actions could adversely affect our financial results.

We purchase merchandise from vendors that may utilize design copyrights, or design patents, or that may otherwise incorporate protected intellectual property. We do not manufacture any of the merchandise we purchase from our vendors for sale to our customers, and we do not independently investigate whether these vendors legally hold intellectual property rights to merchandise that they are manufacturing or distributing. As a result, we rely upon vendors' representations set forth in our purchase orders and vendor agreements concerning their right to sell us the products that we purchase from them. If a third-party claims to have licensing rights with respect to merchandise we purchased from a vendor, or we acquire unlicensed merchandise, we could be obligated to remove such merchandise from our stores, incur costs associated with destruction of such merchandise if the distributor or vendor is unwilling or unable to reimburse us and be subject to liability under various civil and criminal causes of action, including actions to recover unpaid royalties and other damages and injunctions. Although our purchase orders and vendor agreement require the vendor to indemnify us against such claims, a vendor may not have the financial resources to defend itself or us against such claims, in which case we may have to pay the costs and expenses associated with defending such claim. Any of these results could harm our brand image and have a material adverse effect on our business and growth.

Risks Related to Our Ownership Structure and Ownership of Our Common Stock

Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest, and a significant portion of our Class A common stock is held by a concentrated group of stockholders, which may adversely impact other stockholders.

Our common stock consists of two classes: Class A and Class B. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 10 votes per share, on all matters to be voted on by our common stockholders. All of the shares of Class B common stock are beneficially owned by Hezy Shaked and Tilly Levine. As a result, Mr. Shaked and Ms. Levine own a significant economic interest in the company and substantial majority of the total voting power of our outstanding common stock. In addition, Mr. Shaked serves as Executive Chairman of the Board of Directors and President and Chief Executive Officer, and is the voting trustee, pursuant to a voting trust agreement, covering the shares owned by Ms. Levine. As a result, Mr. Shaked may dictate the outcome of most corporate actions requiring stockholder approval, including the election of directors and mergers, acquisitions and other significant corporate transactions. Mr. Shaked may delay or prevent a change of control from occurring, even if the change of control could appear to benefit the stockholders. Mr. Shaked may also have interests that differ from other stockholders and may vote in a way with which stockholders disagree and which may be adverse to the interests of other stockholders. This ownership concentration may adversely impact the trading of our Class A common stock because of a perceived conflict of interest that may exist, thereby depressing the value of our Class A common stock.

In addition, certain third-party stockholders have acquired beneficial ownership of over 30% of our outstanding Class A common stock. This concentration may create risks for other holders of our Class A common stock in addition to those resulting from Mr. Shaked's and Ms. Levine's beneficial ownership of our Class B common stock, including a reduced public float, potential conflicts between the interests of those holders and other holder of our Class A common stock, and the risks created if such stockholders were to decide to sell a meaningful portion or all of their holdings in a relatively short time period, among other things, which could each adversely impact the trading value of our Class A common stock. In addition, if the Class B common stock were to be converted to Class A common stock at any time, these third-party stockholders would represent a significant portion of the total voting power of our outstanding common stock, and could create similar risks to those resulting from Mr. Shaked's and Ms. Levine's beneficial ownership of our Class B common stock.

We are a controlled company within the meaning of the NYSE rules, and, as a result, we may rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

Mr. Shaked controls more than 50% of the total voting power of our common stock and we are considered a controlled company under the NYSE corporate governance listing standards. As a controlled company, certain exemptions under the NYSE listing standards will exempt us from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

- that a majority of our Board of Directors consist of independent directors, as defined under the rules of the NYSE;
- that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Although we intend to continue to comply with these listing requirements even though we are a controlled company, there is no guarantee that we will not take advantage of these exemptions in the future. Accordingly, so long as we are a controlled company, holders of our Class A common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

If securities or industry analysts publish inaccurate or unfavorable research about our business, the price and trading volume of our Class A common stock could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, the price of our Class A common stock would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A common stock could decrease, which could cause the price of our Class A common stock and trading volume to decline.

Financial forecasting by us and financial analysts who may publish estimates of our performance may differ materially from actual results.

Given the dynamic nature of our business, the current uncertain economic climate and the inherent limitations in predicting the future, forecasts of our revenues, comparable sales, margins, net income and other financial and operating forecasts may differ materially from actual results. Such discrepancies could cause a decline in the trading price of our Class A common stock.

We have a small public float compared to other larger publicly-traded companies, which may result in price swings in our Class A common stock or make it difficult to acquire or dispose of our Class A common stock.

This small public float can result in large swings in our stock price with relatively low trading volume. In addition, a purchaser that seeks to acquire a significant number of shares may be unable to do so without increasing our common stock price, and conversely, a seller that seeks to dispose of a significant number of shares may experience a decreasing stock price.

The price of our Class A common stock has been, and may continue to be, volatile and may decline in value.

The market for retail apparel stocks can be highly volatile. As a result, the market price of our Class A common stock is likely to be volatile and investors may experience a decrease in the value of the Class A common stock, unrelated to our operations. The price of our Class A common stock has, and could in the future, fluctuate significantly in response to a number of factors, as discussed in this "Risk Factors" section. Further, 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. The threat or filing of class action litigation lawsuits could cause the price of our Class A common stock to decline.

Future sales of our common stock by us or by existing stockholders could cause the price of our Class A common stock to decline.

Any sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, may cause the market price for our Class A common stock to decline. Most of these are freely tradable without restriction under the Securities Act of 1933, as amended, or Securities Act. The shares of Class A common stock and Class B common stock held by Mr. Shaked and Ms. Levine, and the shares of Class A common stock held by our directors, officers and other affiliates, are restricted securities under the Securities Act, and may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. In addition, if our significant third-party stockholders were to decide to sell a meaningful portion or all of their holdings in a relatively short time period, it could cause the price of our Class A common stock to decline. See *"—Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest, and a significant portion of our Class A common stock is held by a concentrated group of stockholders, which may adversely impact other stockholders."*

While we have paid special cash dividends in the past, there can be no assurance that we will pay dividends in the future, which may make our Class A common stock less desirable to investors and decrease its value.

Although we previously paid aggregate special cash dividends of \$5.70 per share to all holders of record of issued and outstanding shares of our common stock between February 2017 and December 2021, we have not issued any cash dividends to stockholders since that date. There can be no assurance that we will pay additional cash dividends on our common stock in the future. We do not currently have any formal plans for paying any additional cash dividends on our common stock. Therefore, capital appreciation, if any, of our Class A common stock could be the sole source of gain for our Class A common stockholders for the foreseeable future.

Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management.

In addition to the concentration of ownership and voting power held by Mr. Shaked and Ms. Levine, the anti-takeover provisions under Delaware law, as well as the provisions contained in our corporate organizational documents, may make an acquisition of us more difficult. For example:

- our certificate of incorporation includes a provision authorizing our Board of Directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and could make it more difficult for a stockholder to acquire us;
- our certificate of incorporation provides that if all shares of our Class B common stock are converted into Class A common stock or otherwise cease to be outstanding, our Board of Directors will be divided into three classes in the manner provided by our certificate of incorporation. After the directors in each class serve for the initial terms provided in our certificate of incorporation, each class will serve for a staggered three-year term;
- our certificate of incorporation permits removal of a director only for cause by the affirmative vote of the holders of a majority of the voting power of the company once the Board of Directors is divided into three classes and provides that director vacancies can only be filled by an affirmative vote of a majority of directors then in office;
- our amended and restated bylaws require advance notice of stockholder proposals and director nominations; and
- Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us.

These provisions may prevent a merger or acquisition of us which could limit the price investors would pay for our common stock in the future.

Our amended and restated bylaws designate 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 other employees.

Our amended and restated bylaws provide that, unless we consent in writing to an alternative forum, 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 arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim that is governed by the internal affairs doctrine. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated bylaws. This choice-of-forum provision may limit our stockholders' 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. Alternatively, if a court were to find this provision of our amended and restated bylaws inapplicable or unenforceable with respect to 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.

General Risks

Epidemics, pandemics, war, terrorism, civil unrest or other public disruptions could negatively affect our business.

All of our stores are located in public areas where large numbers of people typically gather. Epidemics or pandemics, terrorist attacks or threats thereof, civil unrest, and/or acts or threats of violence involving public areas could cause people not to visit areas where our stores are located, and could have other potential impacts that may adversely affect our results of operations and financial condition. Further, armed conflicts or acts of war throughout the world may create uncertainty, causing consumers to spend less on discretionary purchases, including on apparel and accessories, and disrupting our ability to obtain merchandise for our stores. Such decreases in consumer spending or disruptions in our ability to obtain merchandise would likely decrease our sales and materially adversely affect our financial condition and results of operations. Other types of violence, such as shootings in malls or in public areas, could lead to lower traffic in shopping malls or centers in which we operate stores. In addition, local authorities or management from the mall or shopping center could close the mall or shopping center in response to security concerns. Such closures, as well as lower traffic due to security concerns, could result in decreased sales.

We may be subject to unionization and work stoppages, or slowdowns.

Currently, none of our employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union. If some or all of our workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations.

Violations of and/or changes in laws, including employment laws and laws related to our merchandise and our e-com platform, could make conducting our business more expensive or change the way we do business.

We are subject to numerous regulations, including labor and employment, customs, truth-in-advertising, consumer protection, health and safety, and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. If these regulations were violated by our management, employees or vendors, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations. Similarly, changes in laws could make operating our business more expensive or require us to change the way we do business. For example, changes in laws related to employee health care, hours, wages, job classification and benefits could significantly increase operating costs and adversely impact our results of operations. Furthermore, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. If we fail, or are perceived to fail, to comply with current or future laws, regulations, policies, legal obligations or industry standards, or any changed interpretations of the foregoing, we may be subject to litigation, regulatory investigations, enforcement actions, inquiries, prosecutions, fines, expenses for remediation, or other liabilities, as well as diversion of management time and effort, negative publicity and a potential loss of business. It may be difficult for us to foresee regulatory changes impacting our business and our actions needed to respond to changes in the law could be costly and may negatively impact our operations.

We depend on cash generated from our operations to support our business, which could strain our cash flow.

We primarily rely on cash flows generated from existing stores to fund our operations. An increase in our net cash outflow for new stores or remodels of existing stores could adversely affect our operations by reducing the amount of cash available to address other aspects of our business. In addition, any expansion of our business would require significant amounts of cash from operations to pay our existing and future lease obligations, build out new store space, remodel existing stores, purchase inventory, create new marketing and advertising initiatives, fund the expansion of our e-com business, pay personnel, pay for the increased costs associated with operating as a public company, and, if necessary, further invest in our infrastructure and facilities. If our business does not generate sufficient cash flows from operations to fund these activities and sufficient funds are not otherwise available from our existing revolving credit facility or future credit facilities, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures would be limited and we could be required to delay, curtail or eliminate planned store openings or investment in existing stores. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership may be diluted. Any debt financing we may incur may impose covenants on us that restrict our operations or require interest payments that would create additional cash demands and financial risk for us.

We may experience fluctuations in our tax obligations and effective tax rate.

We are subject to income taxes in federal and applicable state and local tax jurisdictions in the U.S. We record tax expense based on our estimates of current and future payments based on the income tax laws currently in effect. At any time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may impact the ultimate settlement of these tax positions. As a result, there could be ongoing variability in our tax rates as taxable events occur and exposures are re-evaluated. Further, our effective tax rate in any financial statement period may be materially affected by changes in the mix and level of earnings, or changes in tax laws in any relevant jurisdiction. We currently expect our effective tax rate to be near zero on an annual basis due to maintaining a full valuation allowance on all deferred tax assets as a result of our recent operating losses.

The impact of climate change could have an adverse impact on our business, and the implementation of environmental, social, and governance initiatives, as well as sustainability initiatives, could lead to regulatory or structural modifications within the industry. Such changes may necessitate substantial operational adjustments and expenses, dampen demand for the Company's goods, and have an unfavorable impact on our business, financial health, marketing strategy and performance.

We are subject to several risks related to climate change that could adversely affect our business. For example, we use natural gas, gasoline, and electricity in our distribution and retail operations, and increases in costs related to those resources could adversely affect our profitability. Similarly, our third-party vendors, manufacturers, and distribution providers also use such resources in their operations, and they may pass along increases to such costs to us. Government regulations limiting carbon dioxide and other greenhouse gas emissions may also increase compliance, shipping, and merchandise costs, and other

regulation affecting energy inputs, could materially affect our profitability. As the economy transitions to lower carbon intensity, we cannot guarantee that we will make adequate investments or successfully implement strategies that will effectively achieve our climate-related goals, which could lead to negative perceptions among customers and investors and result in reputational harm. Climate change, extreme weather conditions, wildfires, droughts, and rising sea levels could affect our ability to procure merchandise at costs and in quantities we currently experience.

Climate change, environmental, social and governance matters, and sustainability are a growing global movement. The ongoing political and societal attention on these issues has led to the creation of both current and potential international agreements, as well as national, regional, and local laws, regulations, reporting requirements, and policy shifts. Additionally, in some of the regions where we conduct business, there is growing social pressure to limit greenhouse gas emissions, along with other global initiatives. Such agreements and measures may necessitate, or could result in forthcoming legislation, regulatory measures, litigation or policy shifts that could require operational changes, additional compliance or disclosure obligations, taxes, or purchases of emission credits to decrease the emission of greenhouse gases from our operations, which could result in significant additional costs or expenses, cause us reputational harm, and could materially adversely affect our business, financial condition, marketing strategy, and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Nominating and Corporate Governance Committee (“Committee”) oversight of cybersecurity and other information technology risks. The Committee oversees management’s implementation of our cybersecurity risk management program.

The Committee receives quarterly reports from management on our cybersecurity risks. In addition, management updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cyber risk management program. Board members receive presentations on cybersecurity topics from our Chief Information Officer and/or external experts as part of the Board’s continuing education on topics that impact public companies.

Our Chief Information Officer is responsible for assessing and managing our material risks from cybersecurity threats. He has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. He also supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in our information technology environment.

Item 2. Properties

We lease approximately 172,000 square feet for our corporate headquarters and retail support and distribution center located at 10 Whatney and 12 Whatney, Irvine, California. Our lease began on January 1, 2003 and terminates on December 31, 2027.

We lease approximately 26,000 square feet of office and warehouse space located at 11 Whatney, Irvine, California. The lease began on June 29, 2012 and terminates on June 30, 2032.

We lease approximately 81,000 square feet for our e-com fulfillment center located at 17 Pasteur, Irvine, California. The lease began on November 1, 2011 and terminates on October 31, 2031.

All of our 240 stores, encompassing a total of approximately 1.7 million total square feet as of February 1, 2025, are occupied under operating leases. The store leases generally have a base lease term of 10 years and many have renewal option periods, and we are generally responsible for payment of property taxes and utilities, common area maintenance and mall marketing fees.

We consider all of our properties adequate for our present and anticipated future needs.

Item 3. Legal Proceedings

The information under the subheading "Legal Proceedings" contained in "Note 10: Commitments and Contingencies" to our consolidated financial statements included in this Report is incorporated by reference into this Item.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is traded on the NYSE under the symbol "TLYS". There is no established trading market for our Class B common stock. As of April 4, 2025, we had approximately ten stockholders of record, eight of whom were holders of our Class A common stock and two of whom were holders of our Class B common stock. The number of stockholders of record is based upon the actual number of stockholders registered at such date and does not include holders of shares in "street names" or persons, partnerships, associates, corporations or other entities identified in security position listings maintained by depositories.

Dividends on Common Stock

We have not paid any dividends on our common stock since December 2021, and we do not currently have any plans to issue dividends in the future.

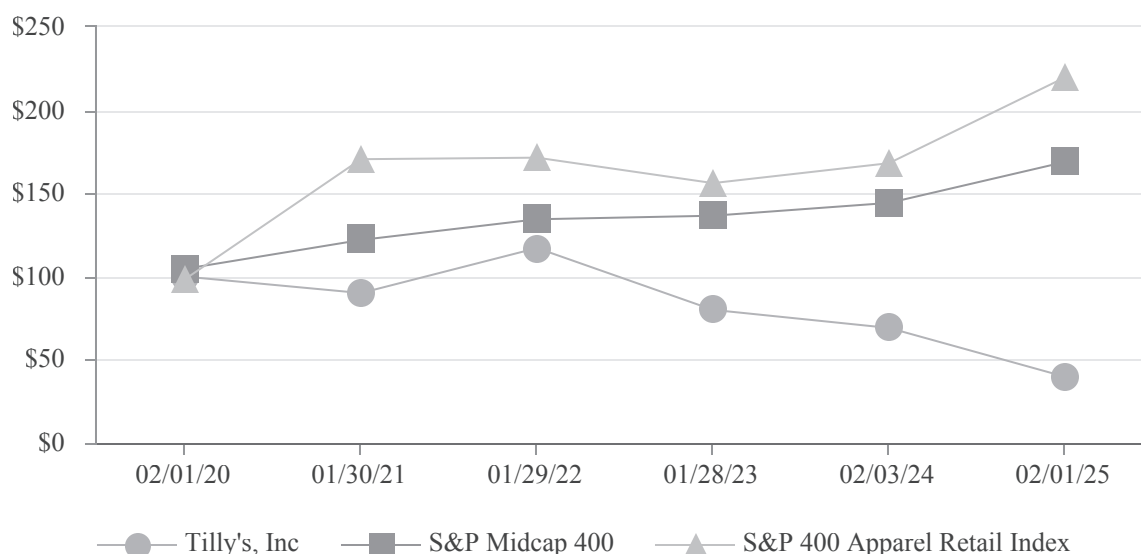
Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after the end of the fiscal year ended February 1, 2025 (the "2025 Proxy Statement").

Stock Performance Graph

The following graph compares the cumulative stockholder return on our Class A common stock for the five years ended February 1, 2025 to the cumulative return of (i) the S&P Midcap 400 Index and (ii) the S&P 400 Apparel Retail Index over the same period. This graph assumes an initial investment of \$100 on February 1, 2020 in our Class A common stock, the S&P Midcap 400 Index and the S&P 400 Apparel Retail Index and assumes the reinvestment of dividends, if any.

Comparison of 5-Year Cumulative Total Return as of February 1, 2025 Among Tilly's, Inc., the S&P Midcap 400 Index and the S&P 400 Apparel Retail Index



Recent Sales of Unregistered Securities

We did not sell any unregistered equity securities during the fiscal year or purchase any of our securities during the three months ended February 1, 2025.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the consolidated financial statements and the accompanying notes and the information contained in other sections of this Annual Report on Form 10-K, or this "Report", particularly under the headings "Risk Factors" and "Business". This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Forward-Looking Statements". These forward-looking statements are subject to numerous risks and uncertainties, including those described under "Risk Factors". Our actual results could differ materially from those suggested or implied by any forward-looking statements.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2024" or "fiscal 2024" refer to the fiscal year ended February 1, 2025, references to "fiscal year 2023" or "fiscal 2023" refer to the fiscal year ended February 3, 2024 and references to "fiscal year 2022" or "fiscal 2022" refer to the fiscal year ended January 28, 2023. Fiscal year 2024 consisted of a 52-week period, fiscal year 2023 consisted of a 53-week period, and fiscal year 2022 consisted of a 52-week period.

The discussion and analysis of our financial condition and results of operations for fiscal 2024 compared to fiscal 2023 appears below. As permitted by SEC rules, we have omitted the discussion and analysis of our financial condition, cash flows and results of operations for fiscal 2023 compared to fiscal 2022. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in our Annual Report on Form 10-K for the year ended February 3, 2024, for this discussion.

Overview

Tillys is a leading destination specialty retailer of casual apparel, footwear, accessories and hardgoods for young men, young women, boys and girls. We believe we bring together an unparalleled selection of iconic global, emerging and proprietary brands rooted in an active and outdoor lifestyle. The Tillys concept began in 1982 when our co-founders, Hezy Shaked and Tilly Levine, opened our first store in Orange County, California. As of February 1, 2025, we operated 240 stores in 33 states, averaging approximately 7,210 square feet per store. We also sell our products through our website, www.tillys.com.

Known or Anticipated Trends

We believe the combined impacts of persistent inflation, tariffs, decreases in consumer confidence levels and concerns about a potential economic recession in the current economic environment could negatively impact consumer spending generally and our customer base, in particular, which has had and may in the future have a significant, adverse impact on our operating results and financial condition.

Inflation has resulted in increased costs for many products and services that are necessary for the operation of our business, such as product costs, labor costs, shipping costs, and digital marketing costs, among others. For example, store payroll and payroll-related expenses represented approximately 46% of our total selling, general and administrative expense in fiscal 2024. Our average hourly rate for store payroll in fiscal 2025 is estimated to be approximately 35% higher than in pre-pandemic fiscal 2019 and approximately 4%, or \$1.7 million, higher than in fiscal 2024. These and other cost increases may continue to have a material adverse impact on our results of operations and financial condition in fiscal 2025, particularly if we are unable to generate net sales growth.

We expect our effective income tax rate to be near zero on an annual basis until such time that we are able to return to generating operating profits on a consistent basis, due to maintaining a full valuation allowance on all deferred tax assets as a result of our recent operating losses.

Our comparable net sales have declined in each of the past three fiscal years. A continuation of decreases in our comparable net sales results at rates equal to or greater than the 8% decrease we produced in fiscal 2024 may result in us having to initiate borrowing under our asset-backed credit facility to finance our operations during fiscal 2025.

Fiscal 2025 Preliminary Capital Expenditure Plans

We currently expect that our total capital expenditures for fiscal 2025 will be in the range of approximately \$5 million to \$10 million for a limited number of new store openings and upgrades to certain store, online and infrastructure technologies. The Company currently expects to close at least eight stores during the first half of fiscal 2025.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key indicators of the financial condition and operating performance of our business are net sales, comparable store sales, gross profit, selling, general and administrative expenses and operating (loss) income.

Net Sales

Net sales reflect revenue from the sale of our merchandise at store locations and through e-com, net of sales taxes. Store sales are reflected in sales when the merchandise is received by the customer. For e-com sales, we recognize revenue, and the related cost of goods sold at the time the merchandise is shipped to the customer. Net sales also include shipping and handling fees for e-com shipments that have been shipped to the customer. Net sales are net of returns on sales during the period as well as an estimate of returns expected in the future stemming from current period sales. We recognize revenue from gift cards as they are redeemed for merchandise. Prior to redemption, we maintain a current liability for unredeemed gift card balances. Our gift cards do not have expiration dates and in most cases there is no legal obligation to remit unredeemed gift cards to relevant jurisdictions. Based on actual historical redemption patterns, we determined that a small percentage of gift cards are unlikely to be redeemed (which we refer to as gift card “breakage”). Based on our historical gift card breakage rate, we recognize breakage revenue over the redemption period in proportion to actual gift card redemptions.

Our business is seasonal and as a result our revenues fluctuate from quarter to quarter. In addition, our revenues in any given quarter can be affected by a number of factors including the timing of holidays and weather patterns. The third and fourth quarters of the fiscal year, which include the back-to-school and holiday sales seasons, have historically produced stronger sales and disproportionately stronger operating results than have the first two quarters of the fiscal year.

Comparable Store Sales

Comparable store sales is a measure that indicates the change in year-over-year comparable store sales, which allows us to evaluate how our store base is performing. Numerous factors affect our comparable store sales, including:

- overall economic trends;
- our ability to attract traffic to our stores and online platform;
- our ability to identify and respond effectively to consumer preferences and fashion trends;
- competition;
- the timing of our releases of new and seasonal styles;
- changes in our product mix;
- pricing;
- the level of customer service that we provide in stores;
- our ability to source, distribute and allocate products efficiently;
- calendar shifts of holiday or seasonal periods;
- the number and timing of store openings and the relative proportion of new stores to mature stores; and
- the timing and success of promotional and advertising efforts.

Our comparable store sales are defined as sales from our e-com platform and stores open on a daily basis compared to the same respective fiscal dates of the prior year. A remodeled, relocated or refreshed store is included in comparable store sales, both during and after construction, if the square footage of the store used to sell merchandise was not changed by more than 20% in any fiscal month. We include sales from our e-com platform as part of comparable store sales as we manage and analyze our business on a single omni-channel basis and have substantially integrated our investments and operations for our stores and e-com platform to give our customers seamless access and increased ease of shopping. Comparable store sales exclude gift card breakage income and e-com shipping and handling fee revenue. Some of our competitors and other retailers may calculate comparable or “same store” sales differently than we do. As a result, data in this Report regarding our comparable store sales may not be comparable to similar data made available by other retailers.

Gross Profit

Gross profit is equal to our net sales less our cost of goods sold. Cost of goods sold reflects the direct cost of purchased merchandise as well as buying, distribution and occupancy costs. Buying costs include compensation and benefit expense for our internal buying organization. Distribution costs include costs for receiving, processing and warehousing our store merchandise, and shipping of merchandise to or from our distribution and e-com fulfillment centers and to our e-com customers and between store locations. Occupancy costs include the rent, common area maintenance, utilities, property taxes, security and depreciation costs of all store locations. These costs are significant and can be expected to continue to increase to the extent our store count grows over time. The components of our reported cost of goods sold may not be comparable to those of other retail companies.

We regularly analyze the components of gross profit as well as gross profit as a percentage of net sales. Specifically we look at the initial markup on purchases, markdowns and reserves, shrinkage, buying costs, distribution costs and occupancy costs. Any inability to obtain acceptable levels of initial markups, a significant increase in our use of markdowns or a significant increase in inventory shrinkage or inability to generate sufficient sales leverage on the buying, distribution and occupancy components of cost of goods sold could have an adverse impact on our gross profit and results of operations.

Gross profit is also impacted by shifts in the proportion of sales of proprietary branded products compared to third-party branded products, as well as by sales mix shifts within and between brands and between major product departments such as young men's and women's apparel, footwear or accessories. A substantial shift in the mix of products could have a material impact on our results of operations. In addition, gross profit and gross profit as a percent of sales have historically been higher in the third and fourth quarters of the fiscal year, as these periods include the back-to-school and winter holiday selling seasons. This reflects that various costs, including occupancy costs, generally do not increase in proportion to the seasonal sales increase.

Selling, General and Administrative Expenses

Our selling, general and administrative, or SG&A, expenses are comprised of store selling expenses and corporate-level general and administrative expenses. Store selling expenses include store and regional support costs, including personnel, advertising and debit and credit card processing costs, e-com receiving and processing costs and store supplies costs. General and administrative expenses include the payroll and support costs of corporate functions such as executive management, legal, accounting, information systems, human resources, impairment charges and other centralized services. Store selling expenses generally vary proportionately with net sales and store growth. In contrast, general and administrative expenses are generally not directly proportional to net sales and store growth, but may be expected to increase over time to support the needs of our business to the extent our store count grows over time. SG&A expenses as a percentage of net sales are usually higher in lower volume periods and lower in higher volume periods.

Operating (Loss) Income

Operating (loss) income equals gross profit less SG&A expenses. Operating (loss) income excludes interest income, interest expense and income taxes. Operating (loss) income percentage measures operating (loss) income as a percentage of our net sales.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales:

	Fiscal Year Ended (1)		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Statements of Operations Data:			
Net sales	\$ 569,453	\$ 623,083	\$ 672,280
Cost of goods sold	416,029	453,702	465,916
Rent expense, related party	3,727	3,724	3,616
Total cost of goods sold	419,756	457,426	469,532
Gross profit	149,697	165,657	202,748
Selling, general and administrative expenses	199,014	196,106	191,028
Rent expense, related party	532	533	533
Total selling, general and administrative expenses	199,546	196,639	191,561
Operating (loss) income	(49,849)	(30,982)	11,187
Other income, net	3,837	5,199	1,980
(Loss) income before income taxes	(46,012)	(25,783)	13,167
Income tax expense	217	8,709	3,490
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677
Percentage of Net Sales:			
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	73.1 %	72.8 %	69.3 %
Rent expense, related party	0.7 %	0.6 %	0.5 %
Total cost of goods sold	73.7 %	73.4 %	69.8 %
Gross profit	26.3 %	26.6 %	30.2 %
Selling, general and administrative expenses	34.9 %	31.5 %	28.4 %
Rent expense, related party	0.1 %	0.1 %	0.1 %
Total selling, general and administrative expenses	35.0 %	31.6 %	28.5 %
Operating (loss) income	(8.8)%	(5.0)%	1.7 %
Other income, net	0.7 %	0.8 %	0.3 %
(Loss) income before income taxes	(8.1)%	(4.1)%	2.0 %
Income tax expense	0.0 %	1.4 %	0.5 %
Net (loss) income	(8.1)%	(5.5)%	1.4 %

The following table presents store operating data for the periods indicated:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Store Operating Data:			
Stores operating at end of period	240	248	249
Comparable store sales change (2)	(8.0)%	(10.6)%	(14.6)%
Total square feet at end of period (in thousands)	1,730	1,801	1,818
Average net sales per brick-and-mortar store (in thousands) (3)	\$ 1,791	\$ 1,944	\$ 2,171
Average net sales per square foot (3)	\$ 247	\$ 267	\$ 297
E-com revenues (in thousands) (4)	\$ 124,728	\$ 137,453	\$ 141,130
E-com revenues as a percentage of net sales	21.9 %	22.1 %	21.0 %

(1) The fiscal year ended February 3, 2024 included 53 weeks. Each of the fiscal years ended February 1, 2025 and January 28, 2023 included 52 weeks.

- (2) Our comparable store net sales are defined as sales from our e-com platform and stores open on a daily basis compared to the same respective fiscal dates of the prior year. A remodeled or relocated store is included in comparable store net sales, both during and after construction, if the square footage of the store used to sell merchandise was not changed by more than 20% in any fiscal month. We include sales from our e-com platform as part of our comparable store net sales as we manage and analyze our business on an omni-channel basis and have substantially integrated our investments and operations for our stores and e-com platform to give our customers seamless access and increased ease of shopping. Comparable store net sales exclude gift card breakage income and e-com shipping and handling fee revenue. The comparable store sales change for the period ended February 3, 2024 includes the 53rd week in fiscal year 2023.
- (3) The number of stores and the amount of square footage reflect the number of days during the period that stores were open. E-com sales, e-com shipping and handling fee revenue and gift card breakage income are excluded from net sales in deriving average net sales per retail store and average net sales per square foot.
- (4) E-com net sales include e-com sales and e-com shipping and handling fee revenue.

Fiscal Year 2024 Compared to Fiscal Year 2023

Net Sales

Total net sales were \$569.5 million, a decrease of 8.6% from fiscal 2023, which included an extra week in the fiscal calendar that accounted for \$5.7 million in total net sales in that prior fiscal year. Total comparable net sales, including both physical stores and e-com, decreased by 8.0% relative to the comparable 52-week period ended February 3, 2024.

\$ millions	Attributable to
\$(47.6)	Decrease in comparable net sales of 8.0%, including e-com
(6.0)	Decrease in non-comparable store sales, primarily from net sales in new stores
\$(53.6)	Total

- Net sales from physical stores were \$444.7 million, a decrease of 8.4%. Comparable store net sales decreased 8.0% relative to the comparable 52-week period ended February 3, 2024. Net sales from physical stores represented 78.1% of total net sales this year compared to 77.9% of total net sales last year.
- Net sales from e-com were \$124.7 million, a decrease of 9.3%. E-com net sales decreased 8.0% relative to the comparable 52-week period ended February 3, 2024. E-com net sales represented 21.9% of total net sales this year compared to 22.1% of total net sales last year.

Gross Profit

Gross profit including buying, distribution, and occupancy costs, was \$149.7 million, or 26.3% of net sales, compared to \$165.7 million, or 26.6% of net sales, last year. Product margins improved by 150 basis points primarily due to improved initial markups, partially offset by increased inventory valuation reserves. Buying, distribution, and occupancy costs deleveraged by 180 basis points collectively, despite being \$2.8 million lower than last year, primarily due to carrying these costs against lower net sales this year.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses were \$199.5 million, or 35.0% of net sales, compared to \$196.6 million, or 31.6% of net sales, last year.

%	\$ millions	Primarily Attributable to
0.4%	\$1.7	Increase in software as a service expense
0.3%	1.0	Increase in e-com fulfillment services
0.2%	0.9	Increase in non-cash store asset impairment charges
2.6%	(0.7)	Net change in all other SG&A expenses
3.5%	\$2.9	Total

Operating Loss

Operating loss was \$49.8 million, or 8.8% of net sales, compared to \$31.0 million, or 5.0% of net sales, last year, primarily due to our net sales decrease.

Income Tax Expense

Income tax expense was \$0.2 million or 0.5% of pre-tax loss, compared to income tax expense of \$8.7 million, or 33.8% of pre-tax loss, last year, which included a full, non-cash deferred tax asset valuation allowance (the "valuation allowance") charge of \$15.4 million. The decrease in the effective income tax rate was due to the continuing impact of the valuation allowance.

Net Loss and Loss Per Share

Net loss was \$46.2 million, or \$1.54 net loss per share, compared to net loss of \$34.5 million, or \$1.16 net loss per share, last year, which included the valuation allowance.

Liquidity and Capital Resources

Our business relies on cash flows from operating activities as well as cash on hand as our primary sources of liquidity. We currently expect to finance company operations, store growth and remodels, and all of our planned capital expenditures with existing cash on hand, marketable securities and cash flows from operations. However, if our comparable net sales decrease in fiscal 2025 at a rate equal to or greater than the 8% decrease we produced in fiscal 2024, we may be required to begin borrowing under our asset-backed credit facility to finance our day-to-day operations.

In addition to cash and cash equivalents and marketable securities, the most significant components of our working capital are merchandise inventories, accounts payable and accrued expenses. We believe that cash flows from operating activities, our cash on hand and marketable securities, and credit facility availability will be sufficient to cover our working capital requirements and anticipated capital expenditures for the next 12 months from the filing of this Report. If these sources are not sufficient or available to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. There can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our stockholders.

Working Capital

Working capital at February 1, 2025, was \$31.6 million compared to \$71.5 million at February 3, 2024, a decrease of \$39.9 million. The changes in our working capital during fiscal 2024 were as follows:

\$ millions	Description
\$71.5	Working capital at February 3, 2024
(48.3)	Decrease in cash, cash equivalents, and marketable securities, primarily due to lower net sales
(1.9)	Decrease in receivables primarily due to lower tenant income receivables
9.4	Increase in merchandise inventories, net of accounts payable
0.9	Net change from all other changes in current assets and current liabilities
\$31.6	Working capital at February 1, 2025

Cash Flow Analysis

A summary of operating, investing and financing activities is shown in the following table:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Net cash used in operating activities	\$ (42,018)	\$ (6,733)	\$ (1,415)
Net cash provided by (used in) investing activities	15,753	(19,993)	42,805
Net cash provided by (used in) financing activities	294	227	(10,065)
Net change in cash and cash equivalents	\$ (25,971)	\$ (26,499)	\$ 31,325

Net Cash Used In Operating Activities

Operating activities consist primarily of net (loss) income adjusted for non-cash items that include depreciation, asset impairment charges, deferred income taxes, gains on maturities of marketable securities and share-based compensation expense, plus the effect on cash of changes during the year in our assets and liabilities.

Net cash used in operating activities was \$42.0 million this year compared to \$6.7 million last year. The \$35.3 million increase in net cash used in operating activities compared to last year was due primarily to lower net sales.

Net Cash Provided By (Used In) Investing Activities

Cash flows from investing activities consist primarily of capital expenditures and maturities and purchases of marketable securities.

Net cash provided by investing activities was \$15.8 million this year compared to net cash used in investing activities of \$20.0 million last year. Net cash provided by investing activities in fiscal 2024 consisted of maturities of marketable securities of \$98.5 million, partially offset by purchases of marketable securities of \$74.5 million and capital expenditures totaling \$8.2 million. Net cash used in investing activities in fiscal 2023 consisted of purchases of marketable securities of \$121.0 million and capital expenditures totaling \$14.0 million, partially offset by maturities of marketable securities of \$115.0 million.

Net Cash Provided By (Used In) Financing Activities

Financing activities primarily consist of share repurchases, a short-swing profits disgorgement payment, and proceeds from employee exercises of stock options.

Net cash provided by financing activities was \$0.3 million this year resulting from the proceeds of employee exercises of stock options. Net cash provided by financing activities was \$0.2 million last year resulting from the proceeds of employee exercises of stock options of \$0.4 million, partially offset by taxes paid on a short swing profits disgorgement payment to us of \$0.2 million.

Credit Agreement

On April 27, 2023 (the "Closing Date"), we entered into an asset-backed credit agreement and revolving line of credit note (the "Note" and, collectively, the "Credit Agreement") with Wells Fargo Bank, National Association, as lender (the "Bank"). The Credit Agreement provides for an asset-based, senior secured revolving credit facility ("Revolving Facility") of up to \$65.0 million ("Revolving Commitment") consisting of revolving loans, letters of credit and swing line loans, with a sub-limit on letters of credit outstanding at any time of \$10.0 million and a sub-limit for swing line loans of \$7.5 million, which replaced our previous senior secured credit agreement. The Credit Agreement also includes an uncommitted accordion feature whereby we may increase the Revolving Commitment by an aggregate amount not to exceed \$12.5 million, subject to certain conditions. As of February 1, 2025, the Revolving Facility was set to expire on April 27, 2026. The payment and performance in full of the secured obligations under the Revolving Facility are secured by a lien on and security interest in all of our assets.

The maximum borrowings permitted under the Revolving Facility is equal to the lesser of (x) the Revolving Commitment and (y) the applicable borrowing base, which is equal to (i) 90% of our eligible credit card receivables, plus (ii) 90% of the cost of certain adjusted eligible inventory, less certain inventory reserves, plus (iii) 90% of the cost of certain adjusted eligible in-transit inventory, less certain inventory reserves, less (iv) certain other reserves established by the Bank.

The unused portion of the Revolving Commitment accrues a commitment fee of 0.375% per annum. Borrowings under the Revolving Facility bear interest at a rate per annum that ranges from the Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment (equal to 10 basis points for one- and three-month term SOFR) plus 1.50% to 2.00%, or a base rate (as calculated in accordance with the Credit Agreement) (the "Base Rate") plus 0.50% to 1.00%, based on the average daily borrowing capacity under the Revolving Facility over the applicable fiscal quarter. We are allowed to elect to apply either SOFR or Base Rate interest to borrowings at our discretion, other than in the case of swing line loans, to which the Base Rate shall apply.

Under the Credit Agreement, we are subject to a variety of affirmative and negative covenants customary in an asset-based lending facility, including a financial covenant relating to availability (which is required to remain above the greater of: (i) ten percent (10%) of the Loan Cap (as defined in the Credit Agreement) and (ii) \$6.0 million). We are permitted to declare or pay cash dividends and/or repurchase our common stock provided, among other things, no default or event of default exists as of the date of any such payment and after giving effect thereto and certain minimum availability and minimum projected availability tests are satisfied.

Events of default under the Credit Agreement include, among other things, failure to pay principal, interest, fees or other amounts; covenant defaults; material inaccuracy of representations and warranties; bankruptcy events; actual or asserted invalidity of any the Credit Agreement or related loan documents; or a change of control.

In connection with the entry into the Credit Agreement, on April 27, 2023, we entered into certain ancillary agreements including (i) a security agreement in favor of the Bank, and (ii) a guarantee by us in favor of the Bank.

As of February 1, 2025, we were in compliance with all of our covenants, were eligible to borrow up to a total of \$48.0 million, and had no outstanding borrowings under the Credit Agreement. The only utilization of the letters of credit sub-limit under the Credit Agreement was a \$2.0 million irrevocable standby letter of credit.

On March 25, 2025, we entered into an amendment to the Credit Agreement with Wells Fargo Bank, National Association, as lender, to extend the maturity date thereunder to June 25, 2027.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily non-cancellable operating leases and software maintenance agreements.

We lease approximately 172,000 square feet for our corporate headquarters and distribution center from a company that is owned by the co-founders of Tillys, one of which is currently our President and Chief Executive Officer. These buildings are located at 10 and 12 Whatney, Irvine, California. The lease is accounted for as an operating lease and expires on December 31, 2027.

We lease approximately 26,000 square feet of office and warehouse space from a company that is owned by one of the co-founders of Tillys who is currently our President and Chief Executive Officer. This building is located at 11 Whatney, Irvine, California. The lease is accounted for as an operating lease and expires on June 30, 2032.

We lease approximately 81,000 square feet for our e-com distribution center from a company that is owned by one of the co-founders of Tillys who is currently our President and Chief Executive Officer. This building is located at 17 Pasteur, Irvine, California. The lease is accounted for as an operating lease and expires on October 31, 2031.

Our store leases are generally non-cancellable operating leases expiring at various dates through fiscal year 2035. Certain leases provide for additional rent based on a percentage of sales and annual rent increases based upon the Consumer Price Index. In addition, many of our store leases contain certain co-tenancy provisions that permit us to pay rent based on a pre-determined percentage of sales when the occupancy of the retail center falls below minimums established in such lease.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the appropriate application of accounting policies, some of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements. Since future events and their impact cannot be determined with absolute certainty, the actual results will inevitably differ from our estimates.

We believe the application of our accounting policies, and the estimates inherently required therein, are reasonable. Our accounting policies and estimates are reevaluated on an ongoing basis and adjustments are made when facts and circumstances dictate a change.

The policies and estimates discussed below involve the selection or application of alternative accounting policies that are material to our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected outcomes can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in the consolidated financial statements have not been materially impacted by such variances. This summary should be read in conjunction with the more complete discussion of our accounting policies and procedures included in "Note 2: Summary of Significant Accounting Policies" in the notes to our consolidated financial statements included in this Annual Report on Form 10-K. Management has discussed the development and selection of these critical accounting policies and estimates with our Board of Directors.

We have certain accounting policies that require more significant management judgment and estimates than others. These include our accounting policies with respect to reserves for sales returns, gift cards, loyalty program, inventory reserves, impairment of long-lived assets and accounting for income taxes, which are more fully described below.

Reserves for Sales Returns

Revenue is recognized net of estimates for sales returns from our customers. We accrue for estimated sales returns from customers based on historical sales returns results for a given period, taking into account the seasonal nature of our business.

Gift Cards

We estimate and record breakage revenue in proportion to actual redemptions on unredeemed gift cards based on historical and expected customer redemption trends. Actual customer redemptions may vary from our estimates. Based on actual historical redemption patterns, we determined that a small percentage of gift cards are unlikely to be redeemed.

Loyalty Program

Based on historical redemption patterns, unredeemed awards and accumulated partial points are accrued as deferred revenue with a corresponding impact to net sales. A liability is estimated based on estimated redemptions and the standalone selling price of points earned and expected future redemptions. Actual customer redemptions may vary from our estimates.

Inventory Reserves

Merchandise inventories are stated at the lower of cost or net realizable value using the retail inventory method. Under the retail inventory method, inventory is stated at its current retail selling value and then is converted to a cost basis by applying a cost-to-retail ratio based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and estimates, such as the amount and timing of markdowns needed in order to sell through slow-moving inventories. During each accounting period we record adjustments to our inventories, which are reflected in cost of goods sold, if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. This adjustment calculation requires us to develop assumptions and estimates, which are based on factors such as merchandise seasonality, historical trends and inventory levels, including estimated sell-through rates of remaining units.

To the extent that management's estimates differ from actual results, additional markdowns may be required that could reduce our gross margin, operating income and the carrying value of inventories. Our success is largely dependent upon our ability to anticipate the changing fashion tastes of our customers and to respond to those changing tastes in a timely manner. If we fail to anticipate, identify or react appropriately to changing styles, trends or brand preferences of our customers, we may experience lower sales, excessive inventories and more frequent and extensive markdowns, which would adversely affect our operating results.

We also record an inventory shrinkage reserve calculated as a percentage of net sales for estimated merchandise losses for the period between the last physical inventory count and the balance sheet date. These estimates are based on historical percentages and can be affected by changes in merchandise mix and changes in shrinkage trends. We perform physical inventory counts at least once per year for the entire chain of stores and our distribution center and adjust the inventory shrinkage reserve accordingly. If actual physical inventory losses differ significantly from the estimate, our results of operations could be adversely impacted. The inventory shrinkage reserve reduces the value of total inventory and is a component of inventories on the Consolidated Balance Sheets. The inventory shrinkage reserve at both February 1, 2025 and February 3, 2024 was not material.

Impairment of Long-Lived Assets

We evaluate the carrying value of our long-lived assets, consisting largely of leasehold improvements, furniture and fixtures and equipment at store, distribution center and corporate office locations, for impairment whenever events or changes in circumstances indicate that the carrying value of long-lived assets and operating lease right-of-use ("ROU") assets may not be recoverable. Factors that are considered important that could result in the necessity to perform an impairment review include a current-period operating or cash flow loss combined with a history of operating or cash flow losses and a forecast that indicates continuing losses or insufficient income associated with the realization of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related long-lived assets and operating lease ROU assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized for the difference between the carrying value and the estimated fair value of assets based on the discounted cash flows of the assets using a rate that approximates the weighted average cost of capital plus a company specific risk premium determined by management. Impairment losses are allocated between the long-lived assets and ROU assets on a relative carrying amount basis. The fair values of ROU assets are estimated by an independent third party and represent the highest and best use to a market participant. The estimation of the fair values of ROU assets requires significant estimates including comparable market rents. Quarterly, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets and operating lease ROU assets may not be recoverable.

The estimation of future cash flows from operating activities requires significant estimates of factors that include future sales and gross margin performance. Factors used in the valuation of long-lived assets with finite lives include, but are not limited to, discount rates, management's plans for future operations, recent operating results and projected future cash flows. If our net sales or gross profit performance or other estimated operating results are not achieved at or above our forecasted level, or inflation exceeds our forecast and we are unable to recover such costs through price increases, the carrying value of certain of our retail store assets may prove to be unrecoverable and we may incur additional impairment charges in the future.

Accounting for Income Taxes

We account for income taxes and the related accounts in accordance with FASB ASC Topic 740, *Income Taxes*, or ASC 740. Under this method, we accrue income taxes payable or refundable and recognize deferred tax assets and liabilities based on differences between accounting principles generally accepted in the United States and tax bases of assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse, and recognize the effect of a change in enacted rates in the period of enactment.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, carry-back potential if permitted under the tax law, and recent financial operations.

We establish assets and liabilities for uncertain positions taken or expected to be taken in income tax returns, using a more-likely-than-not recognition threshold. We include in income tax expense any interest and penalties related to uncertain tax positions.

Recent Accounting Pronouncements

For a description of recently-issued accounting standards not yet adopted, refer to Note 2 to our consolidated financial statements included in this Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

We may be subject to interest rate risk in connection with borrowings, if any, under our credit facility, which bears interest at variable rates. As of both February 1, 2025 and February 3, 2024, we had no outstanding borrowings under our credit facility.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial as of the date of this filing. However, the impact of inflationary cost pressures on gasoline, food, and other consumables may have a material adverse impact on consumer behavior at any point in time, which may by extension have a material adverse effect on our results of operations and financial condition.

Foreign Exchange Rate Risk

We currently source a substantial majority of our merchandise through domestic vendors. We source certain fixtures and materials from various suppliers in other countries. All purchases are denominated in U.S. dollars, and therefore we do not hedge using any derivative instruments. Historically, we have not been materially impacted by changes in exchange rates.

Item 8. Financial Statements and Supplementary Data

Tilly's, Inc. **Index to Consolidated Financial Statements**

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Tilly's, Inc.
Irvine, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Tilly's, Inc. (the "Company") as of February 1, 2025 and February 3, 2024, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2025 and February 3, 2024, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2025, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated April 10, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of Long-Lived Assets Related to Individual Stores

As indicated in the consolidated balance sheet and in Notes 2, 6, 9 and 11 to the Company's consolidated financial statements, the Company's long-lived assets consist of property and equipment, net, and operating lease right-of-use ("ROU") assets with carrying values of \$40.1 million and \$169.8 million, respectively, as of February 1, 2025. The Company records impairment of long-lived assets used in operations whenever events or changes in circumstances indicate that the net carrying amounts of long-lived assets may not be recoverable. For the year ended February 1, 2025, the Company recorded an impairment charge of \$4.4 million to write-down the carrying value of certain long-lived assets related to individual stores to their estimated fair values.

The Company's evaluation of long-lived assets for impairment involves estimating the undiscounted future cash flows and fair value of long-lived assets. The calculation of the undiscounted future cash flows for individual stores requires management to make significant estimates and assumptions related to the forecasted revenue growth rates. The calculation of the fair value of long-lived assets for individual stores requires management to make significant estimates and assumptions related to the forecasted revenue growth rates, discount rates, and comparable market rents.

We identified the long-lived asset impairment assessment related to individual stores as a critical audit matter due to significant management judgment involved in the determination of the: (i) forecasted revenue growth rates, (ii) discount rates, and (iii) comparable market rents. Auditing these elements involved especially challenging auditor judgment due to the nature of audit evidence and extent of audit effort required, including the use of personnel with specialized knowledge and skill.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls related to: (i) management's forecasted revenue growth rates used in the calculation of the undiscounted future cash flows and fair value of long-lived assets for individual stores, (ii) review of the discount rates used in the calculation of the fair value of long-lived assets for individual stores, and (iii) the determination of the comparable market rents used in the calculation of the fair value of operating lease ROU assets for individual stores.
- Evaluating the reasonableness of management's forecasted revenue growth rates by: (i) comparing current performance to historical results and prior period projections, and (ii) comparing forecasted revenue growth rates to external market and industry data.
- Utilizing personnel with specialized knowledge and skill to assist in evaluating the reasonableness of: (i) discount rates used in the calculation of the fair value of long-lived assets for individual stores, and (ii) comparable market rents used in the calculation of the fair value of operating lease ROU assets for individual stores.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2015.

Costa Mesa, California
April 10, 2025

Tilly's, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	February 1, 2025	February 3, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,056	\$ 47,027
Marketable securities	25,653	48,021
Receivables	4,094	5,947
Merchandise inventories	69,178	63,159
Prepaid expenses and other current assets	10,979	11,905
Total current assets	130,960	176,059
Operating lease assets	169,805	203,825
Property and equipment, net	40,139	48,063
Other assets	1,559	1,598
TOTAL ASSETS	\$ 342,463	\$ 429,545
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,120	\$ 14,506
Accrued expenses	12,750	13,063
Deferred revenue	14,116	14,957
Accrued compensation and benefits	9,418	9,902
Current portion of operating lease liabilities	48,384	48,672
Current portion of operating lease liabilities, related party	3,423	3,121
Other current liabilities	172	336
Total current liabilities	99,383	104,557
Non-current portion of operating lease liabilities	126,216	160,531
Non-current portion of operating lease liabilities, related party	15,844	19,267
Other long-term liabilities	149	321
Total long-term liabilities	142,209	180,119
TOTAL LIABILITIES	241,592	284,676
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY:		
Common stock (Class A), \$0.001 par value; 100,000 shares authorized; 22,846 and 22,714 shares issued and outstanding, respectively	23	23
Common stock (Class B), \$0.001 par value; 35,000 shares authorized; 7,306 and 7,306 shares issued and outstanding, respectively	7	7
Preferred stock, \$0.001 par value; 10,000 shares authorized, no shares issued or outstanding	—	—
Additional paid-in capital	174,829	172,478
Accumulated deficit	(74,191)	(27,962)
Accumulated other comprehensive income	203	323
TOTAL STOCKHOLDERS' EQUITY	100,871	144,869
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 342,463	\$ 429,545

The accompanying notes are an integral part of these consolidated financial statements.

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

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Net sales	\$ 569,453	\$ 623,083	\$ 672,280
Cost of goods sold (includes buying, distribution, and occupancy costs)	416,029	453,702	465,916
Rent expense, related party	3,727	3,724	3,616
Total cost of goods sold (includes buying, distribution, and occupancy costs)	419,756	457,426	469,532
Gross profit	149,697	165,657	202,748
Selling, general and administrative expenses	199,014	196,106	191,028
Rent expense, related party	532	533	533
Total selling, general and administrative expenses	199,546	196,639	191,561
Operating (loss) income	(49,849)	(30,982)	11,187
Other income, net	3,837	5,199	1,980
(Loss) income before income taxes	(46,012)	(25,783)	13,167
Income tax expense	217	8,709	3,490
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677
Basic (loss) earnings per share of Class A and Class B common stock	\$ (1.54)	\$ (1.16)	\$ 0.32
Diluted (loss) earnings per share of Class A and Class B common stock	\$ (1.54)	\$ (1.16)	\$ 0.32
Weighted average basic shares outstanding	30,028	29,848	30,115
Weighted average diluted shares outstanding	30,028	29,848	30,323

The accompanying notes are an integral part of these consolidated financial statements.

Tilly's, Inc.
Consolidated Statements of Comprehensive (Loss) Income
(In thousands)

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677
Other comprehensive (loss) gain, net of tax:			
Net change in unrealized (loss) gain on available-for-sale securities	(120)	118	206
Other comprehensive (loss) gain, net of tax	(120)	118	206
Comprehensive (loss) income	\$ (46,349)	\$ (34,374)	\$ 9,883

The accompanying notes are an integral part of these consolidated financial statements.

Tilly's, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)

	Number of Shares				(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Common Stock (Class A)	Common Stock (Class B)	Common Stock	Additional Paid-in Capital			
Balance at January 29, 2022	23,719	7,306	\$ 31	\$ 166,929	\$ 7,754	\$ (1)	\$ 174,713
Net income	—	—	—	—	9,677	—	9,677
Share-based compensation expense	—	—	—	2,267	—	—	2,267
Restricted stock	63	—	—	—	—	—	—
Exercise of stock options	38	—	—	176	—	—	176
Short swing profits disgorgement payment	—	—	—	661	—	—	661
Repurchase of common stock	(1,258)	—	(1)	—	(10,901)	—	(10,902)
Net change in unrealized gains on available-for-sale securities	—	—	—	—	—	206	206
Balance at January 28, 2023	22,562	7,306	30	170,033	6,530	205	176,798
Net loss	—	—	—	—	(34,492)	—	(34,492)
Share-based compensation expense	—	—	—	2,218	—	—	2,218
Restricted stock, net of forfeitures	57	—	—	—	—	—	—
Exercise of stock options	95	—	—	400	—	—	400
Taxes paid for short swing profits disgorgement payment	—	—	—	(173)	—	—	(173)
Net change in unrealized gains on available-for-sale securities	—	—	—	—	—	118	118
Balance at February 3, 2024	22,714	7,306	30	172,478	(27,962)	323	144,869
Net loss	—	—	—	—	(46,229)	—	(46,229)
Share-based compensation expense	—	—	—	2,057	—	—	2,057
Restricted stock	61	—	—	—	—	—	—
Exercise of stock options	71	—	—	294	—	—	294
Net change in unrealized loss on available- for-sale securities	—	—	—	—	—	(120)	(120)
Balance at February 1, 2025	22,846	7,306	\$ 30	\$ 174,829	\$ (74,191)	\$ 203	\$ 100,871

The accompanying notes are an integral part of these consolidated financial statements.

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

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Cash flows from operating activities			
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Depreciation and amortization	12,771	12,834	14,134
Insurance proceeds from casualty loss	—	—	23
Share-based compensation expense	2,057	2,218	2,267
Impairment of assets	4,366	3,431	17
(Gain) loss on disposal of assets	(29)	38	92
Gain on maturities of marketable securities	(1,823)	(1,966)	(466)
Deferred income taxes	—	8,497	2,949
Changes in operating assets and liabilities:			
Receivables	2,856	5,563	1,710
Merchandise inventories	(6,019)	(1,042)	3,505
Prepaid expenses and other assets	1,044	5,561	(1,487)
Accounts payable	(3,405)	(1,474)	(12,194)
Accrued expenses	73	(596)	(5,396)
Accrued compensation and benefits	(484)	1,719	(8,873)
Operating lease liabilities	(6,019)	(5,323)	(5,231)
Deferred revenue	(841)	(1,146)	(993)
Other liabilities	(336)	(555)	(1,149)
Net cash used in operating activities	(42,018)	(6,733)	(1,415)
Cash flows from investing activities			
Purchases of marketable securities	(74,547)	(121,045)	(89,349)
Purchases of property and equipment	(8,224)	(13,958)	(15,123)
Proceeds from maturities of marketable securities	98,500	115,000	147,271
Proceeds from sale of property and equipment	24	10	6
Net cash provided by (used in) investing activities	15,753	(19,993)	42,805
Cash flows from financing activities			
Proceeds from exercise of stock options	294	400	176
Taxes paid for short swing profits disgorgement payment	—	(173)	—
Short swing profits disgorgement payment	—	—	661
Share repurchases	—	—	(10,902)
Net cash provided by (used in) financing activities	294	227	(10,065)
Change in cash and cash equivalents	(25,971)	(26,499)	31,325
Cash and cash equivalents, beginning of period	47,027	73,526	42,201
Cash and cash equivalents, end of period	\$ 21,056	\$ 47,027	\$ 73,526
Supplemental disclosures of cash flow information:			
Income taxes (refunded) paid	\$ (2,462)	\$ (6,429)	\$ 1,467
Supplemental disclosure of non-cash activities:			
Unpaid purchases of property and equipment	\$ 695	\$ 1,086	\$ 3,298
Operating lease liabilities arising from obtaining operating lease assets	\$ 22,406	\$ 45,678	\$ 46,092
Operating lease liabilities arising from obtaining operating lease assets, related party	\$ —	\$ —	\$ 4,386

The accompanying notes are an integral part of these consolidated financial statements.

Tilly's, Inc.
Notes to the Consolidated Financial Statements

Note 1: Description of the Company and Basis of Presentation

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 we operated 240 stores in 33 states as of February 1, 2025. Our stores are located in malls, lifestyle centers, "power" centers, community centers, outlet centers and street-front locations. Customers may also shop online, where we feature the same assortment of products as carried in our brick-and-mortar stores, supplemented by additional online-only styles. Our goal is to serve as a destination for the latest, most relevant merchandise and brands important to our customers.

The Tillys concept began in 1982 when our co-founders, Hezy Shaked and Tilly Levine, opened their first store in Orange County, California. Since 1984, the business has been conducted through World of Jeans & Tops, a California corporation, or "WOJT", which operates under the name "Tillys". In May 2011, Tilly's, Inc., a Delaware corporation, was formed solely for the purpose of reorganizing the corporate structure of WOJT in preparation for an initial public offering. As part of the initial public offering in May 2012, WOJT became a wholly owned subsidiary of Tilly's, Inc.

The consolidated financial statements include the accounts of Tilly's Inc. and WOJT. All intercompany accounts and transactions have been eliminated in consolidation.

As used in these Notes to the Consolidated Financial Statements, except where the context otherwise requires or where otherwise indicated, the terms "the Company", "we", "our", "us" and "Tillys" refer to Tilly's, Inc. and its subsidiary, WOJT.

Fiscal Year

Our fiscal year ends on the Saturday closest to January 31. Fiscal years 2024, 2023 and 2022 ended on February 1, 2025, February 3, 2024 and January 28, 2023, respectively. Fiscal year 2024 included 52 weeks, fiscal year 2023 included 53 weeks, and fiscal year 2022 included 52 weeks.

Segment Reporting

Accounting principles generally accepted in the United States ("GAAP") has established guidance for reporting information about our operating segment, including disclosures related to our products and services, geographic areas and major customers. We identified one reportable operating segment based on how our business is managed and evaluated. We determined our operating segment based on the similar nature of products sold, production, merchandising and distribution processes involved, target customers and economic characteristics. All of our identifiable assets are in the United States. Refer to "Note 19: Segment Information", for further information.

Note 2: Summary of Significant Accounting Policies

Cash and Cash Equivalents

We consider all short-term investments with an initial maturity of 90 days or less when purchased to be cash equivalents.

Marketable Securities

Marketable debt securities are classified as available-for-sale or held-to-maturity and are carried at fair value or amortized cost plus accrued income, respectively. Unrealized holding gains and losses, net of income taxes, on available-for-sale debt securities are reflected as a separate component of stockholders' equity until realized. For the purposes of computing realized and unrealized gains and losses, cost is determined on a specific identification basis. We have elected the portfolio approach to eliminate the deferred tax consequences that remain in accumulated other comprehensive income. We classify all marketable securities within current assets on our accompanying Consolidated Balance Sheets.

Merchandise Inventories

Merchandise inventories are comprised of finished goods offered for sale at our retail stores and online. Inventories are stated at the lower of cost or net realizable value using the retail inventory method. An initial markup is applied to inventory at cost in order to establish a cost-to-retail ratio. We believe that the retail inventory method approximates cost. Shipping and handling costs for merchandise shipped to customers of \$14.7 million, \$17.0 million and \$19.5 million in fiscal years 2024, 2023 and 2022, respectively, are included in cost of goods sold in the accompanying Consolidated Statements of Operations.

We review our inventory levels to identify slow-moving merchandise and generally use markdowns to clear this merchandise. At any given time, merchandise inventories include items that have been marked down to management's best estimate of their fair market value at retail price, with a proportionate write-down to the cost of the inventory. Our management bases the decision to mark down merchandise primarily upon its current sell-through rate and the age of the item, among other factors.

These markdowns may have an adverse impact on earnings, depending on the extent and amount of inventory affected. Markdowns are recorded as an increase to cost of goods sold in the accompanying Consolidated Statements of Operations. Total markdowns, including permanent and promotional markdowns, on a cost basis were \$54.6 million, \$65.0 million, and \$58.7 million in fiscal years 2024, 2023, and 2022, respectively. As of the end of fiscal 2024 and 2023, total accrued markdowns on the Consolidated Balance Sheets were \$5.7 million and \$2.8 million, respectively.

We also record an inventory shrinkage reserve calculated as a percentage of net sales for estimated merchandise losses for the period between the last physical inventory count and the balance sheet date. These estimates are based on historical percentages and can be affected by changes in merchandise mix and changes in shrinkage trends. We perform physical inventory counts at least once per year for the entire chain of stores and our distribution and fulfillment centers, and adjust the inventory shrinkage reserve accordingly. If actual physical inventory losses differ significantly from the estimate, our results of operations could be adversely impacted. The inventory shrinkage reserve reduces the value of total inventory and is a component of inventories on the Consolidated Balance Sheets. The inventory shrinkage reserve at February 1, 2025 and February 3, 2024 was not material.

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Equipment is depreciated over five to seven years. Furniture and fixtures are depreciated over five years. Computer software is depreciated over three years. Leasehold improvements and the cost of acquiring leasehold rights are amortized over the lesser of the term of the lease or the estimated useful life of the improvement. The cost of assets sold or retired and the related accumulated depreciation is removed from the accounts with any resulting gain or loss included in net (loss) income in the accompanying Consolidated Statements of Operations.

Repairs and maintenance costs are charged directly to expense as incurred. Major renewals, replacements and improvements that substantially extend the useful life of an asset are capitalized and depreciated.

Impairment of Long-Lived Assets

Impairments are recorded on long-lived assets used in operations whenever events or changes in circumstances indicate that the net carrying amounts of long-lived assets and operating lease right-of-use ("ROU") assets may not be recoverable. With regard to retail store assets, which are comprised of leasehold improvements, fixtures and computer hardware and software, and operating lease assets, we consider the assets at each individual retail store to represent an asset group. Important factors that could result in an impairment review include, but are not limited to, significant under-performance relative to historical or planned operating results, significant changes in the manner of use of the assets or significant changes in business strategies. An evaluation is performed using estimated undiscounted future cash flows from operating activities compared to the carrying value of related long-lived and operating lease ROU assets for the individual stores. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized for the difference between the carrying value and the estimated fair value of assets based on the discounted cash flows of the assets using a rate that approximates the weighted average cost of capital plus a company specific risk premium determined by management. Impairment losses are allocated between the long-lived assets and ROU assets on a relative carrying amount basis. The fair values of ROU assets are estimated by an independent third party and represent the highest and best use to a market participant. The estimation of the fair values of ROU assets requires significant estimates including comparable market rents. Quarterly, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets and operating lease ROU assets may not be recoverable. In addition, we have considered the relevant valuation techniques that could be applied without undue cost and effort and have determined that the discounted estimated future cash flow approach provides the most relevant and reliable means by which to determine fair value in this circumstance. Refer to "Note 11: Fair Value Measurements", for further information.

Operating Leases

We conduct all of our retail sales and corporate operations in leased facilities. Lease terms for our stores are generally ten years in duration (subject to extensions) and provide for escalations in base rents periodically. Many of our store leases contain one or more options to renew the lease at our sole discretion. Generally, we do not consider any additional renewal periods to be reasonably certain of being exercised.

Most store leases include tenant allowances from landlords, rent escalation clauses and/or contingent rent provisions. Certain leases provide for additional rent based on a percentage of sales and annual rent increases generally based upon the Consumer Price Index. In addition, most of our store leases are net leases, which typically require us to be responsible for certain property operating expenses, including property taxes, insurance, common area maintenance, in addition to base rent. Many of our store leases contain certain co-tenancy provisions that permit us to pay rent based on a pre-determined percentage of sales when the occupancy of the retail center falls below minimums established in the lease. For non-cancelable operating lease agreements, operating lease assets and operating lease liabilities are established for leases with an expected term greater than one year and

we recognize lease expense on a straight-line basis. Contingent rent, determined based on a percentage of sales in excess of specified levels, is recognized as rent expense when the achievement of the specified sales that triggers the contingent rent is probable.

The incremental borrowing rate impacts the determination of lease classification and the present value of lease payments. Generally, our lease contracts do not provide a readily determinable implicit rate and, therefore, we use an estimated incremental borrowing rate as of the lease commencement date in determining the present value of lease payments. The estimated incremental borrowing rate considers various factors, such as Company specific financial information, synthetic credit rating, credit scores, yield curves, and the lease term.

Refer to "Note 9: Leases" for further information.

Revenue Recognition

Revenue is recognized for store sales when the customer receives and pays for the merchandise at the register, net of estimated returns and taxes collected from our customers. For e-com sales, we recognize revenue, net of sales taxes and estimated sales returns, and the related cost of goods sold at the time the merchandise is shipped to the customer. Amounts related to shipping and handling that are billed to customers are reflected in net sales, and the related costs are reflected in cost of goods sold in the accompanying Consolidated Statements of Operations. For fiscal years 2024, 2023 and 2022, shipping and handling fee revenue included in net sales was \$5.0 million, \$5.6 million, and \$4.0 million, respectively.

We accrue for estimated sales returns by customers based on historical sales return results. As of February 1, 2025 and February 3, 2024, our reserve for sales returns was \$1.2 million and \$1.3 million, respectively.

We recognize revenue from gift cards as they are redeemed for merchandise. Prior to redemption, we maintain a current liability for unredeemed gift card balances. The gift card liability balance was \$9.5 million as of February 1, 2025 and \$10.2 million as of February 3, 2024, and is included in deferred revenue on the accompanying Consolidated Balance Sheets. Our gift cards do not have expiration dates and in most cases there is no legal obligation to remit unredeemed gift cards to relevant jurisdictions. Based on actual historical redemption patterns, we determined that a small percentage of gift cards are unlikely to be redeemed (which we refer to as gift card "breakage"). Based on our historical gift card breakage rate, we recognize breakage revenue over the redemption period in proportion to actual gift card redemptions. Revenue recognized from gift cards was \$12.4 million, \$14.5 million and \$16.7 million for fiscal years 2024, 2023, and 2022, respectively. For fiscal years 2024, 2023, and 2022, the opening gift card balances were \$10.2 million, \$11.1 million, and \$11.2 million, respectively, of which \$4.9 million, \$5.8 million, and \$6.1 million, respectively, were recognized as revenue during the period.

The following table summarizes net sales from our retail stores and e-com (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Retail stores	\$ 444,725	\$ 485,630	\$ 531,150
E-com	124,728	137,453	141,130
Total net sales	\$ 569,453	\$ 623,083	\$ 672,280

The following table summarizes the percent of net sales by department:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Mens	36 %	38 %	38 %
Womens	28 %	27 %	26 %
Accessories	15 %	15 %	16 %
Footwear	12 %	12 %	12 %
Boys	5 %	4 %	4 %
Girls	4 %	4 %	4 %
Total net sales	100 %	100 %	100 %

The following table summarizes the percent of net sales by third-party and proprietary branded merchandise:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Third-party brands	67 %	68 %	68 %
Proprietary brands	33 %	32 %	32 %
Total net sales	100 %	100 %	100 %

Loyalty Program

We have a customer loyalty program where customers accumulate points based on purchase activity. Once a loyalty member achieves a certain point level, the member earns an award that may be used towards the purchase of merchandise. Unredeemed awards and accumulated partial points are accrued as deferred revenue and awards redeemed by the member for merchandise are recorded as an increase to net sales. Our loyalty program allows customers to redeem their awards instantly or build up to additional awards over time. During the first quarter of fiscal 2022, we modified our expiration policy related to unredeemed awards and accumulated partial points from expiration at 365 days after the customer's last purchase activity to expiration at 365 days after the customer's purchase date on which those awards/points were earned. As a result of this modification in expiration policy, the estimated liability was reduced by \$0.5 million during the first quarter of fiscal 2022. A liability is estimated based on the standalone selling price of points earned and expected future redemptions. The deferred revenue for this program was \$4.6 million as of February 1, 2025 and \$4.7 million as of February 3, 2024. The value of points redeemed through our loyalty program was \$6.9 million, \$8.0 million and \$8.8 million during fiscal years 2024, 2023, and 2022, respectively. For fiscal years 2024, 2023 and 2022, the opening loyalty program balances were \$4.7 million, \$5.0 million, and \$5.9 million, respectively, of which \$4.7 million, \$5.0 million, and \$5.9 million, respectively, were recognized as revenue during the period.

Cost of Goods Sold

Cost of goods sold includes product costs and buying, distribution and occupancy costs as follows:

- Costs of products sold include:
 - freight expenses associated with merchandise received from our vendors into our distribution centers;
 - vendor allowances;
 - cash discounts on payments to merchandise vendors;
 - physical inventory losses; and
 - markdowns of inventory.
- Buying, distribution and occupancy costs include:
 - payroll, benefit costs, and incentive compensation for merchandising personnel;
 - temporary employment services
 - customer shipping and handling expenses;
 - costs associated with operating our distribution and fulfillment centers, including payroll and benefit costs for our distribution center, occupancy costs, and depreciation;
 - freight expenses associated with shipping merchandise inventories to or from our distribution and e-com fulfillment centers and to our e-com customers and between store locations; and
 - store occupancy costs, including rent, maintenance, utilities, property taxes, business licenses, security costs and depreciation.

Selling, General and Administrative Expenses

- Payroll, benefit costs and incentive compensation for store, regional, e-com and corporate employees;
- Occupancy and maintenance costs of corporate office facilities;
- Depreciation related to corporate office assets;
- Advertising and marketing costs, net of reimbursement from vendors;
- Tender costs, including costs associated with credit and debit card interchange fees;
- Long-lived asset impairment charges;
- Legal provisions;
- Other administrative costs such as supplies, consulting, audit and tax preparation fees, travel and lodging; and
- Charitable contributions.

Store Pre-opening Costs

Store pre-opening costs consist primarily of occupancy costs, which are included in cost of goods sold, and payroll expenses, which are included in selling, general and administrative expenses, in the accompanying Consolidated Statements of Operations.

Advertising

We expense advertising costs as incurred, except for direct-mail advertising expenses which are recognized at the time of mailing. Advertising costs include such things as print, online and mobile advertising costs, store grand openings and other events. Advertising expense, which is classified in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations, was \$24.0 million, \$24.4 million and \$23.2 million in fiscal years 2024, 2023 and 2022, respectively.

Share-Based Compensation

We apply the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, *Compensation-Stock Compensation* (“ASC 718”), for accounting for equity instruments exchanged for employee services. Under the provisions of this standard, share-based compensation expense is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the employee’s requisite service period (generally the vesting period of the equity grant). Changes in these inputs and assumptions can materially affect the measurement of the estimated fair value of award and related share-based compensation expense. Refer to “Note 12: Share-Based Compensation”, for further information.

Common Stock Share Repurchases

We may repurchase shares of our common stock from time to time pursuant to authorizations approved by our Board of Directors. As permitted under Delaware corporation law, shares repurchased are retired, and accordingly, are not presented separately as treasury stock in the consolidated financial statements. Instead, the value of repurchased shares is deducted from retained earnings.

Income Taxes

We accrue income taxes payable or refundable and recognize deferred tax assets and liabilities based on differences between accounting principles generally accepted in the United States and tax bases of assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse, and recognize the effect of a change in enacted rates in the period of enactment.

We recognize deferred tax assets to the extent, and at such time, that we believe that such assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carry-back potential if permitted under applicable tax laws, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We establish assets and liabilities for uncertain positions taken or expected to be taken in income tax returns, using a more-likely-than-not recognition threshold. We include in income tax expense any interest and penalties related to uncertain tax positions.

(Loss) Earnings per Share

Basic (loss) earnings per share is computed using the weighted average number of shares outstanding. Diluted (loss) earnings per share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to restricted stock and outstanding options to purchase common stock. Refer to “Note 15: (Loss) Earnings Per Share”, for further information.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and short-term investments. At February 1, 2025 and February 3, 2024, and at various times throughout these years, we had cash in financial institutions in excess of the \$250,000 amount insured by the Federal Deposit Insurance Corporation. We typically invest our cash in highly rated, short-term commercial paper, interest-bearing money market funds, municipal bonds and certificates of deposit.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recently Adopted Accounting Standards

In November 2023, the FASB issued Accounting Standards Update, *Segment reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which amended Topic 280. The amendments in this update enhance segment reporting by expanding the breadth and frequency of segment disclosures required by public entities. ASU 2023-07 requires public entities to disclose factors used to identify the entities' reportable segments, how the Chief Operating Decision Maker ("CODM") uses the reported measure(s) of a segment's profit or loss to assess segment performance and decide how to allocate resources, significant expenses regularly provided to the CODM and included within the reported measure(s) of a segment's profit or loss, types of products and services from which each reportable segment derives its revenues, and the title and position of the CODM. The new standard is effective for public entities with fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and is required to be adopted retrospectively for all prior periods presented in the consolidated financial statements. This guidance is effective for us for the current annual report for the fiscal year ending February 1, 2025 and subsequent interim periods and we have adopted the guidance as of the effective date on a retrospective basis. Other than the new disclosure requirements, the adoption of this guidance did not have a significant impact on our consolidated financial statements. Refer to "Note 19: Segment Information" for further information.

New Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid and other disclosures. The new standard is effective for public entities with annual periods beginning after December 15, 2024, with early adoption permitted and should be applied prospectively with the option of retrospective application. Once adopted, the Company expects to include additional income tax disclosures as required by the new guidance. The standard will not have an impact on the Company's consolidated financial position, results of operations and cash flows.

In November 2024, the FASB issued ASU 2024-03, *Income Statement (Subtopic 220-40): Reporting Comprehensive Income - Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses*, ("ASU 2024-03"). ASU 2024-03 requires public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory, employee compensation, and depreciation and amortization. This new standard is effective for fiscal years beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted and should be applied prospectively with the option of retrospective application. We are currently evaluating the impact of this guidance on our consolidated financial statements.

Note 3: Marketable Securities

Marketable securities as of February 1, 2025 consisted of commercial paper, classified as available-for-sale, and fixed income securities, classified as held-to-maturity, as we have the intent and ability to hold them to maturity. Our investments in commercial paper and fixed income securities are recorded at fair value and amortized cost, respectively, which approximates fair value. All of our marketable securities are less than one year from maturity.

The following table summarizes investments in marketable securities at February 1, 2025 and February 3, 2024 (in thousands):

February 1, 2025				
	Cost or Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Commercial paper	\$ 19,868	\$ 200	\$ —	\$ 20,068
Fixed income securities	5,585	—	—	5,585
Total marketable securities	\$ 25,453	\$ 200	\$ —	\$ 25,653

February 3, 2024				
	Cost or Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Commercial paper	\$ 44,072	\$ 438	\$ —	\$ 44,510
Fixed income securities	3,511	—	—	3,511
Total marketable securities	\$ 47,583	\$ 438	\$ —	\$ 48,021

For fiscal years 2024, 2023 and 2022, we recognized gains on investments for commercial paper of \$1.8 million, \$1.9 million and \$0.4 million, respectively, which matured during the period. In determining those gains, we used the actual cost of the securities sold. Upon recognition of the gains, we reclassified these amounts out of accumulated other comprehensive income and into other income, net, on the accompanying Consolidated Statements of Operations.

For fiscal years 2024, 2023, and 2022 we purchased fixed income securities of \$15.6 million, \$3.5 million, and \$15.1 million, respectively.

For fiscal years 2024, 2023, and 2022 we recognized maturities of fixed income securities of \$13.5 million, \$10.0 million and \$37.4 million, respectively.

Note 4: Receivables

At February 1, 2025 and February 3, 2024, receivables consisted of the following (in thousands):

	February 1, 2025	February 3, 2024
Credit and debit card receivables	\$ 2,210	\$ 2,474
Tenant allowances due from landlords	662	2,611
Other	1,222	862
Total receivables	\$ 4,094	\$ 5,947

We establish a receivable for amounts we expect to collect. We make estimates for the allowance for credit losses against receivables for any potential uncollectible amounts.

For fiscal years 2024, 2023 and 2022, the allowance is zero.

Note 5: Prepaid Expenses and Other Current Assets

At February 1, 2025 and February 3, 2024, prepaid expenses and other current assets consisted of the following (in thousands):

	February 1, 2025	February 3, 2024
Prepaid maintenance	\$ 4,498	\$ 2,589
Prepaid rent	2,103	2,886
Prepaid insurance	1,674	1,917
Prepaid income taxes	1,058	3,730
Other	1,646	783
Total prepaid expenses and other current assets	\$ 10,979	\$ 11,905

Note 6: Property and Equipment

At February 1, 2025 and February 3, 2024, property and equipment consisted of the following (in thousands):

	February 1, 2025	February 3, 2024
Leasehold improvements	\$ 156,461	\$ 160,572
Computer hardware and software	48,807	47,003
Furniture and fixtures	44,493	46,747
Machinery and equipment	34,029	34,693
Vehicles	2,222	2,508
Construction in progress	2,945	4,638
Property and equipment, gross	288,957	296,161
Accumulated depreciation	(248,818)	(248,098)
Property and equipment, net	\$ 40,139	\$ 48,063

Depreciation and amortization expense related to property and equipment was \$12.8 million, \$12.8 million and \$14.1 million in fiscal years 2024, 2023 and 2022, respectively.

Impairments are recorded on long-lived assets used in operations whenever events or changes in circumstances indicate that the net carrying amounts may not be recoverable. We recorded non-cash impairment charges of \$4.4 million, \$3.4 million and \$17.1 thousand in selling, general and administrative expenses in fiscal years 2024, 2023 and 2022, respectively, to write down the carrying value of long-lived assets to their estimated fair values. Refer to "Note 11: Fair Value Measurements", for further information. If we are not able to achieve our projected key financial metrics, we may incur additional impairment in the future for long-lived assets.

Note 7: Accrued Expenses

At February 1, 2025 and February 3, 2024, accrued expenses consisted of the following (in thousands):

	February 1, 2025	February 3, 2024
Accrued rent	\$ 1,628	\$ 1,741
Sales and use taxes payable	1,623	1,707
Accrued freight	1,275	682
Merchandise returns	1,175	1,343
Computer services	1,138	1,025
Accrued construction	676	1,062
Credit card payable	360	1,207
Other	4,875	4,296
Total accrued expenses	\$ 12,750	\$ 13,063

Note 8: Asset-Backed Credit Agreement

On April 27, 2023 (the "Closing Date"), we entered into an asset-backed credit agreement and revolving line of credit note (the "Note" and, collectively, the "Credit Agreement") with Wells Fargo Bank, National Association, as lender (the "Bank"). The Credit Agreement provides for an asset-based, senior secured revolving credit facility ("Revolving Facility") of up to \$65.0 million ("Revolving Commitment") consisting of revolving loans, letters of credit and swing line loans, with a sub-limit on letters of credit outstanding at any time of \$10.0 million and a sub-limit for swing line loans of \$7.5 million, which replaced our previous senior secured credit agreement. The Credit Agreement also includes an uncommitted accordion feature whereby we may increase the Revolving Commitment by an aggregate amount not to exceed \$12.5 million, subject to certain conditions. As of February 1, 2025, the Revolving Facility was set to expire on April 27, 2026. The payment and performance in full of the secured obligations under the Revolving Facility are secured by a lien on and security interest in all of our assets.

The maximum borrowings permitted under the Revolving Facility is equal to the lesser of (x) the Revolving Commitment and (y) the applicable borrowing base, which is equal to (i) 90% of our eligible credit card receivables, plus (ii) 90% of the cost of certain adjusted eligible inventory, less certain inventory reserves, plus (iii) 90% of the cost of certain adjusted eligible in-transit inventory, less certain inventory reserves, less (iv) certain other reserves established by the Bank.

The unused portion of the Revolving Commitment accrues a commitment fee of 0.375% per annum. Borrowings under the Revolving Facility bear interest at a rate per annum that ranges from the Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment (equal to 10 basis points for one- and three-month term SOFR) plus 1.50% to 2.00%, or a base rate (as calculated in accordance with the Credit Agreement) (the "Base Rate") plus 0.50% to 1.00%, based on the average daily borrowing capacity under the Revolving Facility over the applicable fiscal quarter. We are allowed to elect to apply either SOFR or Base Rate interest to borrowings at our discretion, other than in the case of swing line loans, to which the Base Rate shall apply.

Under the Credit Agreement, we are subject to a variety of affirmative and negative covenants customary in an asset-based lending facility, including a financial covenant relating to availability (which is required to remain above the greater of: (i) ten percent (10%) of the Loan Cap (as defined in the Credit Agreement) and (ii) \$6.0 million). We are permitted to declare or pay cash dividends and/or repurchase our common stock provided, among other things, no default or event of default exists as of the date of any such payment and after giving effect thereto and certain minimum availability and minimum projected availability tests are satisfied.

Events of default under the Credit Agreement include, among other things, failure to pay principal, interest, fees or other amounts; covenant defaults; material inaccuracy of representations and warranties; bankruptcy events; actual or asserted invalidity of any the Credit Agreement or related loan documents; or a change of control.

In connection with the entry into the Credit Agreement, on April 27, 2023, we entered into certain ancillary agreements including (i) a security agreement in favor of the Bank, and (ii) a guarantee by us in favor of the Bank.

As of February 1, 2025, we were in compliance with all of our covenants, were eligible to borrow up to a total of \$48.0 million and had no outstanding borrowings under the Credit Agreement. The only utilization of the letters of credit sub-limit under the Credit Agreement was a \$2.0 million irrevocable standby letter of credit.

Note 9: Leases

We conduct all of our retail sales and corporate operations in leased facilities. Lease terms generally range up to ten years in duration (subject to elective extensions) and provide for escalations in base rents. Many of our store leases contain one or more options to renew the lease at our sole discretion. Generally, we do not consider any additional renewal periods to be reasonably certain of being exercised.

Most store leases include tenant allowances from landlords, rent escalation clauses and/or contingent rent provisions. Certain leases provide for additional rent based on a percentage of sales and annual rent increases generally based upon the Consumer Price Index. In addition, most of our store leases are net leases, which typically require us to be responsible for certain property operating expenses, including property taxes, insurance, common area maintenance, in addition to base rent. Many of our store leases contain certain co-tenancy provisions that permit us to pay rent based on a pre-determined percentage of sales when the occupancy of the retail center falls below minimums established in the lease. For non-cancelable operating lease agreements, operating lease assets and operating lease liabilities are established for leases with an expected term greater than one year and we recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a straight-line basis. Leases with terms of 12 months or less are expensed as incurred and not reported on the Consolidated Balance Sheets. Contingent rent, determined based on a percentage of sales in excess of specified levels, is recognized as rent expense when the achievement of the specified sales that triggers the contingent rent is probable.

Our operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. We have elected to include non-lease components with the lease payment for the purpose of calculating the lease right-of-use assets and liabilities to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments.

Operating leases

We lease office and warehouse space (10 and 12 Whatney, Irvine, California) from a company that is owned by the co-founders of Tillys. We incurred rent expense of \$2.1 million, in each of the fiscal years 2024, 2023 and 2022, related to this lease. Pursuant to the lease agreement, the lease payment adjusts annually based upon the Los Angeles/Anaheim/Riverside Urban Consumer Price Index (the "LAARUCPI"), not to exceed 7%. The lease began on January 1, 2003 and terminates on December 31, 2027.

We lease office and warehouse space (11 Whatney, Irvine, California) from a company that is owned by one of the co-founders of Tillys. We incurred rent expense of \$0.6 million, \$0.6 million, and \$0.5 million in fiscal years 2024, 2023 and 2022, respectively, related to this lease. The lease deposits were \$0.2 million, as of both fiscal years ended February 1, 2025 and February 3, 2024, and are included as a component of other assets on the Consolidated Balance Sheets. Pursuant to the lease agreement, the lease payment adjusts annually at the greater of 5% or the annual change in the LAARUCPI. The lease began on June 29, 2012 and terminates on June 30, 2032.

We lease a building (17 Pasteur, Irvine, California) from a company that is owned by one of the co-founders of Tillys. We use this property as our e-com fulfillment center. We incurred rent expense of \$1.5 million in each of the fiscal years 2024, 2023 and 2022, related to this lease. The lease deposits were \$0.7 million, as of both fiscal years ended February 1, 2025 and February 3, 2024, and are included as a component of other assets on the Consolidated Balance Sheets. The lease payment adjusts annually based upon the greater of 5% or the annual change in the LAARUCPI. The lease began on November 1, 2011, and terminates on October 31, 2031.

We sublease a portion of our office space, approximately 5,887 square feet, in the 17 Pasteur Irvine, California facility to Tilly's Life Center, ("TLC"), a related party and a charitable organization. We received sublease income of \$94.6 thousand, \$90.1 thousand, and \$85.8 thousand in fiscal years 2024, 2023, and 2022, respectively, related to this lease. The lease term is for five years and terminates on January 31, 2027. Sublease income is recognized on a straight-line basis over the sublease agreement and is recorded as an offset within the selling, general and administrative section in the Consolidated Statements of Operations.

The maturity of operating lease liabilities as of February 1, 2025 were as follows (in thousands):

Fiscal Year	Related Party	Other	Total	Sublease Income
2025	\$ 4,244	\$ 58,773	\$ 63,017	\$ 99
2026	4,411	43,008	47,419	105
2027	4,167	33,406	37,573	—
2028	2,251	23,400	25,651	—
2029	2,363	16,663	19,026	—
Thereafter	4,710	32,163	36,873	—
Total minimum lease payments	22,146	207,413	229,559	204
Less: Amount representing interest	2,879	32,813	35,692	—
Present value of operating lease liabilities	\$ 19,267	\$ 174,600	\$ 193,867	\$ 204

Lease expense for fiscal years 2024, 2023 and 2022 was as follows (in thousands):

	Fiscal Year Ended								
	February 1, 2025			February 3, 2024			January 28, 2023		
	COGS	SG&A	Total	COGS	SG&A	Total	COGS	SG&A	Total
Fixed operating lease	\$ 66,837	\$ 1,429	\$ 68,266	\$ 64,868	\$ 1,403	\$ 66,271	\$ 63,252	\$ 1,317	\$ 64,569
Variable lease expense	14,875	42	14,917	19,271	70	19,341	16,605	44	16,649
Total lease expense	\$ 81,712	\$ 1,471	\$ 83,183	\$ 84,139	\$ 1,473	\$ 85,612	\$ 79,857	\$ 1,361	\$ 81,218

Supplemental lease information for the fiscal year ended February 1, 2025, February 3, 2024 and January 28, 2023 was as follows:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Cash paid for amounts included in the measurement of operating lease liabilities (in thousands)	\$ 73,018	\$ 71,751	\$ 69,839
Weighted average remaining lease term (in years)	4.93 years	5.42 years	5.71 years
Weighted average interest rate (1)	6.68 %	6.63 %	6.33 %

(1) Since our leases do not provide an implicit rate, we used our incremental borrowing rate ("IBR") at lease inception, or lease modification, in determining the present value of future minimum payments. In determining an appropriate IBR, our assumptions included using a consistent discount rate for a portfolio of leases entered into at varying dates, using the full 10-year term of the lease, excluding any options, and using the total minimum lease payments.

Note 10: Commitments and Contingencies

Indemnifications, Commitments, and Guarantees

During the normal course of business, we have made certain indemnifications, commitments, and guarantees under which we may be required to make payments for certain transactions. These indemnifications include, but are not limited to, those given to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnifications to our directors and officers to the maximum extent permitted under the laws of the state of Delaware. The majority of these indemnifications, commitments, and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make, and their duration may be indefinite. We have not recorded any liability for these indemnifications, commitments, and guarantees in the accompanying Consolidated Balance Sheets.

Purchase Obligations

At February 1, 2025, our future minimum payments under agreements to purchase services primarily for software maintenance aggregated to \$4.5 million, payable as follows: \$2.1 million in fiscal 2025, \$1.0 million in fiscal 2026, \$0.7 million in fiscal 2027, and \$0.7 million in fiscal 2028. The amounts purchased, related to these agreements, was as follows: \$2.4 million in fiscal 2024, \$1.9 million in fiscal 2023, and \$0.5 million in fiscal 2022.

Legal Proceedings

From time to time, we may become involved in lawsuits and other claims arising in our ordinary course of business. We establish loss provisions for matters in which losses are probable and can be reasonably estimated. For some matters, we are currently unable to predict the ultimate outcome, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome because of the uncertainties related to the occurrence, amount and range of loss on any pending litigation or claim. Because of the unpredictable nature of these matters, we cannot provide any assurances regarding the outcome of any litigation or claim to which we are a party or that the ultimate outcome of any of the matters threatened or pending against us will not have a material adverse effect on our financial condition, results of operations or cash flows. As of the date of these consolidated financial statements, we were not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our consolidated results of operations or financial position.

Note 11: Fair Value Measurements

We determine fair value based on a three-level valuation hierarchy as described below. Fair value is defined as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. The three-level hierarchy of inputs used to determine fair value is as follows:

- *Level 1* – Quoted prices in active markets for identical assets and liabilities.
- *Level 2* – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* – Unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We measure certain financial assets at fair value on a recurring basis, including our marketable securities which are classified as available-for-sale securities, and certain cash equivalents, specifically money market securities, commercial paper, municipal bonds and certificates of deposits. The money market accounts are valued based on quoted market prices in active markets. The available-for-sale marketable securities are valued based on other observable inputs for those securities (including market corroborated pricing or other models that utilize observable inputs such as interest rates and yield curves) based on information provided by independent third party entities. We minimize the potential risk of principal loss by investing in highly-rated securities and limiting the amount of credit exposure to any one issuer.

From time to time, we measure certain assets at fair value on a non-recurring basis, including evaluation of long-lived assets for impairments using Company-specific assumptions which would fall within Level 3 of the fair-value hierarchy.

Fair value calculations contain significant judgments and estimates, which may differ from actual results due to, among other things, economic conditions, changes to the business model or changes in operating performance.

As of February 1, 2025 and February 3, 2024, we did not have any Level 3 financial assets. We conduct reviews on a quarterly basis to verify pricing, assess liquidity, and determine if significant inputs have changed that would impact the fair value hierarchy disclosure.

Financial Assets

In accordance with the provisions of ASC 820, *Fair Value Measurement*, we categorized our financial assets based on the priority of the inputs to the valuation technique for the instruments as follows (in thousands):

	February 1, 2025			February 3, 2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents (1):						
Money market securities	\$ 20,685	\$ —	\$ —	\$ 45,672	\$ —	\$ —
Marketable securities:						
Commercial paper	\$ —	\$ 20,068	\$ —	\$ —	\$ 44,510	\$ —

(1) Excludes cash of \$0.4 million and \$1.4 million as of fiscal 2024, and 2023, respectively.

Impairment of Long-Lived Assets

On at least a quarterly basis, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets and operating lease ROU assets may not be recoverable. Based on Level 3 inputs of historical operating performance, including sales trends, gross margin rates, current cash flows from operations and the projected outlook for each of our stores, we determine if a store would be able to generate sufficient undiscounted cash flows over the remaining term to recover our investment in long-lived and ROU assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized for the difference between the carrying value and the estimated fair value of assets based on the discounted cash flows of the assets using a rate that approximates the weighted average cost of capital plus a company specific risk premium determined by management. Impairment losses are allocated between the long-lived assets and ROU assets on a relative carrying amount basis. The fair values of ROU assets are estimated by an independent third party and represent the highest and best use to a market participant. We determined that certain stores would not be able to generate sufficient cash flows over the remaining term of the related leases to recover our investment or the ROU in the respective stores. As a result, we recorded non-recurring, non-cash impairment charges of \$4.4 million, \$3.4 million, and \$17.1 thousand in fiscal years 2024, 2023 and 2022, respectively, to write-down the carrying value of certain long-lived store assets to their estimated fair values.

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(\$ in thousands)		
Carrying value of assets with impairment	\$ 21,490	\$ 11,203	\$ 17
Fair value of assets impaired	\$ 17,124	\$ 7,772	\$ —
Number of stores tested for impairment	73	45	14
Number of stores with impairment	36	27	4

Note 12: Share-Based Compensation

The Tilly's, Inc. Second Amended and Restated 2012 Equity and Incentive Award Plan (the "2012 Plan") authorizes up to 6,613,900 shares for issuance of options, shares or rights to acquire our Class A common stock and allows for, among other things, operating income and comparable store sales growth targets as additional performance goals that may be used in connection with performance-based awards granted under the 2012 Plan. As of February 1, 2025, there were 1,284,123 shares available for future issuance under the 2012 Plan.

Options

We grant stock options to certain employees that gives them the right to acquire our Class A common stock under the 2012 Plan. The exercise price of options granted is equal to the closing price per share of our stock at the date of grant. The non-qualified options vest at a rate of 25% on each of the first four anniversaries of the grant date provided that the award recipient continues to be employed by us through each of those vesting dates, and expire ten years from the date of grant.

The following table summarizes our stock option activity for fiscal year 2024:

	Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (1)
				(\$ in thousands)
Outstanding at February 3, 2024	2,447,247	\$ 8.34		
Granted	601,000	\$ 6.34		
Exercised	(71,066)	\$ 4.13		
Forfeited	(389,875)	\$ 6.69		
Expired	(486,411)	\$ 10.18		
Outstanding at February 1, 2025	2,100,895	\$ 7.79	6.8	\$ 93
Exercisable at February 1, 2025	1,069,645	\$ 8.56	5.0	\$ 51

- (1) Intrinsic value for stock options is defined as the difference between the market price of our Class A common stock on the last business day of the fiscal year and the weighted average exercise price of in-the-money stock options outstanding at the end of each fiscal period. The market value per share was \$4.33 at February 1, 2025.

The total intrinsic value of options exercised in fiscal years 2024, 2023 and 2022 was \$0.2 million, \$0.3 million and \$0.2 million, respectively.

The total fair value of options vested in fiscal years 2024, 2023 and 2022 was \$1.8 million, \$2.5 million and \$1.8 million, respectively.

The total proceeds received from the exercise of stock options in fiscal years 2024, 2023 and 2022 was \$0.3 million, \$0.4 million and \$0.2 million, respectively. The tax benefit realized from stock options exercised in fiscal years 2024, 2023 and 2022 was \$0.2 million, \$0.1 million and less than \$0.1 million, respectively.

The stock option awards were measured at fair value on the grant date using the Black-Scholes option valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, expected volatility of our stock over the option's expected term, the risk-free interest rate over the option's expected term and our expected annual dividend yield, if any. We account for forfeitures as they occur. We will issue shares of Class A common stock when the options are exercised.

The fair values of stock options granted in fiscal years 2024, 2023 and 2022 were estimated on the grant dates using the following assumptions:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Weighted average grant-date fair value per option granted	\$3.45	\$3.52	\$4.94
Expected option term (1)	5.6 years	5.5 years	5.2 years
Expected volatility factor (2)	54.9 %	56.3 %	58.6 %
Risk-free interest rate (3)	4.3 %	4.0 %	2.4 %
Expected annual dividend yield (4)	— %	— %	— %

- (1) The expected option term of the awards represents the estimated time that options are expected to be outstanding based upon historical option data.
(2) Stock volatility for each grant is measured using the weighted average of historical daily price changes of our common stock over the most recent period equal to the expected option term of the awards.
(3) The risk-free interest rate is determined using the rate on treasury securities with the same term as the expected life of the stock option as of the grant date.
(4) We do not have a dividend policy and we do not anticipate paying any additional cash dividends on our common stock at this time.

Restricted Stock

Restricted stock awards ("RSAs") represent restricted shares issued upon the date of grant in which the recipient's rights in the stock are restricted until the shares are vested, whereas restricted stock units represent shares issuable in the future upon vesting. Under the 2012 Plan, we grant RSAs to independent members of our Board of Directors and restricted stock units to certain employees. RSAs granted to Board members vest at a rate of 50% on each of the first two anniversaries of the grant date provided that the respective award recipient continues to serve on our Board of Directors through each of those vesting dates. The restricted stock units granted to certain employees vest at a rate of 25% on each of the first four anniversaries of the grant

date provided that the respective recipient continues to be employed by us through each of those vesting dates. We determine the fair value of restricted stock underlying the RSAs and restricted stock units based upon the closing price of our Class A common stock on the date of grant.

A summary of the status of non-vested restricted stock as of February 1, 2025 and changes during fiscal year 2024 are presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at February 3, 2024	87,525	\$ 6.86
Granted	61,184	\$ 5.23
Vested	(56,990)	\$ 7.02
Nonvested at February 1, 2025	91,719	\$ 5.67

The weighted-average grant-date fair value of restricted stock granted during the years ended February 3, 2024 and January 28, 2023 was \$6.55 and \$7.56, respectively.

The total fair value of restricted stock vested was \$0.3 million in each of the fiscal years 2024, 2023 and 2022.

Share-based compensation expense associated with stock options and restricted stock is recognized on a straight-line basis over the requisite service period. The following table summarizes share-based compensation recorded in the accompanying Consolidated Statements of Operations (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Cost of goods sold	\$ 335	\$ 295	\$ 269
Selling, general and administrative expenses	1,722	1,923	1,998
Total share-based compensation	2,057	2,218	2,267
Less: Income tax benefit	—	—	(496)
Total share-based compensation, net of tax	\$ 2,057	\$ 2,218	\$ 1,771

At February 1, 2025, there was \$3.1 million of total unrecognized share-based compensation expense related to unvested stock options and restricted stock awards. This cost has a weighted average remaining recognition period of 2.4 years.

Note 13: Retirement Savings Plan

The Tillys 401(k) Plan (the "401(k) Plan") is a qualified plan under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"). The 401(k) Plan covers all employees that have attained age 21 and completed at least three months of employment tenure. Matching contributions to the 401(k) Plan by the Company may be made at the discretion of our Board of Directors. The Company did not make any matching contributions to the 401(k) Plan in fiscal 2024 or 2023 and made matching contributions of \$1.2 million in fiscal 2022.

Note 14: Income Taxes

The components of income tax expense for fiscal years 2024, 2023 and 2022 were as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Current:			
Federal	\$ —	\$ 83	\$ (8)
State	217	245	622
	217	328	614
Deferred:			
Federal	—	4,882	2,308
State	—	3,499	568
	—	8,381	2,876
Total income tax expense	\$ 217	\$ 8,709	\$ 3,490

A reconciliation of income tax expense to the amount computed at the federal statutory rate for fiscal years 2024, 2023 and 2022 is as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Federal taxes at statutory rate	\$ (9,663)	\$ (5,414)	\$ 2,764
State and local income taxes, net of federal benefit	(2,270)	(1,309)	754
Nondeductible executive compensation	(210)	103	100
Enhanced contribution deduction	(202)	(177)	(147)
Tax credits	(132)	(185)	(231)
Share-based compensation discrete items (1)	434	54	101
Return to provision adjustments	51	9	220
Other	137	233	(71)
Change in valuation allowance	12,072	15,395	—
Total income tax expense	\$ 217	\$ 8,709	\$ 3,490

- (1) This amount includes the impact of discrete items related to the expiration of stock options, exercises of stock options and the settlement of restricted stock that are recorded to income tax expense which represents share-based compensation cost previously recognized by us that was greater than the deduction allowed for income tax purposes based on the price of our common stock on the date of expiration, exercise or vesting.

Deferred income taxes reflect the net tax effects of: (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes; and (b) operating loss and tax credit carry-forwards. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

Significant components of deferred tax assets and liabilities as of February 1, 2025 and February 3, 2024 were as follows (in thousands):

	February 1, 2025	February 3, 2024
Deferred tax assets:		
Operating lease liabilities	\$ 50,661	\$ 60,821
Net operating loss carryforwards	13,932	5,305
Inventories	3,461	2,441
Share-based compensation	1,434	1,324
Accrued expenses	1,381	1,342
Deferred revenue	1,336	1,272
Compensation and benefits	601	573
Other	2,278	1,520
Total deferred tax assets	75,084	74,598
Less: valuation allowance	(27,528)	(15,395)
Deferred tax assets, net of valuation allowance	47,556	59,203
Deferred tax liabilities:		
Operating lease assets	(42,033)	(51,948)
Property and equipment	(3,885)	(5,935)
Prepaid expenses	(1,585)	(1,132)
Marketable securities	(53)	(188)
Total deferred tax liabilities	(47,556)	(59,203)
Net deferred tax asset	\$ —	\$ —

Management assesses the available evidence to estimate whether sufficient future taxable income will be generated to permit use of its existing deferred tax assets. Based on management's current estimates, management believes that our projected future taxable income will not be sufficient to substantiate that our net deferred tax assets are realizable at a more-likely-than-not level.

On the basis of this evaluation, as of February 1, 2025 and February 3, 2024, a valuation allowance of \$27.5 million and \$15.4 million, respectively, has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of deferred tax asset considered realizable, however, could be adjusted if additional objectively verifiable positive evidence materializes in future reporting periods, such as a demonstrated operating profitability.

As of February 1, 2025 we had federal and state net operating loss ("NOL") carryforwards of \$53.0 million and \$45.6 million respectively. Federal NOL carryforwards totaling \$53.0 million generated after 2017 may be carried forward indefinitely but can only be utilized to offset 80% of future taxable income. State NOL carryforwards totaling \$45.6 million begin to expire in 2029, unless previously utilized.

Utilization of the Company's NOL carryforwards may be subject to substantial annual limitations in the event a cumulative ownership change has occurred, or that could occur in the future, as required by Section 382 of the Code. In general, an "ownership change," as defined by Section 382 of the Code, results from a transaction, or series of transactions over a three-year period, resulting in an ownership change of more than 50% of the outstanding common stock of a company by certain stockholders or public groups. Such an ownership change may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax, respectively. If ownership changes have occurred or occur in the future, the amount of remaining tax attribute carryforwards available to offset taxable income and income tax expense in future years may be restricted or eliminated. If eliminated, the related asset would be removed from deferred tax assets with a corresponding offset to valuation allowance. The Company has not completed an IRC Section 382/383 analysis regarding the limitation of net operating loss carryforwards and does not expect this analysis to be completed within the next twelve months.

Uncertain Tax Positions

As of February 1, 2025 and February 3, 2024, there were no material unrecognized tax positions. We do not anticipate that there will be a material change in the balance of the unrecognized tax positions in the next 12 months. Any interest and penalties related to uncertain tax positions are recorded in income tax expense. We did not recognize any interest or penalties related to unrecognized tax positions during fiscal years 2024, 2023 and 2022.

We file income tax returns in the United States federal jurisdiction and in various state and local jurisdictions. In the normal course of business, we are subject to examination by taxing authorities. Fiscal years 2021 through 2023 remain subject to examination for federal tax purposes and fiscal years 2020 through 2023 remain subject to examination in significant state tax jurisdictions.

Note 15: (Loss) Earnings Per Share

Our common stock consists of two classes: Class A and Class B. The Class A and Class B common stock have identical rights, except with respect to voting and conversion.

Basic net (loss) income per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net (loss) income per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method, whereby proceeds from such exercise, and unamortized compensation expense, on share-based awards are assumed to be used by us to purchase the common shares at the average market price during the period. Potentially dilutive shares of common stock represent outstanding stock options and restricted stock awards.

The components of basic and diluted (loss) earnings per share of Class A and Class B common stock, in aggregate, for fiscal years 2024, 2023 and 2022 are as follows (in thousands, except per share amounts):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677
Weighted average basic shares outstanding	30,028	29,848	30,115
Dilutive effect of stock options and restricted stock	—	—	208
Weighted average shares for diluted (loss) earnings per share	30,028	29,848	30,323
Basic (loss) earnings per share of Class A and Class B common stock	\$ (1.54)	\$ (1.16)	\$ 0.32
Diluted (loss) earnings per share of Class A and Class B common stock	\$ (1.54)	\$ (1.16)	\$ 0.32

The (loss) earnings per share amounts are the same for Class A and Class B common stock, in aggregate, and individually for Class A and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. Shares of Class A and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 10 votes per share.

The following stock options and restricted stock have been excluded from the calculation of diluted (loss) earnings per share as the effect of including these stock options and restricted stock would have been anti-dilutive (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Stock options	1,848	2,110	1,317
Restricted stock	—	—	10
Total	1,848	2,110	1,327

Note 16: Related Party Transactions

Certain Leases

As discussed in “Note 9: Leases”, we lease certain facilities from companies that are owned by the co-founders of Tillys.

Tilly's Life Center

Tilly's Life Center, (“TLC”), is a charitable organization which provides underprivileged youth a healthy and caring environment. One of the Company's co-founders is also the founder and President of TLC. In each of fiscal 2024, 2023 and 2022, our Board of Directors approved annual financial support for TLC of \$200,000.

We sublease a portion of our office space, approximately 5,887 square feet, in the 17 Pasteur Irvine, California facility to TLC, a related party and a charitable organization.

Note 17: Stockholders' Equity

Short Swing Profit Settlement

During fiscal 2022, Fund 1 Investments, LLC ("Fund 1"), on behalf of itself and its affiliated funds, transferred cash proceeds of \$0.7 million to the Company to fulfill obligations deriving from the short swing profit provisions of Section 16(b) of the Securities Exchange Act of 1934. These obligations related to Fund 1's trading activity in the Company's common stock. The cash proceeds were recorded to additional paid-in capital on the Consolidated Balance Sheet and the Consolidated Statement of Stockholders' Equity and were reflected in financing activities on the Consolidated Statement of Cash Flows as of the fiscal year ended January 28, 2023.

Note 18: Share Repurchase Program

On March 14, 2022, our Board of Directors authorized a one-year share repurchase program, pursuant to which we were authorized to repurchase up to 2,000,000 shares of our Class A common stock through March 14, 2023, in open market transactions through a broker-dealer at prevailing market prices, in block trades or by any other means in accordance with federal securities laws. During fiscal 2022, we repurchased 1,258,330 shares of our Class A common stock at a weighted average price of \$8.63 per share for a total of \$10.9 million under the program.

Note 19: Segment Information

Tillys operates in one, consolidated operating and reportable segment, which is as a retailer of casual apparel, footwear, accessories, and hardgoods (the "retail segment"). Our chief operating decision maker ("CODM") is our Co-Founder, Executive Chairman of the Board of Directors, President and Chief Executive Officer. Our CODM reviews financial information on a consolidated basis for the purposes of evaluating financial performance, allocating resources and making operational decisions.

The retail segment derives revenues from our stores located in a variety of retail centers in the United States and via our website. We identified one reportable segment based on the similar nature of products sold, production, merchandising and distribution processes involved, target customers, and economic characteristics.

The CODM measures performance for the segment primarily based on operating (loss) income. The CODM uses operating (loss) income to evaluate operating performance and determine allocation of resources to attempt to drive improved performance.

The measure of segment assets is reported as total assets on the Consolidated Balance Sheet. The accounting policies of the retail segment are the same as those described in "Note 2: Summary of Significant Accounting Policies".

Financial information, including segment revenue, significant expenses, and operating (loss) income for fiscal years 2024, 2023 and 2022 were as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Net sales	\$ 569,453	\$ 623,083	\$ 672,280
Product COGS (1)	268,985	303,830	317,785
Occupancy (2)	101,002	103,942	99,626
Other COGS (3)	49,769	49,654	52,121
Gross profit	149,697	165,657	202,748
Store payroll	77,292	77,172	76,096
Marketing	23,996	24,407	23,157
Other selling costs (4)	38,900	37,697	39,918
Office costs (5)	59,358	57,363	52,390
Operating (loss) income	(49,849)	(30,982)	11,187
Other income, net	3,837	5,199	1,980
Income tax expense	217	8,709	3,490
Net (loss) income	\$ (46,229)	\$ (34,492)	\$ 9,677

(1) Product COGS consists of branded and private label merchandise costs, including design, sourcing, and inbound freight costs.

(2) Occupancy consists of store operating lease charges and depreciation.

(3) Other COGS consists of buying, and distribution costs, including but not limited to outbound shipping costs, buying and distribution payroll and related benefits, depreciation, and temporary labor.

(4) Other selling costs consists primarily of e-com fulfillment labor, credit card processing fees, store supplies and equipment, and other store services.

(5) Office costs consists primarily of corporate office payroll and related benefits, computer services, non-cash asset impairment charges, consulting and professional services, and insurance.

Note 20: Subsequent Event

On March 25, 2025, we entered into an amendment to the Credit Agreement with Wells Fargo Bank, National Association, as lender, to extend the maturity date thereunder to June 25, 2027.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not Applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on their evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management conducted the above-referenced assessment of the effectiveness of our internal control over financial reporting as of February 1, 2025 using the framework set forth in the report entitled, "Internal Control — Integrated Framework (2013)", issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Report. Based on management's evaluation and the criteria set forth in the COSO Report, management concluded that our internal control over financial reporting was effective as of February 1, 2025.

Our internal control over financial reporting as of February 1, 2025 has been audited by BDO USA, P.C., an independent registered public accounting firm, as stated in their report included herein.

Changes in Internal Control over Financial Reporting

Management has determined that, as of February 1, 2025, there were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter then ended that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Tilly's, Inc.
Irvine, California

Opinion on Internal Control over Financial Reporting

We have audited Tilly's, Inc.'s (the "Company's") internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2025, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of February 1, 2025 and February 3, 2024, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 2025, and the related notes and our report dated April 10, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.
Costa Mesa, California
April 10, 2025

Item 9B. Other Information

Director and Officer Trading Arrangements

During the fiscal quarter ended February 1, 2025, none of our officers or directors adopted or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading agreement."

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The Company has adopted insider trading policies and procedures applicable to its directors, officers, and employees, that the Company believes are reasonably designed to promote compliance with insider trading laws, and regulations, and the listing standards of the New York Stock Exchange. A copy of our policy is filed with this Annual Report on Form 10-K as Exhibit 19.1.

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after the close of the fiscal year ended February 1, 2025 (the "2025 Proxy Statement").

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Company's 2025 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the Company's 2025 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the Company's 2025 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the Company's 2025 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Financial Statements and Financial Statement Schedules

See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted because they are not required or are not applicable or because the information required in those schedules either is not material or is included in the consolidated financial statements or the accompanying notes.

Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Tilly's, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
3.2	Fourth Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company with the Securities and Exchange Commission on March 7, 2024)
4.1	Form of Class A common stock certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 5 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on April 23, 2012)
4.2	Description of Tilly's, Inc. Securities (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the period ended February 1, 2020)
10.1	Form of Indemnification Agreement between Tillys and each of its directors and officers (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 1, 2015)
10.2#	Amended and Restated Tillys 2007 Stock Option Plan (incorporated by reference to Exhibit 10.11 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
10.3#	Form of Stock Option Agreement Pursuant to 2007 Plan (Senior Executive Form) (incorporated by reference to Exhibit 10.12 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
10.4#	Form of Stock Option Agreement Pursuant to 2007 Plan (Non-Executive Form) (incorporated by reference to Exhibit 10.13 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
10.5#	Form of Re-Priced Stock Option Grant Agreement pursuant to the 2007 Plan (incorporated by reference to Exhibit 10.14 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
10.6#	Tilly's, Inc. Second Amended and Restated 2012 Equity and Incentive Award Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 11, 2020)
10.7#	Form of Stock Option Award Agreement Pursuant to 2012 Plan (incorporated by reference to Exhibit 10.16 to the Registrant's Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on March 23, 2012)
10.8#	Form of Restricted Stock Award Agreement Pursuant to 2012 Plan (incorporated by reference to Exhibit 10.17 to the Registrant's Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on March 23, 2012)
10.8.1#	Form of Tilly's, Inc. Amended and Restated 2012 Equity and Incentive Award Plan Restricted Stock Unit Award Agreement Pursuant to 2012 Plan Grant Notice (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 25, 2015)
10.9	Amended and Restated Office and Warehouse Lease between Shaked Holdings, LLC and World of Jeans & Tops, dated as of September 21, 2007 (10 and 12 Whatney, Irvine, California) (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-175299), filed on July 1, 2011)
10.10	First Amendment to Amended and Restated Office and Warehouse Lease between Shaked Holdings, LLC and World of Jeans & Tops, dated December 21, 2017 (incorporated by reference to Exhibit 10.2.1 to the Registrant's Annual Report on Form 10-K for the period ended February 3, 2018)
10.11	Office and Warehouse Lease between Amnet Holdings, LLC and World of Jeans & Tops, dated September 2, 2011 (11 Whatney, Irvine, California) (incorporated by reference to Exhibit 10.22 to the Registrant's Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on September 7, 2011)
10.12	First Amendment to Office Lease Between Amnet Holdings, LLC and World of Jeans & Tops, dated June 30, 2022 (11 Whatney, Irvine, California) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on September 2, 2022)

- 10.13 Office and Warehouse Lease between Amnet Holdings, LLC and World of Jeans & Tops, dated November 1, 2011 (17 Pasteur, Irvine, California) (incorporated by reference to Exhibit 10.23 to the Registrant's Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-175299), filed on March 23, 2012)
- 10.14 First Amendment to Lease between Amnet Holdings and World of Jeans & Tops, dated as of October 21, 2021 (17 Pasteur, Irvine, California) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on December 7, 2021)
- 10.15# Offer Letter between Tilly's, Inc. and Michael Henry dated May 12, 2015 entered into on May 19, 2015 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended August 1, 2015)
- 10.16# Credit Agreement, dated April 27, 2023, by and among World of Jeans & Tops, Tillys, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on April 28, 2023)
- 10.17 Security Agreement, dated April 27, 2023, by and among World of Jeans & Tops, Tillys, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on April 28, 2023)
- 10.18 Guaranty, dated April 27, 2023, of Tillys, Inc. (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on April 28, 2023)
- 10.19 Employment Separation and Release Agreement, Dated February 15, 2024, between Edmond Thomas and Tilly's Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on February 15, 2024)
- 10.20# Separation and Release Agreement, dated November 8, 2024, between Laura Janney and Tilly's, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 15, 2024)
- 10.21# Promotion Letter between Tilly's, Inc. and Michael Cingolani, dated November 8, 2024
- 10.22# First Amendment to Credit Agreement, dated March 25, 2025, by and among World of Jeans & Tops, Tillys, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 27, 2025)
- 19.1 Insider Trading Policy of Tilly's, Inc.
- 21.1* Subsidiaries of Tilly's, Inc.
- 23.1* Consent of BDO USA, P.C., Independent Registered Public Accounting Firm
- 24.1+ Power of Attorney
- 31.1* Rule 13a-14(a)/15d-4(a) Certification of Chief Executive Officer
- 31.2* Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.1* Section 1350 Certifications
- 97.1* Tilly's, Inc. Policy for Recovery of Erroneously Awarded-Compensation
- 101* The following materials from Tilly's, Inc.'s Annual Report on Form 10-K for the year ended February 3, 2024, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of February 1, 2025 and February 3, 2024; (ii) Consolidated Statements of Operations for the fiscal years ended February 1, 2025, February 3, 2024, and January 28, 2023; (iii) Consolidated Statements of Comprehensive (Loss) Income for the fiscal years ended February 1, 2025, February 3, 2024, and January 28, 2023; (iv) Consolidated Statements of Stockholders' Equity for the fiscal years ended February 1, 2025, February 3, 2024, and January 28, 2023; (v) Consolidated Statements of Cash Flows for the fiscal years ended February 1, 2025, February 3, 2024, and January 28, 2023; and (vi) the Notes to the Consolidated Financial Statements.
- 104* The cover page from the Registrant's Annual Report on Form 10-K for the year ended February 1, 2025, formatted in Inline Extensible Business Reporting Language.

* Filed herewith
Management contract or compensatory plan.
+ Included on signature page

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 10, 2025.

Tilly's, Inc.

/s/ Hezy Shaked

Hezy Shaked

*Co-Founder, Executive Chairman, President and Chief
Executive Officer (Principal Executive Officer)*

/s/ Michael L. Henry

Michael L. Henry

*Executive Vice President, Chief Financial Officer (Principal
Financial Officer)*

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Hezy Shaked and Michael L. Henry, and each of them singly, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities and as of the dates indicated on April 10, 2025.

<u>Signature</u>	<u>Title</u>
<u>/s/ Hezy Shaked</u> Hezy Shaked	Co-Founder, Executive Chairman, President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Michael L. Henry</u> Michael L. Henry	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
<u>/s/ Teresa Aragones</u> Teresa Aragones	Director
<u>/s/ Erin Chin</u> Erin Chin	Director
<u>/s/ Doug Collier</u> Doug Collier	Director
<u>/s/ Seth Johnson</u> Seth Johnson	Director
<u>/s/ Janet Kerr</u> Janet Kerr	Director
<u>/s/ Michael Relich</u> Michael Relich	Director



CORPORATE INFORMATION

CORPORATE HEADQUARTERS

10 Whatney
Irvine, CA 92618
(949) 609-5599

WEBSITE

www.tillys.com

INVESTOR RELATIONS

ICR
685 Third Avenue, 2nd Floor
New York NY 10017

STOCK LISTING

Our Class A Common Stock is listed and traded on the New York Stock Exchange under the symbol “TLYS”. The closing price per share of TLYS as of April 17, 2025 was \$1.67.

CORPORATE GOVERNANCE

The Company’s Corporate Governance Guidelines are available through the Investor Relations link on its website at www.tillys.com

TRANSFER AGENT AND REGISTRAR

Continental Stock Transfer & Trust Company
1 State Street
New York, NY 10004

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO USA, P.C.
Costa Mesa, CA 92626

ADDITIONAL INFORMATION

Copies of the Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available free of charge to stockholders either on the Company’s website or upon written request to the Company, sent to the attention of Investor Relations at the Company’s corporate headquarters.

BOARD OF DIRECTORS

HEZY SHAKED

Co-Founder, Executive Chairman, President and Chief Executive Officer

TESA ARAGONES

President, North America, AKQA

ERIN CHIN

Global Head of Brand Marketing, Logitech G

DOUG COLLIER

Former Executive Vice President, Chief Financial Officer, Volcom

SETH JOHNSON

Former Chief Executive Officer, Pacific Sunwear

JANET KERR

Professor Emeritus and former Executive Director Geoffrey H. Palmer Center for Entrepreneurship and the Law, Pepperdine University School of Law

MICHAEL RELICH

Former Co-Chief Executive Officer, Pacsun

EXECUTIVE OFFICERS and SENIOR MANAGEMENT

HEZY SHAKED

Co-Founder, Executive Chairman, President and Chief Executive Officer

MICHAEL L. HENRY

Executive Vice President, Chief Financial Officer

MICHAEL CINGOLANI

Senior Vice President, General Merchandise Manager

ERIK QUADE

Chief Information Officer

ROBERT KIM

Senior Vice President, Merchandise Planning & Allocation

SHELLY JOHNSON

Senior Vice President, Stores

BOBBY GASCON

Vice President, Marketing

MICHAEL ANGIOLETTI

Vice President, E-Commerce

JULIE CAMPBELL

Vice President, Visual Merchandising

ROY HERRERA

Vice President, Distribution

EFREN MEDELLIN

Vice President, Construction and Real Estate

MATTHEW DANG

Vice President, Financial Planning

CHRISTINA CAMPBELL

Vice President, Controller

JAHEIDA SANCHEZ

Vice President, Human Resources

SONYA ATTAL

Vice President, General Counsel, Corporate Secretary

TILLYS

www.tillys.com

Tilly's, Inc., 10 Whatney, Irvine CA 92618; Tel.: (949) 609-5599