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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 30, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-38555

THE LOVESAC COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**32-0514958**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Two Landmark Square, Suite 300 **Stamford, Connecticut**	**06901**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(888) 636-1223**

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 par value per share	LOVE	The Nasdaq Stock Market LLC

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated 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 is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes☐ No ☒

As of October 31, 2023, there were 15,486,187 shares of common stock, $0.00001 par value per share, outstanding.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other legal authority, which statements may involve substantial risk and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions.

You should not place undue reliance on forward looking statements. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeframe. The cautionary statements set forth in this Quarterly Report on Form 10-Q, including in Part I – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere, identify important factors which you should consider in evaluating our forward-looking statements. These factors include, among other things: business disruptions or other consequences of economic instability, political instability, civil unrest, armed hostilities , natural and man-made disasters, pandemics or other public health crises, or other catastrophic events; the impact of changes or declines in consumer spending and increases in interest rates and inflation on our business, sales, results of operations and financial condition; our ability to manage and sustain our growth and profitability effectively, including in our ecommerce business, forecast our operating results, and manage inventory levels; our ability to remediate our material weakness and maintain effective internal control over financial reporting; our ability to improve our products and develop new products; our ability to successfully open and operate new showrooms; our ability to advance, implement or achieve the goals set forth in our ESG Report; our ability to realize the expected benefits of investments in our supply chain and infrastructure; disruption in our supply chain and dependence on foreign manufacturing and imports for our products; our ability to acquire new customers and engage existing customers; reputational risk associated with increased use of social media; our ability to attract, develop and retain highly skilled associates; system interruption or failures in our technology infrastructure needed to service our customers, process transactions and fulfill orders; the impact of the restatement of our previously issued audited financial statements as of and for the year ended January 29, 2023 and our unaudited condensed financial statements for the quarterly periods ended April 30, 2023, October 30, 2022, July 31, 2022 and May 1, 2022; any inability to implement and maintain effective internal control over financial reporting or inability to remediate our existing material weaknesses in our internal controls deemed ineffective; unauthorized disclosure of sensitive or confidential information through breach of our computer system; unauthorized disclosure of sensitive or confidential information through breach of our computer system; the ability of third-party providers to continue uninterrupted service; the impact of tariffs, and the countermeasures and tariff mitigation initiatives; the regulatory environment in which we operate, our ability to maintain, grow and enforce our brand and intellectual property rights and avoid infringement or violation of the intellectual property rights of others; and our ability to compete and succeed in a highly competitive and evolving industry.

We caution you that the foregoing list may not contain all the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the sections entitled "Risk Factors" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Amendment No. 1 to Annual Report on Form 10-K/A filed with the Securities and Exchange Commission and in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeline, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue *reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.*

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

THE LOVESAC COMPANY
CONDENSED BALANCE SHEETS
(unaudited)

(amounts in thousands, except share and per share amounts)	July 30, 2023	January 29, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 54,716	$ 43,533
Trade accounts receivable	7,994	9,103
Merchandise inventories, net	104,970	119,627
Prepaid expenses and other current assets	15,947	15,452
Total Current Assets	183,627	187,715
Property and equipment, net	63,079	52,904
Operating lease right-of-use assets	149,285	135,411
Other Assets		
Goodwill	144	144
Intangible assets, net	1,474	1,411
Deferred tax asset	10,075	8,677
Other assets	25,882	22,364
Total Other Assets	37,575	32,596
Total Assets	$ 433,566	$ 408,626
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 33,858	$ 24,576
Accrued expenses	24,984	25,417
Payroll payable	6,239	6,783
Customer deposits	12,279	6,760
Current operating lease liabilities	16,072	13,075
Sales taxes payable	3,910	5,430
Total Current Liabilities	97,342	82,041
Operating Lease Liability, long-term	149,431	133,491
Line of Credit	—	—
Total Liabilities	246,773	215,532
Commitments and Contingencies (see Note 6)		
Stockholders' Equity		
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of July 30, 2023 and January 29, 2023.	—	—
Common Stock $.00001 par value, 40,000,000 shares authorized, 15,481,925 shares issued and outstanding as of July 30, 2023 and 15,195,698 shares issued and outstanding as of January 29, 2023.	—	—
Additional paid-in capital	181,003	182,554
Accumulated earnings	5,790	10,540
Stockholders' Equity	186,793	193,094
Total Liabilities and Stockholders' Equity	$ 433,566	$ 408,626

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

THE LOVESAC COMPANY
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

(amounts in thousands, except per share data and share amounts)	Thirteen weeks ended July 30, 2023	Thirteen weeks ended July 31, 2022	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
Net sales	$ 154,529	$ 148,534	$ 295,722	$ 277,914
Cost of merchandise sold	62,139	69,435	132,757	132,841
Gross profit	92,390	79,099	162,965	145,073
Operating expenses				
Selling, general and administration expenses	63,834	48,815	120,380	93,733
Advertising and marketing	26,535	19,088	43,448	34,989
Depreciation and amortization	3,014	3,076	5,836	5,737
Total operating expenses	93,383	70,979	169,664	134,459
Operating (loss) income	(993)	8,120	(6,699)	10,614
Interest income (expense), net	351	3	692	(32)
Net (loss) income before taxes	(642)	8,123	(6,007)	10,582
Benefit from (provision for) income taxes	7	(2,274)	1,257	(2,947)
Net (loss) income	$ (635)	$ 5,849	$ (4,750)	$ 7,635
Net (loss) income per common share:				
Basic	$ (0.04)	$ 0.38	$ (0.31)	$ 0.50
Diluted	$ (0.04)	$ 0.37	$ (0.31)	$ 0.48
Weighted average shares outstanding:				
Basic	15,422,640	15,195,116	15,326,702	15,175,247
Diluted	15,422,640	16,004,061	15,326,702	16,032,731

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

THE LOVESAC COMPANY
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY
FOR THE THIRTEEN AND TWENTY-SIX WEEKS ENDED JULY 30, 2023 AND JULY 31, 2022
(unaudited)

(amounts in thousands, except share amounts)	Common Shares	Common Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
Balance - January 30, 2022	15,123,338	$ —	$ 173,762	$ (15,948)	$ 157,814
Net income	—	—	—	1,786	1,786
Equity-based compensation	—	—	1,163	—	1,163
Vested restricted stock units	1,704	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(47)	—	(47)
Balance - May 1, 2022	15,125,042	$ —	$ 174,878	$ (14,162)	$ 160,716
Net loss	—	—	—	5,849	5,849
Equity-based compensation	—	—	1,034	—	1,034
Vested restricted stock units	58,235	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(1,402)	—	(1,402)
Balance - July 31, 2022	15,183,277	$ —	$ 174,510	$ (8,313)	$ 166,197
Balance - January 29, 2023	15,195,698	$ —	$ 182,554	$ 10,540	$ 193,094
Net income	—	—	—	(4,115)	(4,115)
Equity-based compensation	—	—	747	—	747
Vested restricted stock units	21,422	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(470)	—	(470)
Balance - April 30, 2023	15,217,120	$ —	$ 182,831	$ 6,425	$ 189,256
Net loss	—	—	—	(635)	(635)
Equity-based compensation	—	—	1,290	—	1,290
Vested restricted stock units	190,213	—	—	—	—
Exercise of warrants	74,592	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(3,118)	—	(3,118)
Balance - July 30, 2023	15,481,925	$ —	$ 181,003	$ 5,790	$ 186,793

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

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

(amounts in thousands)	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
Cash Flows from Operating Activities		
Net (loss) income	$ (4,750)	$ 7,635
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	5,608	5,549
Amortization of other intangible assets	228	188
Amortization of deferred financing fees	81	71
Net loss on disposal of property and equipment	145	—
Equity based compensation	2,037	2,197
Non-cash operating lease cost	10,880	8,711
Deferred income taxes	(1,398)	2,313
Change in operating assets and liabilities:		
Trade accounts receivable	1,109	(423)
Merchandise inventories	14,657	(37,199)
Prepaid expenses and other current assets	(524)	(16,510)
Other assets	(3,518)	(10)
Accounts payable and accrued expenses	3,087	(18,520)
Operating lease liabilities	(5,817)	(10,064)
Customer deposits	5,519	(6,828)
Net cash provided by (used in) operating activities	27,344	(62,890)
Cash Flows from Investing Activities		
Purchase of property and equipment	(12,361)	(9,965)
Payments for patents and trademarks	(160)	(160)
Net cash used in investing activities	(12,521)	(10,125)
Cash Flows from Financing Activities		
Taxes paid for net share settlement of equity awards	(3,588)	(1,449)
Payment of deferred financing costs	(52)	(276)
Net cash used in financing activities	(3,640)	(1,725)
Net change in cash and cash equivalents	11,183	(74,740)
Cash and cash equivalents - Beginning	43,533	92,392
Cash and cash equivalents - Ending	$ 54,716	$ 17,652
Supplemental Cash Flow Data:		
Cash paid for taxes	$ 1,232	$ 9,393
Cash paid for interest	$ 66	$ 34
Non-cash investing activities:		
Asset acquisitions not yet paid for at period end	$ 3,698	$ 3,536

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

THE LOVESAC COMPANY

CONDENSED NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN AND TWENTY-SIX WEEKS ENDED JULY 30, 2023 AND JULY 31, 2022

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The balance sheet of The Lovesac Company (the “Company”, “we”, “us” or “our”) as of January 29, 2023, which has been derived from our audited financial statements as of and for the 52-week year ended January 29, 2023, and the accompanying interim unaudited condensed financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. Certain information and note disclosures normally included in annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), have been condensed or omitted pursuant to those rules and regulations. The financial information presented herein, which is not necessarily indicative of results to be expected for the full current fiscal year, reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the interim unaudited condensed financial statements. Such adjustments are of a normal, recurring nature. These condensed financial statements should be read in conjunction with the Company’s financial statements filed in its Amendment No. 1 to Annual Report on Form 10-K/A for the fiscal year ended January 29, 2023.

Due to the seasonality of the Company’s business, with the majority of our activity occurring in the fourth quarter of each fiscal year, the results of operations for the thirteen and twenty-six weeks ended July 30, 2023 and July 31, 2022 are not necessarily indicative of results to be expected for the full fiscal year.

Nature of Operations

We are a technology driven company that designs, manufactures and sells unique, high quality furniture derived through its proprietary "Designed for Life" approach which results in products that are built to last a lifetime and designed to evolve as our customers’ lives do. The Company markets and sells its products through modern and efficient showrooms and, increasingly, through online net sales directly at www.lovesac.com, supported by direct-to-consumer touch-feel points in the form of our own showrooms, which include our newly created mobile concierge and kiosks, as well as through shop-in-shops and online pop-up-shops with third party retailers. As of July 30, 2023, the Company operated 223 showrooms including kiosks and mobile concierges located throughout the United States. The Company was formed as a Delaware corporation on January 3, 2017, in connection with a corporate reorganization with SAC Acquisition LLC, a Delaware limited liability company, the predecessor entity to the Company.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company evaluates its estimates and judgements on an ongoing basis based on historical experience, expectations of future events and various other factors we believe to be reasonable under the circumstances and revise them when necessary in the period the change is determined. Actual results may differ from the original or revised estimates.

Recent Accounting Pronouncements

The Company has considered all recent accounting pronouncements issued by the Financial Accounting Standards Board and they were considered to be not applicable or the adoption of such pronouncements will not have a material impact on the financial statements.

Employee Benefit Plan

In February 2017, the Company established The Lovesac Company 401(k) Plan (the "401(k) Plan") with Elective Deferrals beginning May 1, 2017. The 401(k) Plan calls for Elective Deferral Contributions, Safe Harbor Matching Contributions and Profit-Sharing Contributions. All associates of the Company will be eligible to participate in the 401(k) Plan as of the day of the month which is coincident with or next follows the date on which they attain age 21 and complete one month of service. Participants will be able to contribute up to 100% of their eligible compensation to the 401(k) Plan subject to limitations with the IRS.The Company's contributions to the 401(k) Plan were $0.3 million during the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively, and $0.8 million and $0.7 million for the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

Note 2. Revenue Recognition

The Company's revenue consists substantially of product net sales. The Company reports product net sales net of discounts and recognizes them at the point in time when control transfers to the customer, which generally occurs upon our delivery to a third-party carrier.

Shipping and handling charges billed to customers are included in revenue. The Company recognizes shipping and handling expense as fulfillment activities (rather than a promised good or service) when the activities are performed. Accordingly, the Company records the expenses for shipping and handling activities at the same time the Company recognizes revenue. Shipping and handling costs incurred are included in cost of merchandise sold and include inbound freight and tariff costs relative to inventory sold, warehousing, and last mile shipping to our customers. Shipping and handling costs were $25.6 million and $35.3 million during the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively, and $63.5 million and $70.3 million during the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

Estimated refunds for returns and allowances are recorded using our historical return patterns, adjusting for any changes in returns policies. The Company records estimated refunds for net sales returns on a monthly basis as a reduction of net sales and cost of sales on the condensed statements of operations and an increase in inventory and customers returns liability on the condensed balance sheets. There was a returns allowance recorded on the condensed balance sheet in the amount of $3.1 million as of July 30, 2023 and $4.5 million as of January 29, 2023, which was included in accrued expenses and $0.7 million as of July 30, 2023 and $1.0 million as of January 29, 2023, associated with sales returns included in merchandise inventories.

In some cases, deposits are received before the Company transfers control, resulting in contract liabilities. These contract liabilities are reported as customer deposits on the Company's condensed balance sheet. As of July 30, 2023 and January 29, 2023, the Company recorded under customer deposit liabilities the amount of $12.3 million and $6.8 million respectively. During the twenty-six weeks ended July 30, 2023 and July 31, 2022, the Company recognized approximately $6.8 million and $13.3 million, respectively, that was included in the customer deposit liabilities as of January 29, 2023 and January 30, 2022.

The Company offers its products through an inventory lean omni-channel platform that provides a seamless and meaningful experience to its customers in showrooms, which includes mobile concierge and kiosks, and through the internet. The Other channel predominantly represents net sales through the use of online pop-up-shops and shop-in-shops that are staffed with associates trained to demonstrate and sell our product. The following represents net sales disaggregated by channel:

	Thirteen weeks ended		**Twenty-six weeks ended**	
(amounts in thousands)	**July 30, 2023**	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Showrooms	$ 98,226	$ 92,426	$ 181,800	$ 173,680
Internet	41,425	35,534	81,650	66,789
Other	14,878	20,574	32,272	37,445
	$ 154,529	**$ 148,534**	**$ 295,722**	**$ 277,914**

The Company has no foreign operations and its net sales to foreign countries was less than.01% of total net sales in both fiscal 2024 and 2023. The Company had no customers that comprise more than 10% of total net sales for the thirteen weeks ended July 30, 2023 and July 31, 2022.

See **Note 9** for sales disaggregated by product.

Barter Arrangements

The Company has a bartering arrangement with a third-party vendor. The Company repurposes returned open-box inventory in exchange for media credits, which are being used to support our advertising initiatives to create brand awareness and drive net sales growth. Barter transactions with commercial substance are recorded at a transaction price based on the estimated fair value of the non-cash consideration of the media credits to be received and the revenue is recognized when control of inventory is transferred, which is when the inventory is picked up in our warehouse. Fair value is estimated using various considerations, including the cost of similar media advertising if transacted directly, the expected sales price of product given up in exchange for the media credits, and the expected usage of media credits prior to expiration based on a marketing spend forecast. The Company recognizes an asset for media credits which is subsequently evaluated for impairment at each reporting period for any changes in circumstances. As the barter credits are expected to be utilized at various dates through their expiration dates, the Company will classify the amount expected to be utilized in the next fiscal year as current, which is included in Prepaid and Other Current Assets, with the remaining balance included as part of Other Assets on the balance sheet.

The Company recognized barter sales in exchange for media credits of $2.8 million and $9.5 million during the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively, and $6.9 million and $12.1 million during the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

The Company had $30.2 million and $25.2 million of unused media credits as of July 30, 2023 and January 29, 2023, respectively, and did not recognize any impairment. The difference between the opening and closing balances of the Company's prepaid barter credit primarily results from the inventory exchanged for media credits during the period, offset by utilization of those credits.

Note 3. Income Taxes

For the thirteen weeks ended July 30, 2023 and July 31, 2022, the Company recorded an income tax benefit of less than $0.1 million and income tax expense of $3.3 million, respectively, which reflects an effective tax rate of 1.0% and 28.0%, respectively. For the twenty-six weeks ended July 30, 2023 and July 31, 2022, the Company recorded an income tax benefit of $1.3 million and income tax expense of $2.9 million, respectively, which reflects an effective tax rate of20.9% and 27.8%, respectively. The effective tax rate for the thirteen and twenty-six weeks ended July 30, 2023 and July 31, 2022 varies from the 21% federal statutory tax rate primarily due to state taxes.

The Company does not anticipate any material adjustments relating to unrecognized tax benefits within the next twelve months; however, the ultimate outcome of tax matters is uncertain and unforeseen results can occur. The Company had no material interest or penalties during the thirteen and twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively, and does not anticipate any such items during the next twelve months. The Company's policy is to record interest and penalties directly related to uncertain tax positions as income tax expense in the condensed statements of operations.

Note 4. Basic and Diluted Net (Loss) Income Per Common Share

Basic net (loss) income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income by the weighted average number of common shares outstanding and common stock equivalents outstanding during the period. Diluted net income per common share includes, in periods in which they are dilutive, the effect of those potentially dilutive securities where the average market price of the common stock exceeds the exercise prices for the respective periods. In periods of loss, there are no potentially dilutive common shares to add to the weighted average number of common shares outstanding.

For the thirteen weeks ended July 30, 2023, the effects of1,060,705 shares of common stock related to restricted stock units and495,366 shares of common stock underlying stock options were excluded from the diluted net loss per share calculation because the effect of including these potentially dilutive shares was antidilutive. For the twenty-six weeks ended July 30, 2023, the effects of 1,060,705 shares of common stock related to restricted stock units and495,366 shares of common stock underlying stock options were excluded from the diluted net loss per share calculation because the effect of including these potentially dilutive shares was antidilutive.

For the thirteen weeks ended July 31, 2022, the effects of687,528 shares of common stock related to restricted stock units, and warrants to purchase 281,750 shares of common stock were included in the diluted share calculation and there were 495,366 shares of common stock underlying stock options of potentially dilutive shares which may be issued in the future that were excluded from the diluted net income per share calculation because the effect of including these potentially dilutive shares was antidilutive. For the twenty-six weeks ended July 31, 2022, the effects of 687,528 shares of common stock related to restricted stock units,495,366 shares of common stock underlying stock options, and warrants to purchase 281,750 shares of common stock were included in the diluted share calculation and there were no anti-dilutive awards during the period.

Note 5. Leases

Components of lease expense were as follows (in thousands):

	Thirteen weeks ended		Twenty-six weeks ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Operating lease expense	$ 7,391	$ 5,808	$ 14,395	$ 11,142
Variable lease expense	2,486	3,991	4,542	6,205
Short term lease expense	407	180	647	359
Total lease expense	$ 10,284	$ 9,979	$ 19,584	$ 17,706

Variable lease expense includes index-based changes in rent, maintenance, real estate taxes, insurance and other variable charges.

We did not recognize any impairment charges associated with showroom-level right-of-use assets during the thirteen and twenty-six weeks ended July 30, 2023 or July 31, 2022.

Future minimum lease payments under non-cancelable leases as of July 30, 2023 were as follows (in thousands):

(amounts in thousands)	
2024	$ 7,896
2025	30,562
2026	28,231
2027	25,946
2028	23,692
Thereafter	82,929
Total undiscounted future minimum lease payments	199,256
Less: imputed interest	(33,753)
Total present value of lease obligations	165,503
Less: current operating lease liability	(16,072)
Operating lease liability- long term	$ 149,431

Supplemental information related to our operating leases is as follows (in thousands):

(amounts in thousands)	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
Operating cash flow information:		
Amounts paid on operating lease liabilities	$ 14,208	$ 8,501
Non-cash activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 24,676	$ 20,702
Weighted average remaining lease term - operating leases	7.6 years	7.3 years
Weighted average discount rate - operating leases	4.55 %	4.01 %

Note 6. Commitments and Contingencies

Legal Proceedings

The Company is involved in various legal proceedings in the ordinary course of business. Management cannot presently predict the outcome of these matters, although management believes, based in part on the advice of counsel, that the ultimate resolution of these matters will not have a materially adverse effect on the Company's condensed financial position, results of operations or cash flows.

The Company has voluntarily self-reported to the SEC information concerning the internal investigation of the accounting matters that led to the restatement of its previously issued audited financial statements as of and for the year ended January 29, 2023 and our unaudited condensed financial statements for the quarterly periods ended April 30, 2023, October 30, 2022, July 31, 2022 and May 1, 2022. As a result of self-reporting, the Company is the subject of an ongoing, non-public investigation by the SEC. The Company is cooperating fully with the SEC in its investigation and continues to respond to requests in connection with this matter. The investigation could result in the SEC seeking various penalties and relief including, without limitation, civil injunctive relief and/or civil monetary penalties or administrative relief. The nature of the relief or remedies the SEC may seek with respect to the Company, if any, cannot be predicted at this time.

Note 7. Financing Arrangements

The Company has a line of credit with Wells Fargo Bank, National Association ("Wells"). On March 25, 2022, the line of credit with Wells was amended and increased from $25 million to allow the Company to borrow up to $40.0 million, subject to borrowing base and availability restrictions, and will mature in March 2024. Borrowings are limited to 90% of eligible credit card receivables plus 85% of eligible wholesale receivables plus 85% of the net recovery percentage for the eligible inventory multiplied by the value of such eligible inventory of the Company for the period from December 16 of each year until October 14 of the immediately following year, with a seasonal increase to 90% of the net recovery percentage for the period from October 15 of each year until December 15 of such year, seasonal advance rate, minus applicable reserves established by Wells. The amended agreement contains a financial covenant that requires us to maintain undrawn availability under the credit facility of at least 10% of the lesser of (i) the aggregate commitments in the amount of $40.0 million and (ii) the amounts available under the credit facility based on eligible accounts receivable and inventory.

On March 24, 2023, the Company amended the credit agreement to extend the maturity date to September 2024. All other terms of the credit agreement remain unchanged. As of July 30, 2023 and January 29, 2023, the Company's borrowing availability under the line of credit with Wells was $36.0 million. As of July 30, 2023 and January 29, 2023, there were no borrowings outstanding on this line of credit.

Note 8. Stockholders' Equity

Common Stock Warrants

On June 29, 2018, the Company issued 281,750 warrants with a five-year term to Roth Capital Partners, LLC as part of the underwriting agreement in connection with the Company's IPO. Warrants may be exercised on a cashless basis, where the holders receive fewer shares of common stock in lieu of a cash payment to the Company. There were no warrants issued, exercised, or expired and canceled for the twenty-six weeks ended July 31, 2022. As of July 31, 2022, 281,750 warrants remained outstanding with an average exercise price of $19.20 and a weighted average remaining contractual life of 0.91 years. On June 26, 2023, Roth Capital Partners, LLC performed a cashless exercise of all 281,750 remaining outstanding warrants resulting in 74,592 net shares issued. As of July 30, 2023, no warrants remain outstanding.

Equity Incentive Plan

The Company adopted the Amended and Restated 2017 Equity Incentive Plan (the “2017 Equity Plan”) which provides for awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. All awards shall be granted within 10 years from the effective date of the 2017 Equity Plan. In fiscal 2024, the 2017 Equity Plan was amended and restated to increase the shares of our common stock authorized and reserved for issuance by 225,000 shares, which increased the number of shares of common stock reserved for issuance under the 2017 Equity Plan to 2,879,889 shares of common stock as of July 30, 2023.

Stock Options

In June 2019, the Company granted 495,366 non-statutory stock options to certain officers of the Company with an option price of $38.10 per share. 100% of the stock options are subject to vesting on the third anniversary of the date of grant if the officers are still employed by the Company and the average closing price of the Company’s common stock for the prior 40 consecutive trading days has been at least $75 by the third anniversary of the grant. Both the employment and the market condition must be satisfied no later than June 5, 2024 or the options will terminate. These options were valued using a Monte Carlo simulation model to account for the path dependent market conditions that stipulate when and whether or not the options shall vest. The 495,366 stock options were modified in fiscal 2022 to extend the term of the options through June 5, 2024. This resulted in additional compensation of approximately $0.9 million of which, $0.3 million was recorded upon modification with the remaining expense to be recognized over the remaining expected term. The market condition was met on June 5, 2021, which was the date on which the average closing price of the Company’s common stock had been at least $75 for 40 consecutive trading days. The options vested and became exercisable on June 5, 2022 as the officers were still employed on that date.

There were no stock options issued, exercised, or expired and canceled for the twenty-six weeks ended July 30, 2023 and July 31, 2022. As of July 30, 2023, 495,366 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 0.85 years, and no intrinsic value. As of July 31, 2022, 495,366 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 1.85 years and intrinsic value of $1.89.

Restricted Stock Units

A summary of the status of our unvested restricted stock units as of July 30, 2023 and July 31, 2022, and changes during the twenty-six weeks ended, is presented below:

	Number of shares	Weighted average grant date fair value
Unvested at January 30, 2022	533,333	$ 28.41
Granted	278,087	45.58
Forfeited	(21,243)	23.12
Vested	(102,649)	34.86
Unvested at July 31, 2022	687,528	$ 34.87

	Number of shares	Weighted average grant date fair value
Unvested at January 29, 2023	640,256	$ 34.50
Granted	815,340	26.76
Forfeited	(25,874)	35.32
Vested	(369,017)	24.37
Unvested at July 30, 2023	1,060,705	$ 32.05

For the thirteen weeks ended July 30, 2023 and July 31, 2022, the Company recognized equity based compensation expense of $1.3 million and $1.0 million, respectively, and for the twenty-six weeks ended July 30, 2023 and July 31, 2022, the Company recognized equity based compensation expense of $2.0 million and $2.2 million, respectively.

The total unrecognized equity-based compensation cost related to unvested stock option and restricted unit awards was approximately $11.0 million as of July 30, 2023 and will be recognized in operations over a weighted average period of 3.9 years.

In March 2023, Shawn Nelson, our Chief Executive Officer, received a one-time performance and retention long-term incentive grant of 235,000 Restricted Stock Units (the "RSU Grant") pursuant to the 2017 Equity Plan and Mr. Nelson's Restricted Stock Units Agreement and Grant Notice (the "RSU Agreement"). The RSU Grant vests on the later to occur of (i) the fifth anniversary of the date of grant so long as, (x) on or prior to such date (subject to certain limited extensions), the Company has achieved a specified level of performance with respect to share price and net sales, and (y) Mr. Nelson remains in continuous service with the Company as Chief Executive Officer through such date; or (ii) if the specified level of performance with respect to net sales is not achieved on or prior to the fifth anniversary of the date of grant, but the other conditions in subclause (i) are achieved, the first date that such specified level of performance with respect to net sales is achieved, so long as it is achieved on or prior to the seventh anniversary of the date of grant and so long as Mr. Nelson remains in continuous service with the Company through such date. Except in the event of termination of employment as defined in the 2017 Equity Plan, the RSU Grant will be settled in shares of common stock of the Company on the first anniversary of the applicable vesting date. The RSU grant was valued using a Monte Carlo simulation model to account for the path dependent market conditions that stipulate when and whether or not the options shall vest. The expense will be recognized on a straight-line basis over the longest of the derived, explicit, or implicit service period.

Note 9. Segment Information

Segments are reflective of how the chief operating decision maker ("CODM") reviews operating results for the purpose of allocating resources and assessing performance. The CODM group of the Company are the Chief Executive Officer and the President and Chief Operating Officer. The Company's operating segments are the sales channels, which share similar economic and other qualitative characteristics, and are aggregated together as one reportable segment.

The Company’s sales by product which are considered one segment are as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
(amounts in thousands)				
Sactionals	$ 140,507	$ 136,513	$ 268,413	$ 251,515
Sacs	11,663	9,908	22,399	21,835
Other	2,359	2,113	4,910	4,564
	$ 154,529	$ 148,534	$ 295,722	$ 277,914

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended January 29, 2023 ("Form 10-K/A"). As discussed in the section titled "Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified in the Forward-Looking Statements section herein and set forth below and those discussed in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K/A filed with the Securities and Exchange Commission.

We operate on a 52 or 53-week fiscal year that ends on the Sunday closest to February 1. Each fiscal year generally is comprised of four 13-week fiscal quarters, although in the years with 53 weeks, the fourth quarter represents a 14-week period. The fiscal year ended February 4, 2024 will consist of 53 weeks.

Overview

We are a technology driven company that designs, manufactures and sells unique, high quality furniture derived through our proprietary "Designed for Life" approach which results in products that are built to last a lifetime and designed to evolve as our customers' lives do. Our current product offering is comprised of modular couches called Sactionals, premium foam beanbag chairs called Sacs, and their associated home decor accessories. Innovation is at the center of our design philosophy with all of our core products protected by a robust portfolio of utility patents. We market and sell our products through an omni-channel platform that includes direct-to-consumer touch-feel points in the form of our own showrooms, which include our newly created mobile concierge and kiosks, and online directly at www.lovesac.com. We believe that our ecommerce centric approach, coupled with our ability to deliver our large upholstered products through express couriers, is unique to the furniture industry.

Macroeconomic Factors

There are a number of macroeconomic factors and uncertainties affecting the overall business environment and our business, including increased inflation, rising interest rates, housing market conditions, consumer debt, the recent failures of several financial institutions, conflicts around the globe and uncertainties in the global financial markets. These factors may have a negative impact on markets in which we operate, including the potential for an economic recession, a continued downturn in the housing market, disruption in the U.S. banking system, and a reduction in consumer discretionary spending. We believe that these macroeconomic factors have contributed to the slowdown in demand that we have experienced in our business which may continue.

Product Overview

Our products serve as a set of building blocks that can be rearranged, restyled and re-upholstered with any new setting, mitigating constant changes in fashion and style. They are built to last and evolve throughout a customer's life.

- **Sactionals**. Our Sactional product line currently represents a majority of our net sales. We believe our Sactionals platform is unlike competing products in its adaptability yet is comparable aesthetically to similarly priced premium couches and sectionals. Our Sactional products include a number of patented features relating to their geometry and modularity, coupling mechanisms and other features. Utilizing only two, standardized pieces, "seats" and "sides," and approximately 200 high quality, tight-fitting covers that are removable, washable, and changeable, customers can create numerous permutations of a sectional couch with minimal effort. Customization is further enhanced with our specialty-shaped modular offerings, such as our wedge seat and roll arm side. Our custom features and accessories can be added easily and quickly to a Sactional to meet endless design, style, storage and utility preferences, reflecting our Designed for Life philosophy. Sactionals are built to meet the highest durability and structural standards applicable to fixed couches. Sactionals are comprised of standardized units and we guarantee their compatibility over time, which we believe is a major pillar of their value proposition to the consumer. Our Sactionals represented 90.9% and 91.9% of our net sales for the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively, and 90.8% and 90.5% of our net sales for the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

In October 2021, we introduced the new Sactionals StealthTech Sound + Charge product line. This unique innovation features immersive surround sound by Harman Kardon and convenient wireless charging, all seamlessly embedded and hidden inside the adaptable Sactionals platform. The System includes two Sound + Charge Sides each with embedded front- and rear-firing Harman Kardon speakers, a Subwoofer that easily integrates into a Sactionals Seat Frame and a Center Channel, all working in unison to deliver captivating surround sound that is completely hidden from view.

- **Sacs**. We believe that our Sacs product line is a category leader in oversized beanbags. The Sac product line offers 6 different sizes ranging from 22 pounds to 95 pounds with capacity to seat 3+ people on the larger model Sacs. Filled with Durafoam, a blend of shredded foam, Sacs provide serene comfort and guaranteed durability. Their removable covers are machine washable and may be easily replaced with a wide selection of cover offerings. Our Sacs represented 7.5% and 6.7% of our net sales for the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively, and 7.6% and 7.9% of our net sales for the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

- **Other**. Our Other product line complements our Sacs and Sactionals by increasing their adaptability to meet evolving consumer demands and preferences. Our current product line offers Sactional-specific drink holders, Footsac blankets, decorative pillows, fitted seat tables and ottomans in varying styles and finishes and our unique Sactionals Power Hub, providing our customers with the flexibility to customize their furnishings with decorative and practical add-ons to meet evolving style preferences.

Sales Channels

We offer our products through an omni-channel platform that provides a seamless and meaningful experience to our customers online and in-store. Our distribution strategy allows us to reach customers through four distinct, brand-enhancing channels.

- **Showrooms**. We market and sell our products through 223 showroom locations at top tier malls, lifestyle centers, mobile concierge, kiosk, and street locations in 44 states in the U.S. We carefully select the best small-footprint showroom locations in high-end malls and lifestyle centers for our showrooms. Compared to traditional retailers, our showrooms require significantly less square footage because of our need to have only a few in-store sample configurations for display and our ability to stack our inventory for immediate sale. The architecture and layout of these showrooms is designed to communicate our brand personality and key product features. Our goal is to educate first-time customers, creating an environment where people can touch, feel, read, and understand the technology behind our products. Our new showroom concept utilizes technology in more experiential ways to increase traffic and net sales. Net sales generated by this channel accounted for 63.6% and 61.5% of total net sales for the thirteen and twenty-six weeks ended July 30, 2023, respectively, up from 62.2% and down from 62.5% of total net sales for the thirteen and twenty-six weeks ended July 31, 2022.

- **Ecommerce**. Through our ecommerce channel, we believe we are able to significantly enhance the consumer shopping experience for home furnishings, driving deeper brand engagement and loyalty, while also realizing more favorable margins than our showroom locations. We believe our robust technological capabilities position us well to benefit from the growing consumer preference to transact at home and via mobile devices. With furniture especially suited to ecommerce applications, our net sales generated by this channel accounted for 26.8% and 27.6% of total net sales for the thirteen and twenty-six weeks ended July 30, 2023, respectively, up from 23.9% and 24.0% of total net sales for the thirteen and twenty-six weeks ended July 31, 2022, respectively.

- **Other touchpoints**. We augment our showrooms with other touchpoint strategies including online, pop-up-shops, shop-in-shops, and barter inventory transactions. Our barter inventory transactions with a third party vendor are part of our Circle to Customer ("CTC"), Designed for Life and Environmental, Social and Governance ("ESG") initiatives. CTC is our operational philosophy in which business processes, including the design of our products, are optimized for looped (circle) and/or local operations. We repurpose returned open-box inventory in exchange for media credits, which are being used to support our advertising initiatives to create brand awareness and drive net sales growth. We utilize in store pop-up-shops to increase the number of locations where customers can experience and purchase our products, a low cost alternative to drive brand awareness, in store net sales, and ecommerce net sales. These in store pop-up-shops are staffed similarly to our showrooms with associates trained to demonstrate and sell our products and promote our brand. Unlike the in store pop-up-shops which are typically 10-day shows, and pop-up locations, shop-in-shops are designed to be in permanent locations carrying the same digital technology of our showrooms and are also staffed with associates trained to demonstrate and sell our products. Shop-in-shops require less capital expenditure to open a productive space to drive brand awareness and touchpoint opportunities for demonstrating and selling our products. We operated 3 and 5 online pop-up-shops on Costco.com for the thirteen and twenty-six weeks ended July 30, 2023, and 3 and 5 for the thirteen and twenty-six weeks ended July 31, 2022. We operated 25 Best Buy shop-in-shops for the thirteen and twenty-six weeks ended July 30, 2023, up from 22 for the thirteen and twenty-six weeks ended July 31, 2022. Other net sales which includes pop-up-shop sales, shop-in-shop sales, and barter inventory transactions accounted for 9.6% and 10.9% of our total net sales for the thirteen and twenty-six weeks ended July 30, 2023, down from 13.9% and 13.5% of our total net sales for the thirteen and twenty-six weeks ended July 31, 2022.

Condensed Statement of Operations Data:

(amounts in thousands, except per share data and share amounts)	Thirteen weeks ended July 30, 2023	Thirteen weeks ended July 31, 2022	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
Net sales				
Showrooms	$ 98,226	$ 92,426	$ 181,800	$ 173,680
Internet	41,425	35,534	81,650	66,789
Other	14,878	20,574	32,272	37,445
Total net sales	154,529	148,534	295,722	277,914
Cost of merchandise sold	62,139	69,435	132,757	132,841
Gross profit	92,390	79,099	162,965	145,073
Operating expenses				
Selling, general and administration expenses	63,834	48,815	120,380	93,733
Advertising and marketing	26,535	19,088	43,448	34,989
Depreciation and amortization	3,014	3,076	5,836	5,737
Total operating expenses	93,383	70,979	169,664	134,459
Operating (loss) income	(993)	8,120	(6,699)	10,614
Interest income (expense), net	351	3	692	(32)
Net (loss) income before taxes	(642)	8,123	(6,007)	10,582
Benefit from (provision for) income taxes	7	(2,274)	1,257	(2,947)
Net (loss) income	$ (635)	$ 5,849	$ (4,750)	$ 7,635
Net (loss) income per common share:				
Basic [(1)]	$ (0.04)	$ 0.38	$ (0.31)	$ 0.50
Diluted [(1)]	$ (0.04)	$ 0.37	$ (0.31)	$ 0.48
Weighted average shares outstanding:				
Basic	15,422,640	15,195,116	15,326,702	15,175,247
Diluted	15,422,640	16,004,061	15,326,702	16,032,731

(dollars in thousands)	Thirteen weeks ended July 30, 2023	Thirteen weeks ended July 31, 2022	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
EBITDA (2)(3)	$ 2,021	$ 11,196	$ (863)	$ 16,351
Adjusted EBITDA (2)(3)	$ 5,283	$ 12,319	$ 3,204	$ 18,541

Balance Sheet Data:

(amounts in thousands)	As of July 30, 2023	As of January 29, 2023
Cash and cash equivalents	$ 54,716	$ 43,533
Working capital	86,285	105,674
Total assets	433,566	408,626
Total liabilities	246,773	215,532
Total stockholders’ equity	186,793	193,094

Condensed Statement of Cash flow Data:

(amounts in thousands)	Twenty-six weeks ended July 30, 2023	Twenty-six weeks ended July 31, 2022
Net cash provided by (used in) operating activities	$ 27,344	$ (62,890)
Net cash used in investing activities	(12,521)	(10,125)
Net cash used in financing activities	(3,640)	(1,725)
Net change in cash and cash equivalents	11,183	(74,740)
Cash and cash equivalents at the end of the period	54,716	17,652

(1) For the calculation of basic and diluted net income per share, see Note 4 and Note 8 to our condensed financial statements.

(2) EBITDA and Adjusted EBITDA are “Non-GAAP Measures” that are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We believe that EBITDA and Adjusted EBITDA are useful measures of operating performance, as they eliminate expenses that are not reflective of the underlying business performance, facilitate a comparison of our operating performance on a consistent basis from period-to-period and provide for a more complete understanding of factors and trends affecting our business. Additionally, EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use EBITDA and Adjusted EBITDA, alongside GAAP measures such as gross profit, operating income (loss) and net income (loss), to measure and evaluate our operating performance and we believe these measures are useful to investors in evaluating our operating performance.

These Non-GAAP Measures should not be considered as alternatives to net income (loss) or net income (loss) per share as a measure of financial performance, cash flows from operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. They should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, our Non-GAAP Measures are not intended to be measures of free cash flow for management’s discretionary use, as they do not consider certain cash requirements such as tax payments and debt service requirements and certain other cash costs that recur in the future. Our Non-GAAP Measures contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. In addition, our Non-GAAP Measures exclude certain non-recurring and other charges.

In the future, we may incur expenses that are the same as or similar to some of the adjustments in our Non-GAAP Measures. Our presentation of our Non-GAAP Measures should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying primarily on our GAAP results and by using our Non-GAAP Measures as supplemental information. Our Non-GAAP Measures are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

(3) We define “EBITDA” as earnings before interest, taxes, depreciation and amortization. We define “Adjusted EBITDA” as EBITDA adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include equity-based compensation expense and certain other charges and gains that we do not believe reflect our underlying business performance.

Reconciliation of Non-GAAP Financial Measures

The following provides a reconciliation of Net (loss) income to EBITDA and Adjusted EBITDA for the periods presented:

	Thirteen weeks ended		Twenty-six weeks ended	
(amounts in thousands)	**July 30, 2023**	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net (loss) income	$ (635)	$ 5,849	$ (4,750)	$ 7,635
Interest (income) expense, net	(351)	(3)	(692)	32
Income tax (benefit) expense	(7)	2,274	(1,257)	2,947
Depreciation and amortization	3,014	3,076	5,836	5,737
EBITDA	2,021	11,196	(863)	16,351
Equity-based compensation (a)	1,467	1,123	2,272	2,295
Loss on disposal of assets (b)	145	—	145	—
Other non-recurring expenses (c)	1,650	—	1,650	(105)
Adjusted EBITDA	$ 5,283	$ 12,319	$ 3,204	$ 18,541

(a) Represents expenses, such as compensation expense and employer taxes related to RSU equity vesting and exercises associated with stock options and restricted stock units granted to our associates and board of directors. Employer taxes are included as part of selling, general and administrative expenses on the Statements of Operations.

(b) Represents loss on disposal of property and equipment.

(c) Other non-recurring expenses in the thirteen and twenty-six weeks ended July 30, 2023 represents professional fees related to the restatement of previously issued financial statements. Other non-recurring expenses in the twenty-six weeks ended July 31, 2022 represents costs related to a legal settlement. There were no other non-recurring expenses in the thirteen weeks ended July 31, 2022.

How We Assess the Performance of Our Business

We consider a variety of financial and operating measures, including the following, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue less returns and discounts. Net sales made at Company operated showrooms, including shop-in-shops and pop-up-shops, and via the web are recognized, typically at the point of transference of title when the goods are shipped.

Gross Profit

Gross profit is equal to our net sales less cost of merchandise sold. Gross profit as a percentage of our net sales is referred to as gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs, other than advertising and marketing expense, not included in cost of merchandise sold. These expenses include all payroll and payroll-related expenses; showroom expenses, including occupancy costs related to showroom operations, such as rent and common area maintenance; occupancy and expenses related to many of our operations at our headquarters, including utilities, equity based compensation, financing related expense; public company expenses; and credit card transaction fees. Selling, general and administrative expenses as a percentage of net sales is usually higher in lower volume quarters and lower in higher volume quarters because a significant portion of the costs are relatively fixed.

Our recent revenue growth has been accompanied by increased selling, general and administrative expenses. The most significant components of these increases are payroll and rent costs. We expect these expenses, as well as rent expense associated with the opening of new showrooms, to increase as we grow our business. While we expect to leverage total selling, general and administrative expenses as a percentage of net sales as net sales volumes continue to grow, the impact will be lessened by our continued investments to support our continued growth. These investments include research and development costs on our existing and future products and foundational technology investments..

Advertising and Marketing Expense

Advertising and marketing expense include digital, social, and traditional advertising and marketing initiatives, that cover all of our business channels. Advertising and marketing expense is expected to continue to increase as a percentage of net sales as we continue to invest in advertising and marketing which has accelerated net sales growth.

Basis of Presentation and Results of Operations

The following table sets forth, for the periods presented, our condensed statement of operations data as a percentage of total revenues:

Statement of Operations Data:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 30, 2023	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net sales	100 %	100 %	100 %	100 %
Cost of merchandise sold	40 %	47 %	45 %	48 %
Gross profit	60 %	53 %	55 %	52 %
Selling, general and administration expenses	41 %	33 %	41 %	34 %
Advertising and marketing	17 %	13 %	15 %	13 %
Depreciation and amortization	2 %	2 %	2 %	2 %
Operating (loss) income	— %	5 %	(3)%	3 %
Interest income (expense), net	— %	— %	— %	— %
Net (loss) income before taxes	— %	5 %	(3)%	3 %
Benefit from (provision for) income taxes	— %	(2)%	— %	(1)%
Net (loss) income	— %	3 %	(3)%	2 %

Thirteen weeks ended July 30, 2023 compared to the thirteen weeks ended July 31, 2022

Net sales

Net sales increased $6.0 million, or 4.0%, to $154.5 million in the thirteen weeks ended July 30, 2023 as compared to $148.5 million in the thirteen weeks ended July 31, 2022. The increase in overall net sales was driven by growth within our Retail and Ecommerce channels. New customers increased by 12.2% in the thirteen weeks ended July 30, 2023 as compared to 8.1% in the thirteen weeks ended July 31, 2022. We had 223 and 174 total showrooms as of July 30, 2023 and July 31, 2022, respectively. During the thirteen weeks ended July 30, 2023, we opened 18 additional showrooms and closed 3 showrooms and 3 kiosks. We did not remodel any showrooms in the thirteen weeks ended July 30, 2023. In comparison, we opened 11 showrooms, 1 kiosk and did not close or remodel any showrooms in the thirteen weeks ended July 31, 2022. Showroom net sales increased $5.8 million, or 6.3%, to $98.2 million in the thirteen weeks ended July 30, 2023 as compared to $92.4 million in the thirteen weeks ended July 31, 2022. This increase was due in large part to comparable sales increase of $2.0 million, or 2.7%, to $76.0 million in the thirteen weeks ended July 30, 2023, compared to $74.0 million in the thirteen weeks ended July 31, 2022, related to higher point of sales transactions with lower promotional discounting and the addition of 54 new showrooms and 5 less kiosks. These increases are partially offset by higher unshipped orders as of July 30, 2023 as compared to July 31, 2022 due to promotional timing. Point of sales transactions represent orders placed through our showrooms which does not always reflect the point at which control transfers to the customer, which occurs upon shipment being confirmed. See Note 2 to the condensed financial statements. We believe point of sales transactions is a more accurate way to measure showroom performance and how our showroom associates are incentivized. Retail sales per selling square foot decreased $159, or 24.7%, to $485 in the thirteen weeks ended July 30, 2023 as compared to $644 in the thirteen weeks ended July 31, 2022. Total number of units sold at point of transaction also decreased by approximately 23.3% driven by lower productivity related to inflationary concerns. Internet net sales (sales made directly to customers through our ecommerce channel) increased $5.9 million, or 16.6%, to $41.4 million in the thirteen weeks ended July 30, 2023 as compared to $35.5 million in the thirteen weeks ended July 31, 2022 driven by a strong promotional campaigns. Other net sales, which include pop-up-shop sales, shop-in-shop sales, and barter inventory transactions decreased $5.7 million, or 27.7%, to $14.9 million in the thirteen weeks ended July 30, 2023 as compared to $20.6 million in the thirteen weeks ended July 31, 2022. This decrease was principally due to timing of inventory barter transactions coupled with lower productivity of our temporary online pop-up-ships on Costco.com partially offset by 92 Costco in store pop-up-shops that we did not have last year. We also opened 3 additional Best Buy shop-in-shop location compared to the prior year period.

Gross profit

Gross profit increased $13.3 million, or 16.8%, to $92.4 million in the thirteen weeks ended July 30, 2023 from $79.1 million in the thirteen weeks ended July 31, 2022. Gross margin increased to 59.8% of net sales in the thirteen weeks ended July 30, 2023 from 53.3% of net sales in the thirteen weeks ended July 31, 2022. The increase in gross margin percentage of 650 basis points was primarily driven by a decrease of approximately 720 basis points in total distribution and related tariff expenses, partially offset by a decrease of 70 basis points in product margin driven by higher promotional discounting. The decrease in total distribution and related tariff expenses over prior year is principally related to the positive impact of 880 basis points decrease in inbound transportation costs partially offset by 160 basis points in higher outbound transportation and warehousing costs.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $15.0 million, or 30.8%, to $63.8 million in the thirteen weeks ended July 30, 2023 as compared to $48.8 million in the thirteen weeks ended July 31, 2022. The increase in selling, general and administrative expenses was primarily related to an increase in employment costs, overhead expenses, selling related expenses and rent. Employment costs increased by $5.7 million driven by an increase in new hires. Overhead expenses increased $6.2 million consisting mainly of increases of $3.0 million in professional fees, $2.3 million in other investments in the business to support current and future growth, $0.3 million in equity-based compensation, and $0.4 million in travel. Rent increased by $0.9 million related to $1.9 million rent expense from our net addition of 49 showrooms partially offset by a $1.0 million reduction in percentage rent. Selling related expenses increased $2.2 million principally due to credit card fees related to the increase in net sales and an increase in credit card rates. Selling, general and administrative expenses were 41.3% of net sales in the thirteen weeks ended July 30, 2023, an increase of 840 basis points as compared to 32.9% of net sales in the thirteen weeks ended July 31, 2022.

Advertising and Marketing

Advertising and marketing expenses increased $7.4 million, or 39.0%, to $26.5 million for the thirteen weeks ended July 30, 2023 as compared to $19.1 million in the thirteen weeks ended July 31, 2022. The majority of the increase in advertising and marketing dollars relates to the ongoing investments in marketing spends to support our net sales growth. The investment by quarter may vary greatly. Advertising and marketing expenses were 17.2% of net sales in the thirteen weeks ended July 30, 2023 as compared to 12.9% of net sales in the thirteen weeks ended July 31, 2022.

Depreciation and amortization expenses

Depreciation and amortization expenses decreased $0.1 million, or 2.0%, to $3.0 million in the thirteen weeks ended July 30, 2023 as compared to $3.1 million in the thirteen weeks ended July 31, 2022. The decrease in depreciation and amortization expense principally relates to capital investments for new and remodeled showrooms.

Interest income (expense), net

Interest income was $0.4 million and less than $0.1 million for the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively. Interest income earned on the Company's cash and cash equivalents balances was favorable from higher interest rates compared to the prior year period.

Benefit (provision) for income taxes

Income tax benefit was less than $0.1 million for the thirteen weeks ended July 30, 2023, compared to income tax expense of $2.3 million for the thirteen weeks ended July 31, 2022. The change in provision is primarily driven by the Company generating net loss before taxes of $0.6 million and net income before taxes of $8.1 million for the thirteen weeks ended July 30, 2023 and July 31, 2022, respectively.

Twenty-six weeks ended July 30, 2023 compared to the twenty-six weeks ended July 31, 2022

Net sales

Net sales increased $17.8 million, or 6.4%, to $295.7 million in the twenty-six weeks ended July 30, 2023 as compared to $277.9 million in the twenty-six weeks ended July 31, 2022. The increase in overall net sales was driven by growth within our Retail and Ecommerce channels. New customers increased by 15.7% in the twenty-six weeks ended July 30, 2023 as compared to 15.4% in the twenty-six weeks ended July 31, 2022. We had 223 and 174 total showrooms as of July 30, 2023 and July 31, 2022, respectively. We opened 34 additional showrooms, closed 3 showrooms and 3 kiosks, and did not remodel any showrooms in the twenty-six weeks ended July 30, 2023. In comparison, we opened 22 showrooms, 6 kiosks and did not close or remodel any showrooms in the twenty-six weeks ended July 31, 2022. Showroom net sales increased $8.1 million, or 4.7%, to $181.8 million in the twenty-six weeks ended July 30, 2023 as compared to $173.7 million in the twenty-six weeks ended July 31, 2022. This increase was due in large part to comparable sales increase of $7.3 million, or 5.3%, to $144.6 million in the twenty-six weeks ended July 30, 2023, compared to $137.3 million in the twenty-six weeks ended July 31, 2022, related to higher point of sales transactions with lower promotional discounting and the addition of 54 new showrooms and 5 less kiosks. These increases are partially offset by higher unshipped orders as of July 30, 2023 as compared to July 31, 2022 due to promotional timing. Point of sales transactions represent orders placed through our showrooms which does not always reflect the point at which control transfers to the customer, which occurs upon shipment being confirmed. See Note 2 to the condensed financial statements. We believe point of sales transactions is a more accurate way to measure showroom performance and how our showroom associates are incentivized. Retail sales per selling square foot decreased $353, or 27.8%, to $915 in the twenty-six weeks ended July 30, 2023 as compared to $1,268 in the twenty-six weeks ended July 31, 2022. Total number of units sold at point of transaction also decreased by approximately 14.5% driven by lower productivity related to inflationary concerns. Internet net sales (sales made directly to customers through our ecommerce channel) increased $14.9 million, or 22.3%, to $81.7 million in the twenty-six weeks ended July 30, 2023 as compared to $66.8 million in the twenty-six weeks ended July 31, 2022 driven by a strong promotional campaigns. Other net sales, which include pop-up-shop sales, shop-in-shop sales, and barter inventory transactions decreased $5.1 million, or 13.8%, to $32.3 million in the twenty-six weeks ended July 30, 2023 as compared to $37.4 million in the twenty-six weeks ended July 31, 2022. This decrease was principally due to timing of inventory barter transactions coupled with lower productivity of our temporary online pop-up-shops on Costco.com partially offset by 187

Costco in store pop-up-shops that we did not have last year. We also opened 3 additional Best Buy shop-in-shop location compared to the prior year period.

Gross profit

Gross profit increased $17.9 million, or 12.3%, to $163.0 million in the twenty-six weeks ended July 30, 2023 from $145.1 million in the twenty-six weeks ended July 31, 2022. Gross margin increased to 55.1% of net sales in the twenty-six weeks ended July 30, 2023 from 52.2% of net sales in the twenty-six weeks ended July 31, 2022. The increase in gross margin percentage of 290 basis points was primarily driven by a decrease of approximately 380 basis points in total distribution and related tariff expenses, partially offset by a decrease of 90 basis points in product margin driven by higher promotional discounting. The decrease in total distribution and related tariff expenses over prior year is principally related to the positive impact of 540 basis points decrease in inbound transportation costs partially offset by 160 basis points in higher outbound transportation and warehousing costs.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $26.7 million, or 28.4%, to $120.4 million in the twenty-six weeks ended July 30, 2023 as compared to $93.7 million in the twenty-six weeks ended July 31, 2022. The increase in selling, general and administrative expenses was primarily related to an increase in employment costs, overhead expenses, selling related expenses and rent. Employment costs increased by $11.7 million driven by an increase in new hires. Overhead expenses increased $8.4 million mainly consisting of an increase of $3.0 million in professional fees and $5.0 million in other investments in the business to support current and future growth. Rent increased by $2.3 million related to $3.6 million rent expense from our net addition of 49 showrooms partially offset by a $1.3 million reduction in percentage rent. Selling related expenses increased $3.9 million principally due to credit card fees related to the increase in net sales and an increase in credit card rates. Selling, general and administrative expenses were 40.7% of net sales in the twenty-six weeks ended July 30, 2023, an increase of 700 basis points as compared to 33.7% of net sales in the twenty-six weeks ended July 31, 2022.

Advertising and Marketing

Advertising and marketing expenses increased $8.4 million, or 24.2%, to $43.4 million for the twenty-six weeks ended July 30, 2023 as compared to $35.0 million in the twenty-six weeks ended July 31, 2022. The majority of the increase in advertising and marketing dollars relates to the ongoing investments in marketing spends to support our net sales growth. The investment by quarter may vary greatly. Advertising and marketing expenses were 14.7% of net sales in the twenty-six weeks ended July 30, 2023 as compared to 12.6% of net sales in the twenty-six weeks ended July 31, 2022.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.1 million, or 1.7%, to $5.8 million in the twenty-six weeks ended July 30, 2023 as compared to $5.7 million in the twenty-six weeks ended July 31, 2022. The increase in depreciation and amortization expense principally relates to capital investments for new and remodeled showrooms.

Interest income (expense), net

For the twenty-six weeks ended July 30, 2023, interest income was $0.7 million compared to interest expense of less than $0.1 million for the twenty-six weeks ended July 31, 2022. Interest income earned on the Company’s cash and cash equivalents balances was favorable from higher interest rates compared to the prior year period.

Benefit (provision) for income taxes

Income tax benefit was $1.3 million for the twenty-six weeks ended July 30, 2023, compared to income tax expense of $2.9 million for the twenty-six weeks ended July 31, 2022. The change in provision is primarily driven by the Company generating net loss before taxes of $6.0 million and net income before taxes of $10.6 million for the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

Liquidity and Capital Resources

General

Our business relies on cash flows from operations, our revolving line of credit (see “Revolving Line of Credit” below) and securities issuances as our primary sources of liquidity. Our primary cash needs are for marketing and advertising, inventory, payroll, showroom rent, capital expenditures associated with opening new showrooms and updating existing showrooms, as well as investments in our future and information technology. The most significant components of our working capital are cash and cash equivalents, merchandise inventory, prepaid expenses, accounts payable, accrued expenses, and customer deposits. Borrowings generally increase in our third fiscal quarter as we prepare to build our inventory levels in preparation for the fourth quarter holiday selling season. We believe that cash expected to be generated from operations, the availability under our revolving line of credit and our existing cash balances are sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months.

Cash Flow Analysis

A summary of operating, investing, and financing activities during the periods indicated are shown in the following table:

Condensed Statement of Cash flow Data:

	Twenty-six weeks ended	
(amounts in thousands)	July 30, 2023	July 31, 2022
Net cash provided by (used in) operating activities	$ 27,344	$ (62,890)
Net cash used in investing activities	(12,521)	(10,125)
Net cash used in financing activities	(3,640)	(1,725)
Net change in cash and cash equivalents	11,183	(74,740)
Cash and cash equivalents at the end of the period	54,716	17,652

Net cash provided by (used in) operating activities

Cash from operating activities consists primarily of net income adjusted for certain non-cash items, including depreciation and amortization, equity-based compensation, non-cash operating lease cost, and deferred income taxes and the effect of changes in working capital and other activities.

In the twenty-six weeks ended July 30, 2023, net cash provided by operating activities was $27.3 million and consisted of changes in operating assets and liabilities of $14.5 million, net loss of $4.8 million, and adjustments to reconcile net income to cash provided by operating activities of $17.6 million. Net cash provided by working capital and other activities consisted primarily of decreases in merchandise inventories of $14.7 million and trade accounts receivable of $1.1 million, and increases in customer deposits of $5.5 million and accounts payable and accrued expenses of $3.1 million, partially offset by increases in other assets of $3.5 million and prepaid expenses and other current assets of $0.5 million, and a decrease in operating lease liabilities of $5.8 million.

In the twenty-six weeks ended July 31, 2022, net cash used in operating activities was $62.9 million and consisted of changes in operating assets and liabilities of $89.6 million, net income of $7.6 million, and adjustments to reconcile net income to cash used in operating activities of $19.0 million. Net cash used in working capital and other activities consisted primarily of increases in merchandise inventories of $37.2 million, trade accounts receivable of $0.4 million, and prepaid expenses and other current assets of $16.5 million, along with decreases in accounts payable and accrued expenses of $18.5 million, operating lease liabilities of $10.1 million, and customer deposits of $6.8 million.

Net cash used in investing activities

Investing activities consist primarily of investments related to capital expenditures for new showroom openings, the remodeling of existing showrooms, and the acquisition of intangible assets.

For the twenty-six weeks ended ended July 30, 2023 and July 31, 2022, capital expenditures were $12.5 million and $10.1 million, respectively, mainly as a result of investments in new showrooms.

Net cash used in financing activities

Financing activities consist primarily of taxes paid for the net settlement of equity awards and payment of deferred financing costs.

For the twenty-six weeks ended ended July 30, 2023 and July 31, 2022, net cash used in financing activities was $3.6 million and $1.7 million, respectively, mostly due to taxes paid for the net share settlement of equity awards.

Revolving Line of Credit

On March 25, 2022, the Company amended our existing credit agreement providing for an asset-based revolving credit facility with the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent. The maturity date of our credit agreement was extended to March 25, 2024 and, among other things, the maximum revolver commitment was increased from $25.0 million to $40.0 million, subject to borrowing base and availability restrictions. Our credit agreement includes a $1,000,000 sublimit for the issuance of letters of credit and a $4,000,000 sublimit for swing line loans. On March 24, 2023, the Company amended the credit agreement to extend the maturity date to September 30, 2024. All other terms of the credit agreement remain unchanged. As of July 30, 2023, the Company's borrowing availability under the line of credit was $36.0 million. As of July 30, 2023, there were no borrowings outstanding on this line of credit.

We are required to pay a commitment fee of 0.30% based on the daily unused portion of the credit facility. Amounts outstanding under the credit facility, at our option, bear interest at either a base rate or a term secured overnight term rate ("SOFR") based rate, plus, in either case, a margin determined by reference to our quarterly average excess availability under the credit facility and ranging from 0.50% to 0.75% for borrowings accruing interest at base rate and from 1.625% to 1.850% for borrowings accruing interest at term SOFR. Swing line loans will at all times accrue interest at a base rate plus the applicable margin. The lower margins described above will apply initially and will adjust thereafter from time to time based on the quarterly average excess availability under the credit facility. For additional information regarding our line of credit with Wells Fargo, see **Note 7. Financing Arrangements.**

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of July 30, 2023, except for employment agreements entered in the ordinary course of business.

Critical Accounting Policies and Estimates

The discussion and analysis of financial condition and results of operations is based upon our condensed financial statements, which have been prepared in conformity with GAAP. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Please see Note 1 to our financial statements included in the Annual Report on Form 10-K/A for the fiscal year ended January 29, 2023 for a complete description of our significant accounting policies. There have been no material changes to the significant accounting policies during the twenty-six weeks ended July 30, 2023.

Recent Accounting Pronouncements

Refer to Note 1. Basis of Presentation and Summary of Significant Accounting Policies, contained in the Condensed Notes to Financial Statements in Item 1 of Part 1 of this Quarterly Report on Form 10-Q for a full description of the recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to a variety of risks, including fluctuations in interest rates, that could affect our financial position and results of operations.

Interest Rate Risk

Cash and cash equivalents and short-term investments were held primarily in cash deposits, certificates of deposit, money market funds and investment grade corporate debt. The fair value of our cash, cash equivalents and short-term investments will fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest.

Interest on the revolving line of credit incurred pursuant to the credit agreements described herein would accrue at a floating rate based on a formula tied to certain market rates at the time of occurrence; however, we do not expect that any changes in prevailing interest rates will have a material impact on our results of operations.

Inflation

In fiscal year 2023, we saw inflationary pressures across various parts of our business and operations, including, but not limited to, wholesale cost inflation and rising costs across our supply chain. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to be subject to more significant inflationary pressures, we may not be able to fully offset such higher costs through price increases or other cost efficiency measures. Our inability or failure to do so could harm our business, financial condition and results of operations.

Liquidity Risk

In response to the global bank failures in 2023 we have reinforced our commitment to maintaining a strong balance sheet and minimizing potential liquidity risk. We have taken numerous steps to ensure we partner with strong banking financial institutions to help reduce the risk of exposure to any failing institution while also allowing us to ensure the ability to access the credit markets through our existing credit agreement. In addition, as of July 30, 2023, we have not identified any major customer or supplier that had been materially impacted by the recent bank failures

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of July 30, 2023.

Based on such evaluation, management identified certain material weaknesses in our internal control over financial reporting which was also disclosed in our Form 10-K/A. As a result of these material weaknesses, management concluded that our disclosure controls and procedures were not effective as of July 30, 2023.

Previously Reported Material Weaknesses in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). As reported in our Form 10-K/A, we did not maintain effective internal control over financial reporting as of January 29, 2023, as a result of material weaknesses in the control environment and control activities areas. A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Refer to our 2023 Form 10-K/A for a description of our material weaknesses.

Ongoing Remediation Efforts to Address Material Weaknesses

Our material weaknesses were not remediated as of July 30, 2023. Our Board of Directors and management are committed to the continued implementation of remediation efforts to address the material weaknesses. Management is devoting substantial resources to the ongoing implementation of remediation efforts to address the material weaknesses described herein. These remediation efforts, summarized below, which either have already been implemented or are continuing to be implemented, are intended to address both the identified material weaknesses and to enhance the Company's overall internal control over financial reporting and disclosure controls and procedures.

Certain organizational enhancements and remedial actions have been completed, including:

(i) the appointment of a new Executive Vice President and Chief Financial Officer effective June 30, 2023, as part of our program to develop and implement effective internal controls over financial reporting, and enhance the accounting and financial reporting function; (ii) the replacement and hiring of additional accounting and finance resources with public company experience to expand the knowledge of GAAP and SEC accounting rules and regulations; and (iii) the engagement of third-party consultants to assist in enhancing processes and policies over the existing controls and implementing new controls.

The Company has further identified and begun to implement several additional remedial actions, as follows:

(i) the enhancement of the policy on manual journal entries, including clarification of review and approval of authorization matrices, and training of requisite personnel to provide for appropriate levels of oversight and monitoring; and (ii) the enhancement of the Company's organizational structure over all finance functions and evaluating and realigning roles and responsibilities of management and personnel.

The Company also intends to enhance and implement effective control activities that contribute to the mitigation of risks and establish procedures that put policies into action. This will include: (i) enhancing, designing and implementing controls over the transportation accrual and estimation process; (ii) leveraging systems and workflows to enhance existing controls around financial reporting, and (iii) providing relevant training on internal controls over financial reporting to control owners and control preparers.

Management believes the foregoing efforts will effectively remediate the material weaknesses described above. As the Company continues to evaluate and improve its internal control over financial reporting and disclosure controls and procedures, management may determine to take additional measures to improve controls or determine to modify the remediation plan described above. The Company is working to remediate the material weaknesses as efficiently and effectively as possible with the goal of remediating each of the material weaknesses described above as soon as possible. Procedures to implement this remediation plan have to date required significant amounts of time, allocation of internal resources and external costs, and remaining remediation efforts will continue to place significant demands on financial and operational resources until this plan is completed.

Changes in Internal Control Over Financial Reporting

Other than as described above in connection with our material weaknesses, there were no changes in our internal control over financial reporting that occurred during the quarter ended July 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding our legal proceedings, see *Note 6. Commitments and Contingencies*, included in Part I, Item 1, *Unaudited Condensed Financial Statements*, of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Company's Amendment No. 1 to Annual Report on Form 10-K/A for the fiscal year ended January 29, 2023, filed with the SEC on November 2, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

During the thirteen weeks ended July 30, 2023, 281,750 warrants were exercised on a cashless basis by the holder of the warrants. As a result, the Company issued 74,592 shares of the Company's common stock. The Company did not receive any proceeds from the cashless exercise of the warrants.

The above securities were issued in reliance upon an exemption from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Table of Contents

Item 6. Exhibits

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Dated Filed
10.1+	Amendment No. 1 to The Lovesac Company Second Amended and Restated 2017 Equity Incentive Plan	8-K	10.1	06/02/2023
10.2+	Employment Agreement between the Company and Keith Siegner, dated June 1, 2023	8-K	10.1	06/07/2023
10.3+	Offer Letter between the Company and Keith Siegner, dated May 12, 2023	8-K	10.2	06/07/2023
10.4+	Senior Strategic Advisor Agreement between the Company and Donna Dellomo, dated June 30, 2023	Filed herewith.		
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
101.INS	XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			

+ Indicates a management contract or compensatory plan.

* This certification is deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Lovesac Company

	By:	/s/ Shawn Nelson
Date: November 3, 2023		Shawn Nelson Chief Executive Officer (Principal Executive Officer)
	By:	/s/ Keith Siegner
Date: November 3, 2023		Keith Siegner Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.4

SENIOR STRATEGIC ADVISOR AGREEMENT

This SENIOR STRATEGIC ADVISOR AGREEMENT (the "Agreement") is entered into effective June 30, 2023 ("Effective Date"), between The Lovesac Company, a Delaware corporation, located at Two Landmark Square, Suite 300, Stamford, CT 06901 (the "Company"), and Donna Dellomo (the "Consultant," and collectively with the Company, the "Parties").

WHEREAS, the Company desires to engage Consultant to provide consulting services, upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, the Consultant has agreed to provide such consulting services, upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties hereto agree as follows:

1. Services. Consultant shall perform strategic advisory services and provide related deliverables for the Company (the "Services") on a non-exclusive basis, as set forth in Schedule A. In the event of any conflict between Schedule A and this Agreement, the terms of this Agreement shall control except as expressly provided in Schedule A. Consultant shall be solely responsible for obtaining all licenses, permits, or certificates required to carry out the Services.

2. Duties, Term, and Compensation. The Consultant's duties, term of engagement, compensation and provisions for payment thereof are detailed in Schedule A, attached hereto and made a part hereof, as may be amended in writing from time to time upon mutual agreement of the Parties.

3. Expenses. During the term of this Agreement, the Consultant shall bill the Company monthly, and the Company shall reimburse the Consultant monthly, for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder in accordance with the Company's travel and expense policy.

4. Confidentiality. The Consultant acknowledges that during the term of this Agreement Consultant will have access to and become acquainted with Confidential Information of the Company. "Confidential Information" shall mean any information disclosed by the Company to the Consultant including without limitation, all information disclosed in connection with this Agreement and the services performed hereunder, proposals, strategic plans, trade secrets, intellectual property, employee information, strategic plans, forecasts, projections, financial information, product development plans, business development activity, business plans, business systems and techniques, proprietary technology, manufacturing processes and methods, patterns, spec sheets, tech packages, pictures, samples, source code, software, marketing plans, supplier names and contact information, customer names, customer lists, and/or customer data. The Consultant agrees that Consultant will not disclose any of the aforesaid, directly or indirectly, or use any of them in any manner, either during the term of this Agreement or at any time thereafter, except as required in the course of this engagement with the Company. All files, records, documents, blueprints, specifications, information, letters, notes, media lists, original

artwork/creative, notebooks, and similar items relating to the business of the Company, whether prepared by the Consultant or otherwise coming into Consultant's possession, shall remain the exclusive property of the Company. The Consultant shall not retain any copies of the foregoing without the Company's prior written permission. Upon the expiration or earlier termination of this Agreement, or whenever requested by the Company, the Consultant shall immediately deliver to Mary Fox at mary@lovesac.com or, with respect to any such items that are physical copies or items, in person, all such files, records, documents, specifications, information, and other items in Consultant's possession or under Consultant's control.

5. Conflicts of Interest. The Consultant represents that Consultant is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Consultant and any third party. Further, the Consultant, in rendering duties shall not utilize any invention, discovery, development, improvement, innovation, or trade secret in which Consultant does not have a proprietary interest. During the term of this Agreement, the Consultant shall devote as much of Consultant's productive time, energy, and abilities to the performance of Consultant's duties hereunder as is necessary to perform the required duties in a timely and productive manner.

6. Indemnification. Each Party ("Indemnitor") shall defend, indemnify and hold the other Party ("Indemnitee") harmless against any third-party allegations, liabilities, claims, losses, expenses (including reasonable attorneys' fees and disbursements), or claims to the extent arising from or relating to any actual or alleged (a) negligence, misconduct or intentional acts or omissions of Indemnitor or its employees, agents or contractors; (b) breach of any provision of, or representation in, this Agreement by the Indemnitor or its employees, agents or contractors, (c) violation of applicable laws by Indemnitor or its employees, agents or contractors; or (d) infringement or misappropriation or unauthorized use of the intellectual property rights of any third-party by Indemnitor or its employees, agents or contractors.

The Indemnitee shall promptly notify the Indemnitor if it becomes aware of a situation that is likely to give rise to an indemnification obligation under this Agreement ("Claim"). If the Indemnitor agrees in writing to defend, indemnify and hold the Indemnitee harmless in full with respect to the Claim, then the Indemnitor shall have the right, at its sole expense, to select counsel and to control any litigation or other proceeding in connection with the Claim including the settlement, provided however, that the Indemnitor must obtain the Indemnitees consent to the settlement of the Claim. If the Indemnitee chooses to retain independent legal counsel, the fees for such independent legal counsel shall be the responsibility of the Indemnitee, but such decision shall have no impact on the Indemnitor's obligations under this Section.

IN NO OTHER EVENT SHALL EITHER PARTY BE LIABLE, FOR CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE, SPECIAL, MULTIPLE, OR INDIRECT DAMAGES OF ANY KIND EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGES.

7. Notice to Company. Consultant agrees to provide the Company with advance written notice prior to commencing to directly or indirectly participating in, consulting with, rendering services for or in any manner engaging in any business competing with the businesses of the Company or its subsidiaries as such businesses exist or are in process or being planned during the term of this Agreement, within any county in which the Company or its subsidiaries have operating locations,

leases, options to lease or acquire property, or definitive plans known to the Consultant during the term of this Agreement, or otherwise accepting any other roles or consulting engagements.

8. Non-Disparagement. During the term of the Agreement and thereafter, without limitation of time, Consultant shall not at any time make, publish or communicate to any person or entity any Disparaging (as defined below) remarks, comments or statements concerning Company, any other equity holders of the Company, or any affiliates of any of the foregoing. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity, morality, business acumen or abilities of the individual or entity being disparaged.

9. Independent Consultant. This Agreement shall not render the Consultant an employee, partner, agent of, or joint venturer with the Company for any purpose. The Consultant is and will remain an independent Consultant in Consultant's relationship to the Company. The Company shall not be responsible for withholding taxes with respect to the Consultant's compensation hereunder. The Consultant shall have no claim against the Company hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind.

10. Representations and Warranties. Consultant represents, warrants, and acknowledges as follows:

(a) The Company only retains the right to direct the results achieved by Consultant. The Company does not retain the right to control the manner and means by which these results are to be accomplished, nor will the Company establish a quality standard for Consultant; provided, however, that Consultant shall perform the Services using Consultant's best efforts in a manner consistent with professional industry standards.

(b) Consultant shall determine how to perform Services under this Agreement.

(c) The Company will neither provide nor require more than minimal training for Consultant.

(d) Consultant's Services shall not be integrated into the Company's general business operations.

(e) Consultant will remain directly responsible for the Services performed and will ensure that the work meets the specifications set forth by the Company.

(f) Consultant shall not be required to submit regular written reports, but the Company shall periodically review Consultant's progress in achieving the goals set forth by the Company.

(g) Consultant understands that Consultant must obtain and keep current, at Consultant's own expense, all permits, certificates, and licenses necessary for Consultant to perform the Services, if any.

(h) Consultant has full power, authority, and capacity to enter into this Agreement and to perform Consultant's obligations hereunder. This Agreement has been voluntarily executed by Consultant and constitutes a valid and binding agreement of Consultant.

(i) The Company will not dictate the time of performance; however, Consultant and the Company may agree upon a completion schedule and a range of mutually agreeable work hours.

(j) Consultant has read this Agreement and has had the opportunity to have this Agreement reviewed by Consultant's legal counsel.

11. Successors and Assigns. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, if any, successors, and assigns.

12. Choice of Law. The laws of the state of Connecticut shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto.

13. Headings. Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.

14. Waiver. Waiver by one Party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.

15. Assignment. The Consultant shall not assign any of her rights under this Agreement or delegate the performance of any of her duties hereunder, without the prior written consent of the Company.

16. Notices. Any and all notices, demands, or other communications required or desired to be given hereunder by any Party shall be in writing and shall be validly given or made to another Party if personally served, or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given five days after deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as follows:

if to the Company, at:

The Lovesac Company
2 Landmark Square, Suite 300
Stamford, CT 06901
Attention: Head of People Department

Copy to:

The Lovesac Company
2 Landmark Square, Suite 300
Stamford, CT 06901
Attention: General Counsel
legal@lovesac.com

if to the Consultant, to the Consultant at:

Any Party hereto may change its address for purposes of this paragraph by written notice given in the manner provided above.

17. Modification or Amendment. No amendment, change or modification of this Agreement shall be valid unless in writing signed by the Parties hereto.

18. Entire Understanding. This document and any exhibit attached constitute the entire understanding and agreement of the Parties, and any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.

19. Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.

20. Authority. Consultant represents that she has the authority necessary to enter into this Agreement and neither the execution nor the delivery of this Agreement will immediately or with the passage of time conflict with or result in a breach of any other arrangement to which Consultant is a party.

21. Compliance with Policies and Laws. The Consultant agrees to abide by all the Company's policies and procedures, including without limitation, the Company's Code of Business Conduct and Ethics, Insider Trading Policy, including all trading window and preclearance requirements. The Consultant also agrees to abide by all laws applicable to the Company, in each jurisdiction that it does business, including without limitation securities and regulations governing publicly traded companies.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above. The Parties hereto agree that facsimile signatures shall be as effective as if originals.

THE LOVESAC COMPANY	CONSULTANT
By: /s/ Mary Fox	By: /s/ Donna Dellomo
Mary Fox	Donna Dellomo
President and Chief Operating Officer	
Date: June 30, 2023	Date: June 29, 2023

Exhibit 10.4

SCHEDULE A

SERVICES, TERM, AND COMPENSATION

SERVICES: The Consultant will perform the following services during the term of the Agreement remotely with travel to the Company's Stamford, Connecticut headquarter upon request and approval by Mary Fox, President and Chief Operating Officer:

- Assist with strategic financial plans, structure and projects;
- Assist the President and COO with investor inquiries and board of director's support, including attendance at board meetings, upon request;
- Assist in transition activities; and
- Provide knowledge share for financials, controls audits and investors, and all handover topics.

The Company will accept and maintain all responsibility for its day-to-day accounting and bookkeeping functions and preparation of its financial statements during the term of the Agreement.

REPORTING: Consultant will report directly to Mary Fox, President and Chief Operating Officer, and, upon mutual agreement of the parties, to any other officer or director of the Company designated by Ms. Fox in connection with the performance of the services under this Agreement and shall fulfill any other services reasonably requested by the Company and agreed to by the Consultant.

TERM: This Agreement shall commence on June 30, 2023 and shall continue in full force and effect for twelve (12) months following the Effective Date (the "Term"), subject to the terms set forth in this Agreement and accompanying Schedule A. Following the expiration of the Term, the parties may agree to an extension upon mutually agreeable terms.

TERMINATION: This Agreement and the Term, may be earlier terminated by Consultant upon sixty (60) days prior written notice to the Company, or by Company upon sixty (60) days prior written notice to the Consultant. If the Company terminates the Agreement prior to the expiration of the Term, Consultant shall continue to be paid the balance of the remaining Monthly Retainer payments through the remaining Term on the same schedule as such Monthly Retainer payments would have been made without regard to such termination, subject to Consultant timely executing and not revoking the Supplement Release Agreement (the "Supplemental Release"). If Consultant terminates the Agreement prior to the expiration of the Term, the Company shall pay Consultant any accrued but unpaid portion of the Monthly Retainer through the end of the month which Consultant provides services and any other vested or accrued but unpaid amounts pursuant to the terms of this Agreement.

RETAINER: Consultant shall perform the services for up to twenty (20) hours per week, during normal business hours, for two (2) business days as agreed to by the Parties. As compensation for services as a Consultant rendered pursuant to this Agreement, Company shall pay Consultant a monthly retainer of $50,000 ("Monthly Retainer"), payable in arrears on or around the last day of

each month with the first payment due July 31, 2023. Consultant's hours in excess of eighty-six (86) per month shall be billed at $600 per hour.

During the Term, Consultant shall be eligible for a 40% discount on all full-price, non-discounted Company merchandise, and up to a 70% discount on warehouse sale opportunities, subject to applicable policies. The availability and amount of product discounts are subject to change in the Company's discretion.

In performing Consultant's services hereunder, during the Term, Consultant shall be permitted to use all computer equipment provided by the Company in Consultant's possession as of immediately prior to the Effective Date, including monitors, keyboards, printers, and laptops (collectively, the "Equipment"). Upon expiration of the Term, Consultant shall be permitted to retain all such Equipment. The Company shall continue to provide Consultant mobile WIFI hot spot coverage during the Term, at Company's sole cost and expense; provided that, Consultant shall return the mobile hot spot device to the Company upon termination of the Agreement..

During the Term, the Company shall provide Consultant membership to or reimburse Consultant for membership to a CPE learning tool.

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shawn Nelson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Lovesac Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023	Signed:	/s/ Shawn Nelson
	Name:	Shawn Nelson
	Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keith Siegner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Lovesac Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

Signed:	/s/ Keith Siegner
Name:	Keith Siegner
Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shawn Nelson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of The Lovesac Company for the thirteen weeks ended July 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: November 3, 2023	Signed:	/s/ Shawn Nelson
	Name:	Shawn Nelson
	Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keith Siegner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of The Lovesac Company for the thirteen weeks ended July 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: November 3, 2023	Signed:	/s/ Keith Siegner
	Name:	Keith Siegner
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)