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

FORM 10-K/A
(Amendment No. 2)

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

For the fiscal year ended January 29, 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

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

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

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

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

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

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

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

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

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

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

As of July 29, 2022 (last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common stock held by non-affiliates of the Registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) was approximately $439,821,967.

As of March 15, 2023, there were15,195,566 shares of common stock, $0.00001 par value per share, outstanding.

EXPLANATORY NOTE

The Lovesac Company ("Lovesac", the "Company", "we", "our" and similar terms) is filing this Amendment No. 2 on Form 10-K/A ("Amendment No. 2") to amend the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2023 (the "Original 10-K"), originally filed with the Securities and Exchange Commission ("SEC") on March 29, 2023, as amended by Amendment No. 1 on Form 10-K/A ("Amendment No. 1") filed on November 2, 2023, solely to include certain footnote disclosures to our audited restated annual financial statements as of and for the year ended January 29, 2023 (the "Restated Financial Statements"), that were included in the audited financial statements in the Original 10-K, but were inadvertently omitted from the Restated Financial Statements included in Part II, Item 8 of Amendment No. 1.
The restatement is further described in Amendment No. 1 and in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements to the Restated Financial Statements in Part II. Item 8 contained herein.

In accordance with applicable SEC rules, this Amendment No. 2 includes new certifications specified in Rule 13a-14 under the Exchange Act from our Chief Executive Officer and Chief Financial Officer dated as of the date of this filing. This Amendment No. 2 also contains a new consent of each of Deloitte & Touche LLP ("Deloitte"), the Company's independent registered public accounting firm, and Marcum LLP ("Marcum"), the Company's prior independent registered public accounting firm.

Except as described above, no other amendments are being made to the Original 10-K, as amended by Amendment No. 1. This Amendment No. 2 does not reflect events occurring after the filing of the Original 10-K, as amended by Amendment No. 1, or modify or update the disclosure contained therein in any way other than as required to reflect the amendments discussed above.

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PART II.

Item 8. Financial Statements and Supplementary Data.

The Company’s financial statements are contained in the pages beginning on F-1, which appear at the end of this Annual Report on Form 10-K/A.

PART IV.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. Financial Statements (see Part II, **Item 8. Financial Statements and Supplementary Data**)

2. Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

3. Exhibits

See the Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Dated Filed
2.1	Assignment and Assumption Agreement	S-1	2.1	4/20/2018
3.1	Amended and Restated Certificate of Incorporation	8-K	3.1	6/7/2021
3.2	Amended and Restated Bylaws	S-1/A	3.2	6/8/2018
4.1	Form of Amended and Restated Series A Warrant Agreement	S-1/A	4.2	5/23/2018
4.2	Form of Amended and Restated Series A-1 Warrant Agreement	S-1/A	4.3	5/23/2018
4.3	Form of Amended and Restated Series A-2 Warrant Agreement	S-1/A	4.4	5/23/2018
4.4	Form of Representative's Warrant	S-1/A	4.4	6/25/2018
4.5	Description of the Company's securities registered pursuant to Section 12 of the Exchange Act of 1934	10-K	4.5	3/29/2023
10.1†	Wells Fargo Credit Agreement	S-1	10.1	4/20/2018
10.2†	Amendment No. 6 to Credit Agreement between The Lovesac Company and Wells Fargo Bank, N.A.	10-K	10.2	3/30/2022
10.3±	Second Amended and Restated 2017 Equity Incentive Plan	10-Q	10.1	6/8/2022
10.4±	Form of Restricted Stock Units Agreement	S-1/A	10.3	5/23/2018
10.5	Amended and Restated Registration Rights Agreement	S-1	10.5	4/20/2018
10.6±	Employment Agreement dated October 26, 2017, by and between The Lovesac Company and Shawn Nelson	S-1	10.6	4/20/2018
10.7±	Employment Agreement dated October 26, 2017, by and between The Lovesac Company and Jack Krause	S-1	10.7	4/20/2018
10.8±	Employment Agreement dated October 26, 2017, by and between The Lovesac Company and Donna Dellomo	S-1	10.8	4/20/2018
10.9±	First Amendment to Employment Agreement dated October 2, 2019, by and between The Lovesac Company and Shawn Nelson	10-K	10.8	4/14/2021
10.10±	First Amendment to Employment Agreement dated October 2, 2019, by and between The Lovesac Company and Jack Krause	10-K	10.9	4/14/2021
10.11±	First Amendment to Employment Agreement dated October 2, 2019, by and between The Lovesac Company and Donna Dellomo	10-K	10.1	4/14/2021
10.12±	Second Amendment to Employment Agreement dated November 9, 2021, by and between The Lovesac Company and Jack A. Krause	8-K	10.2	11/12/2021
10.13±	Employment Agreement between The Lovesac Company and Mary Fox, dated September 30, 2021	8-K	10.1	11/12/2021
10.14±	Second Amendment to Employment Agreement dated March 24, 2022, by and between The Lovesac Company and Shawn Nelson	10-K	10.14	3/30/2022
10.15±	Second Amendment to Employment Agreement dated March 24, 2022, by and between The Lovesac Company and Donna Dellomo	10-K	10.15	3/30/2022

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Dated Filed
10.16±	Amended and Restated Employment Agreement dated March 23, 2023, by and between The Lovesac Company and Shawn Nelson	10-K	10.16	3/29/2023
10.17±	Offer Letter between The Lovesac Company and Mary Fox, dated September 30, 2021	8-K	10.3	11/12/2021
10.18±	Mary Fox Resignation Letter from Board of Directors, dated November 9, 2021	8-K	10.4	11/12/2021
10.19±	Form of Stock Option Award Agreement	10-K	10.11	4/14/2021
10.20±	The Lovesac Company Annual Incentive Compensation Plan	10-Q	10.1	12/9/2021
10.21±	The Lovesac Company Director Compensation Policy	10-K	10.21	3/29/2023
10.22†	Amendment No. 7 to Credit Agreement between The Lovesac Company and Wells Fargo Bank, N.A.	10-K	10.22	3/29/2023
21.1	List of Subsidiaries	10-K	21.1	4/14/2021
23.1	Consent of Deloitte & Touche LLP	Filed herewith.		
23.2	Consent of Marcum LLP	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	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

± Indicates a management contract or compensatory plan.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon its request.

* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (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, as amended (the “Exchange Act”), 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 30, 2023		Shawn Nelson Chief Executive Officer (Principal Executive Officer)
	By:	/s/ Keith Siegner
Date: November 30, 2023		Keith Siegner Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

THE LOVESAC COMPANY

FINANCIAL STATEMENTS

AS OF JANUARY 29, 2023 AND JANUARY 30, 2022 AND FOR THE YEARS ENDED JANUARY 29, 2023, JANUARY 30, 2022, AND JANUARY 31, 2021

THE LOVESAC COMPANY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Lovesac Company

Opinion on the Financial Statements

We have audited the accompanying balance sheet of The Lovesac Company (the "Company") as of January 29, 2023, the related statements of operations, changes in stockholders' equity, and cash flows, for the year ended January 29, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 29, 2023, and the results of its operations and its cash flows for the year ended January 29, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 29, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2023 (November 2, 2023, as to the effects of the material weaknesses described in Management's Annual Report on Internal Control over Financial Reporting (as revised)), which report expressed an adverse opinion on the Company's internal control over financial reporting because of material weaknesses.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Restatement of the 2023 Financial Statements

As discussed in Note 2 to the financial statements, the accompanying 2023 financial statements have been restated to correct for errors.

Critical Audit Matter

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

Barter Arrangements — *Refer to Note 1 to the financial statements*

Critical Audit Matter Description

The Company has a bartering arrangement with a third-party vendor, in which the Company sells returned open-box inventory in exchange for media credits. Barter sale 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 from the Company's 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. For the year ended January 29, 2023, the Company recognized $21.3 million of barter sales in exchange for media credits. The Company recognizes an asset for media credits which is subsequently evaluated for impairment at each reporting period for any changes in circumstances. As of January 29, 2023, the Company had $25.2 million of unused media credits and did not recognize any impairment.

We identified the barter arrangement as a critical audit matter because of the significant estimate and assumptions management makes to determine the transaction price based on the estimated fair value of the non-cash consideration received in exchange for the media credits. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimate of the fair value of the sale transaction price.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to barter arrangement included the following, among others:

- We tested the effectiveness of controls over the determination of the transaction price
- We read the underlying barter transaction agreement
- For a sample of barter sale transactions, we tested that the sale occurred and the estimated fair value of the sale transaction price, as follows:
  - Obtained shipping documents that evidenced the transfer of control of the related inventory
  - Compared management's independent estimate of advertising costs to the actual advertising costs incurred under the barter arrangement from the third-party vendor
  - Compared the transaction price of the inventory sold through the bartering agreement to the transaction price of like inventory sold to other third-party customers
  - Tested the underlying assumptions to management's analysis to determine their ability to utilize media credits by 1) making inquiries of management related to their projected advertising and media spend, 2) performing a lookback analysis of total marketing spend and specific marketing spend with the third-party vendor, and 3) comparing the forecasts to the amounts included in the overall business forecast as communicated to the Board of Directors

/s/ Deloitte & Touche LLP

Stamford, Connecticut
March 29, 2023 (November 2, 2023, as to the effects of the restatement discussed in Note 2)

We have served as the Company's auditor since fiscal 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Lovesac Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Lovesac Company (the "Company") as of January 29, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of January 29, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

In our report dated March 29, 2023, we expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. As described below, material weaknesses were subsequently identified as a result of the restatement of the previously issued financial statements. Accordingly, management has revised its assessment about the effectiveness of the Company's internal control over financial reporting and our present opinion on the effectiveness of the Company's internal control over financial reporting as of January 29, 2023, as expressed herein, is different from that expressed in our previous report.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the financial statements as of and for the year ended January 29, 2023, of the Company and our report dated March 29, 2023, (November 2, 2023, as to the restatement described in Note 2 to the financial statements), expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the restatement.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment:

The errors identified as to the restatement described in Note 2 to the financial statements resulted from material weaknesses in the control environment, as follows:

a. The Company lacked a sufficient number of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, management did not establish formal reporting lines in pursuit of its objectives. Further, the lack of a sufficient number of professionals resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of its financial reporting objectives in its finance and accounting functions. These items collectively led to an ineffective control environment commensurate with its financial reporting requirements.

b. The Company did not maintain appropriate oversight and monitoring activities over accounting processes related to certain accruals and estimates. Specifically, management did not sufficiently promote, monitor or enforce appropriate accounting policies and procedures, thereby resulting in an inappropriate and unsupported adjustments to shipping expenses, including the accrual methodology and estimates for the accurate recording of last mile freight expenses.

The control environment material weaknesses contributed to a material weakness within The Company's system of internal control over financial reporting at the control activity level. The Company did not have control activities that were designed and operating effectively related to establishing controls over journal entries operated by competent personnel to identify and correct, in a timely manner, erroneous manual journal entries, and the shipping accrual process, that when aggregated resulted in a material weakness.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements as of and for the year ended January 29, 2023, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Stamford, Connecticut
March 29, 2023 (November 2, 2023, as to the material weaknesses)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Lovesac Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of The Lovesac Company (the "Company") as of January 30, 2022, the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended January 30, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 30, 2022, and the results of its operations and its cash flows for each of the two years in the period ended January 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of January 30, 2022, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated March 30, 2022, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of a material weakness.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

Accounting for leases in accordance with ASC 842

Description of the matter

As described in Note 1 to the financial statements, the Company changed its method of accounting for leases in 2021 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842), and the related amendments.

The adoption of ASC 842 resulted in the recognition of right-of-use operating lease assets of $90 million and operating lease liabilities of approximately $97 million, and the reclassification of deferred rent of $6.7 million as a reduction of the right-of-use assets as of February 1, 2022. There was no cumulative effect of adopting the standard to retained earnings.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term discounted using the incremental borrowing rate.

Auditing the Company's adoption of ASC 842 was complex and involved subjective auditor judgment because the Company is a party to a significant number of lease contracts and certain aspects of adopting ASC 842 required management to exercise judgment in applying the new standard to its portfolio of lease contracts. In particular, the estimates of the incremental borrowing rate were complex due to the significant management estimates required to determine the appropriate incremental borrowing rate and the resulting impact on the financial statements.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's accounting for the adoption of ASC 842.

This included testing controls over management's review of the incremental borrowing rate and models used to estimate the fair value of the right-of-use asset, including the related data and assumption.

To test the adoption of ASC 842, we performed audit procedures that included, among others, selecting a sample of lease contracts from the overall population to evaluate the completeness, accuracy, and proper application of the accounting standard, testing the accuracy of lease terms within the lease IT system by comparison of the data for a sample of leases to the underlying lease contract, and testing the accuracy of the Company's system calculations of initial operating lease right-of use-assets and operating lease liabilities.

Additionally, we evaluated management's methodology and model for developing the incremental borrowing rate by performing comparative independent calculations.

We have served as the Company's auditor from 2017-2022

/s/ Marcum LLP
Hartford, CT
March 30, 2022, except for Note 2 and the revised disclosures in Notes 5, 6, 7 and 8, for which the date is November 2, 2023.

THE LOVESAC COMPANY

BALANCE SHEETS

JANUARY 29, 2023 AND JANUARY 30, 2022

(amounts in thousands, except share and per share amounts)	2023 (As Restated)	2022 (As Revised)
Assets		
Current Assets		
Cash and cash equivalents	$ 43,533	$ 92,392
Trade accounts receivable	9,103	8,547
Merchandise inventories, net	119,627	108,493
Prepaid expenses and other current assets	15,452	12,299
Total Current Assets	187,715	221,731
Property and equipment, net	52,904	34,137
Operating lease right-of-use assets	135,411	100,891
Other Assets		
Goodwill	144	144
Intangible assets, net	1,411	1,413
Deferred tax asset	8,677	9,721
Other assets	22,364	1,047
Total Other Assets	32,596	12,325
Total Assets	$ 408,626	$ 369,084
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 24,576	$ 33,247
Accrued expenses	25,417	40,859
Payroll payable	6,783	9,978
Customer deposits	6,760	13,316
Current operating lease liabilities	13,075	11,937
Sales taxes payable	5,430	5,359
Total Current Liabilities	82,041	114,696
Operating Lease Liabilities, long term	133,491	96,574
Line of Credit	—	—
Total Liabilities	$ 215,532	$ 211,270
Commitments and Contingencies (See Note 9)		
Stockholders' Equity		
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of Jan 29, 2023 and Jan 30, 2022.	—	—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 15,195,698 shares issued and outstanding as of Jan 29, 2023 and 15,123,338 shares issued and outstanding as of Jan 30, 2022.	—	—
Additional paid-in capital	182,554	173,762
Accumulated earnings (deficit)	10,540	(15,948)
Stockholders' Equity	193,094	157,814
Total Liabilities and Stockholders' Equity	$ 408,626	$ 369,084

The accompanying notes are an integral part of these financial statements

THE LOVESAC COMPANY

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JANUARY 29, 2023, JANUARY 30, 2022, AND JANUARY 31, 2021

(amounts in thousands, except per share data and share amounts)	2023 (As Restated)	2022 (As Revised)	2021
Net sales	$ 651,179	$ 498,239	$ 320,738
Cost of merchandise sold	307,528	224,707	145,966
Gross profit	343,651	273,532	174,772
Operating expenses			
Selling, general and administration expenses	215,979	160,017	111,354
Advertising and marketing	79,864	65,078	41,925
Depreciation and amortization	10,842	7,859	6,613
Total operating expenses	306,685	232,954	159,892
Operating income	36,966	40,578	14,880
Interest expense, net	(117)	(179)	(67)
Net income before taxes	36,849	40,399	14,813
(Provision for) benefit from income taxes	(10,361)	7,089	(86)
Net income	$ 26,488	$ 47,488	$ 14,727
Net income per common share:			
Basic	$ 1.74	$ 3.14	$ 1.01
Diluted	$ 1.66	$ 2.96	$ 0.96
Weighted average number of common shares outstanding:			
Basic	15,198,754	15,107,958	14,610,617
Diluted	15,955,668	16,058,111	15,332,998

The accompanying notes are an integral part of these financial statements

THE LOVESAC COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED JANUARY 29, 2023, JANUARY 30, 2022, AND JANUARY 31, 2021

	Common		Additional Paid-in	Accumulated (Deficit)	Total Shareholders'
(amounts in thousands, except share amounts)	Shares	Amount	Capital	Earnings	Equity
Balance - February 2, 2020	14,472,611	$ —	$ 168,318	$ (78,163)	$ 90,155
Net income	—	—	—	14,727	14,727
Equity-based compensation	—	—	4,681	—	4,681
Issuance of common stock for restricted stock	99,498	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(1,717)	—	(1,717)
Exercise of warrants	439,447	—	100	—	100
Balance - January 31, 2021	15,011,556	$ —	$ 171,382	$ (63,436)	$ 107,946
Net income (As revised)	—	—	—	47,488	47,488
Equity-based compensation	—	—	5,859	—	5,859
Issuance of common stock for restricted stock	100,826	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(3,583)	—	(3,583)
Exercise of warrants	10,956	—	104	—	104
Balance - January 30, 2022 (As Revised)	15,123,338	$ —	$ 173,762	$ (15,948)	$ 157,814
Net income (As restated)	—	—	—	26,488	26,488
Equity-based compensation	—	—	10,450	—	10,450
Issuance of common stock for restricted stock	72,360	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(1,658)	—	(1,658)
Balance - January 29, 2023 (As Restated)	15,195,698	$ —	$ 182,554	$ 10,540	$ 193,094

The accompanying notes are an integral part of these financial statements

THE LOVESAC COMPANY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 29, 2023, JANUARY 30, 2022, AND JANUARY 31, 2021

(amounts in thousands)	2023 (As Restated)	2022 (As Revised)	2021
Cash Flows from Operating Activities			
Net income	$ 26,488	$ 47,488	$ 14,727
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization of property and equipment	10,454	7,154	6,100
Amortization of intangible assets	388	705	513
Amortization of deferred financing fees	164	91	88
Net loss on disposal of property and equipment	45	464	5
Impairment of long-lived assets	—	554	245
Equity-based compensation	10,450	5,859	4,681
Deferred rent	—	—	3,641
Non-cash lease expense	19,265	14,953	—
Deferred income taxes	1,044	(9,721)	—
Gain on recovery of insurance proceeds - lost profit margin	—	(632)	—
Changes in operating assets and liabilities:			
Trade accounts receivable	(555)	(4,034)	2,675
Merchandise inventories	(11,135)	(56,819)	(14,017)
Prepaid expenses and other current assets	3,087	968	(2,060)
Other assets	(20,913)	(1,047)	—
Accounts payable and accrued expenses	(31,338)	38,187	19,584
Operating lease liabilities	(22,263)	(18,845)	—
Customer deposits	(6,556)	7,323	4,339
Net Cash (Used in) Provided by Operating Activities	(21,375)	32,648	40,521
Cash Flows from Investing Activities			
Purchase of property and equipment	(25,242)	(14,615)	(8,374)
Payments for patents and trademarks	(307)	(503)	(678)
Net Cash Used in Investing Activities	(25,549)	(15,118)	(9,052)
Cash Flows from Financing Activities			
Taxes paid for net share settlement of equity awards	(1,658)	(3,583)	(1,717)
Proceeds from the exercise of warrants	—	104	100
Payment of deferred financing costs	(277)	—	(50)
Net Cash Used in Financing Activities	(1,935)	(3,479)	(1,667)
Net Change in Cash and Cash Equivalents	(48,859)	14,051	29,802
Cash and Cash Equivalents - Beginning	92,392	78,341	48,539
Cash and Cash Equivalents - End	$ 43,533	$ 92,392	$ 78,341
Supplemental Cash Flow Disclosures			
Cash paid for taxes	$ 10,670	$ 1,121	$ 86
Cash paid for interest	$ 192	$ 95	$ 85
Non-cash investing activities:			
Asset acquisitions not yet paid for at end of year	$ 4,103	$ 1,370	$ —

The accompanying notes are an integral part of these financial statements

THE LOVESAC COMPANY
NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations

The Lovesac Company (the "Company", "we", "us" or "our") is 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 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 January 29, 2023, the Company operated 195 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 ("SAC LLC"), the predecessor entity to the Company.

Basis of Presentation

The financial statements of the Company as of January 29, 2023 and January 30, 2022 and for the years ended January 29, 2023, January 30, 2022 and January 31, 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission.

Fiscal Year

The Company's fiscal year is determined on a 52/53 week basis ending on the Sunday closest to February 1. Hereinafter, fiscal years ended January 29, 2023, January 30, 2022 and January 31, 2021 are referred to as fiscal 2023, 2022 and 2021, respectively. Fiscal 2023, 2022 and 2021 were 52-week fiscal years.

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.

Revenue Recognition

Our revenue consists substantially of product sales. The Company reports product sales net of discounts and recognized at a point in time when control transfers to the customer, which occurs when products are shipped. The Company excludes from the measurement of the transaction price all taxes assessed by governmental authorities collected from a customer, including sales, use, excise, value-added, and franchise taxes (collectively referred to as sales taxes). The Company applies the practical expedient for contracts with duration of one year or less and therefore does not consider the effects of the time value of money.

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 $159.7 million in fiscal 2023, $112.7 million in fiscal 2022, and $63.1 million in fiscal 2021.

Estimated refunds for returns are recorded using our historical return patterns, adjusting for any changes in returns policies and current product performance. 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 statement of operations and an increase in inventory and customers return liability on the balance sheet. As of January 29, 2023 and January 30, 2022, we recorded a return liability of $4.5 million and $2.0 million within accrued expenses, and a corresponding asset for the net realizable value of inventory to be returned for $1.0 million and $0.4 million, respectively, in merchandise inventories on our Balance Sheet.

In some cases, deposits are received before the Company transfers control, resulting in the recognition of contract liabilities, reported as customer deposits on our Balance Sheet. As of January 29, 2023, and January 30, 2022, the Company recorded customer deposit liabilities the amount of $6.8 million and $13.3 million, respectively. During the years ended January 29, 2023, and January 30, 2022, the Company recognized $13.3 million and $6.0 million related to customer deposits from fiscal 2022 and 2021.

The Company offers its products through showrooms and through the Internet. The other channel predominantly represents sales through the use of online and in store pop-up shops, shop-in-shops, and barter inventory transactions. In store pop-up-shops are staffed with associates trained to demonstrate and sell our product. The following represents sales disaggregated by channel:

(in thousands)	2023 (As Restated)	2022	2021
Showrooms	$ 398,184	$ 298,989	$ 146,150
Internet	176,519	150,622	151,065
Other	76,476	48,628	23,523
Total net sales	$ 651,179	$ 498,239	$ 320,738

The Company has no foreign operations and its sales to foreign countries was less than .01% of total net sales in fiscal 2023, 2022, and 2021.

The Company had no customers in fiscal 2023, 2022, or 2021 that comprise more than 10% of total net sales. See **Note 12. Segment Information** for net 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.

For the year ended January 29, 2023, and January 30, 2022, the Company recognized $21.3 million and $3.5 million, respectively, of barter sales in exchange for media credits. The Company had $25.2 million and $3.4 million of unused media credits as of January 29, 2023, and January 30, 2022, 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.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents. The Company has deposits with financial institutions that maintain Federal Deposit Insurance Corporation “FDIC” deposit insurance up to $250,000 per depositor. The portion of the deposit in excess of this limit represents a credit risk to the Company. Due to the high cash balance maintained by the Company, the Company does maintain depository balances in excess of the insured amounts.

Trade Accounts Receivable, net

Trade accounts receivable are stated at their estimated realizable amount and do not bear interest for which collectability is reasonably assured. Management determines the allowance for doubtful accounts by regularly evaluating individual customer accounts, considering the customer's financial condition, and credit history, and general and industry current economic conditions. Trade accounts receivables are evaluated for collectability on a regular basis and an allowance is recorded, if necessary. Recoveries of amounts previously written off are recorded when received. Historically, collection losses have been immaterial as a significant portion of the Company's receivables are related to individual credit card transactions and two wholesale customers. The Company recognized $0.4 million related to bad debt write-offs for fiscal 2023,and 2022, and recognized $0.8 million for fiscal 2021, respectively.

Breakdown of trade accounts receivable is as follows:

(in thousands)	As of January 29, 2023	As of January 30, 2022
	(As Restated)	
Credit card receivables	$ 4,703	$ 3,186
Wholesale receivables	4,400	5,361
Total trade receivable, net	$ 9,103	$ 8,547

The Company had two wholesale customers that comprised100% of wholesale receivables at January 29, 2023 and January 30, 2022, respectively.

Prepaid Expenses and Other Current Assets

The Company recognizes payments made for goods and services to be received in the near future as prepaid expenses and other current assets. Prepaid expenses and other current assets consist primarily of payments related to insurance premiums, deposits, prepaid rent, prepaid inventory, and other costs.

Merchandise Inventories, net

Merchandise inventories are comprised of finished goods which are carried at the lower of cost or net realizable value. Cost is determined on a weighted-average method basis. Merchandise inventories consist primarily of foam filled furniture, sectional couches, and related accessories. The Company adjusts its inventory for obsolescence based on historical trends, aging reports, specific identification and its estimates of future retail sales prices. In addition, the Company includes capitalized freight and warehousing costs in inventory relative to the finished goods in inventory.

Gift Certificates and Merchandise Credits

The Company sells gift certificates and issues merchandise credits to its customers in the showrooms and through its website. Revenue associated with gift certificates and merchandise credits is deferred until redemption of the gift certificate and merchandise credits. The Company did not recognize any breakage revenue in fiscal 2023, fiscal 2022 or fiscal 2021 as the Company continues to honor all outstanding gift certificates.

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Office and showroom furniture and equipment, software and vehicles are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized using the straight-line method over their expected useful lives or lease term, whichever is shorter.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts, and any resulting gain or loss is reflected in operations for the period. The disposals generally relate to the decommissioning of aged assets, remodeled showrooms, and fixtures used during pop-up-shops. Expenditures for major betterments that extend the useful lives of property and equipment are capitalized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identified net assets of each business acquired. Goodwill and other indefinite-lived intangible assets are tested annually for impairment in the fourth fiscal quarter and in interim periods if certain events occur indicating that the carrying amounts may be impaired. If a qualitative assessment is used and the Company determines that the fair value of a reporting unit or indefinite-lived intangible asset is more likely than not (i.e., a likelihood of more than 50%) less than its carrying amount, a quantitative impairment test will be performed. If goodwill is quantitatively assessed for impairment, a two-step approach is applied. There were no impairments during fiscal 2023, 2022, or 2021.

Intangible Assets, net

Intangible assets with finite useful lives, including patents, trademarks, and other intangible assets are being amortized on a straight-line basis over their estimated lives of10 years, 3 years, and 5 years, respectively. Intangible assets with finite useful lives are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset might not be recovered. There were no impairments during fiscal 2023, 2022, or 2021.

Impairment of Long Lived Assets

Our long-lived assets consist of property and equipment and right-of-use assets from leases. Property and equipment includes leasehold improvements, and other tangible assets. Long-lived assets are reviewed for potential impairment at such time that events or changes in circumstances indicate that the carrying amount of an asset might not be recovered. We evaluate for impairment at the individual showroom level, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we will first compare the carrying amount of the assets to the future undiscounted cash flows for the respective long-lived asset. If the estimated future cash flows are less than the carrying amounts of the assets, an impairment loss is measured as the excess of the carrying value over its fair value. We estimate fair value based on future discounted cash flow based on our historical operations of the showroom and estimates of future showroom profitability and economic conditions. These estimates include factors such as sales growth, gross margin, employment costs, lease escalation, and overall macroeconomic conditions, and are therefore subject to variability. Actual future results may differ from those estimates. If required, an impairment loss is recorded for that portion of the assets' carrying value in excess of fair value.

In fiscal 2023, the Company did not recognize any impairment charges associated with showroom-level right of use lease assets. During fiscals 2022 and 2021, the Company recorded impairment charges of $0.6 million and $0.2 million, respectively, associated with the assets of an underperforming retail locations. The impairments were recorded in selling, general and administrative in the Company's Statements of Operations.

Product Warranty

Depending on the type of merchandise, the Company offers either a three-year limited warranty or a lifetime warranty. The Company's warranties require it to repair or replace defective products at no cost to the customer. At the time product revenue is recognized, the Company reserves for estimated future costs that may be incurred under its warranties based on historical experience. The Company periodically reviews the adequacy of its recorded warranty liability. Product warranty expense, without any reserve adjustments, was approximately $0.7 million, $0.5 million, and $0.7 million in fiscal 2023, 2022, and 2021. The increase in fiscal 2023 is related to an increase in warranty claims related to an increase in net sales. Warranty reserve was $0.7 million as of January 29, 2023 and January 30, 2022.

Leases

The Company adopted Accounting Standards Update (ASU) No.2016-02, *Leases* (ASC 842) during fiscal 2022. The Company leases its office, warehouse facilities and retail showrooms under operating lease agreements which expire at various dates through January 2034. Leases with an initial term of twelve months or less are not recorded on the balance sheet and are expensed on a straight-line basis over the lease term in the Statements of Operations.

The Company determines if a contract contains a lease at inception based on our right to control the use of an identified asset and our right to obtain substantially all of the economic benefits from the use of that identified asset. Operating right-of-use assets represents the right to use an underlying asset pursuant to the lease for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, both of which are recognized based on the present value of future minimum lease payments over the lease term at the commencement date, Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received. We combine lease and non-lease components for our showroom real estate leases in determining the lease payments subject to the initial present value calculation.

The lease payments are discounted at the Company's incremental borrowing rate as the implicit rate in the lease is not readily determinable for most of the Company's leases, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We determine incremental borrowing rates as of the first day of each fiscal year and analyze changes in interest rates and the Company's credit profile to determine if the rates need to be updated during the fiscal year.

We recognize operating lease cost over the estimated term of the lease, which includes options to extend lease terms that are reasonably certain of being exercised, starting when possession of the property is taken from the landlord, which normally includes a construction period prior to the showroom opening. When a lease contains a predetermined fixed escalation of the fixed rent, we recognize the related operating lease cost on a straight-line basis over the lease term. In addition, certain of our lease agreements include variable lease payments, such as payments based on a percentage of net sales that are in excess of a predetermined level and/or increases based on a change in the consumer price index or fair market value. These variable lease payments are excluded from minimum lease payments and are included in the determination of net lease cost when it is probable that the expense has been incurred and the amount can be reasonably estimated. If an operating lease asset is impaired, the remaining operating lease asset will be amortized on a straight-line basis over the remaining lease term.

Fair Value Measurements

The carrying amount of the Company’s financial instruments classified as current assets and current liabilities approximate fair values based on the short-term nature of the accounts.

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 expenses and 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.

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 employees of the Company will be eligible to participate in the 401(k) Plan in the month following one (1) month of service and the employee is over age 21. Participants are able to contribute up to 100% of their eligible compensation to the 401(k) Plan subject to limitations with the IRS. Employer contributions to the 401(k) Plan for fiscal 2023, fiscal 2022, and fiscal 2021 were approximately $1.3 million, $0.8 million, and $0.5 million, respectively.

Advertising and Marketing Expenses

Advertising and marketing expense include digital, social, and traditional advertising and marketing initiatives, that cover all of our business channels. All advertising costs are expensed as incurred, or upon the release of the initial advertisement.

Total advertising expenses were $79.9 million, $65.1 million, and $41.9 million in fiscal 2023, fiscal 2022, and fiscal 2021, respectively.

Showroom Preopening and Closing Costs

Non-capital expenditures incurred in preparation for opening new retail showrooms are expensed as incurred and included in selling, general and administrative expenses.

The Company continually evaluates the profitability of its showrooms. When the Company closes or relocates a showroom, the Company incurs unrecoverable costs, including the net book value of abandoned fixtures and leasehold improvements, lease termination payments, costs to transfer inventory and usable fixtures and other costs of vacating the leased location. Such costs are expensed as incurred and are included in selling, general and administrative expenses.

Equity-Based Compensation

The Company adopted the 2017 Equity Plan which provides for awards in the form of 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. Vesting is typically over a three or four-year period and is contingent upon continued employment with the Company on each vesting date.

The fair value of the restricted stock units is determined based on the closing price of the Company's common stock on the grant date and the expense is recognized over the service period. For performance based restricted stock units, the number of units received will depend on the achievement of financial metrics relative to the approved performance targets. For performance based restricted stock units, stock-based compensation expense is recognized based on expected achievement of performance targets. The Company recognizes forfeitures as they occur.

Income Taxes

The Company accounts for uncertainty in income taxes using a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

Deferred income taxes are provided on temporary differences between the income tax basis of assets and liabilities and the amounts reported in the financial statements and on net operating loss and tax credit carry forwards.

A valuation allowance is provided for that portion of deferred income tax assets not likely to be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Basic and Diluted Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding and common stock equivalents outstanding during the period. Diluted net income (loss) 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 fiscal 2023, the effects of 640,256 unvested restricted stock units, and 281,750 common stock warrants were included in the diluted share calculation. The effects of 495,366 stock options were excluded in the diluted net income per common share calculation because the effects of including theses potentially dilutive shares was antidilutive.

In fiscal 2022, the effects of 533,333 unvested restricted stock units, 495,366 stock options and 281,750 common stock warrants were included in the diluted share calculation.

In fiscal 2021, the effects of 655,558 unvested restricted stock units and 293,973 common stock warrants were included in the diluted share calculation. The effects of 495,366 stock were excluded in the diluted net loss per common share calculation as the effects of including theses potentially dilutive shares was antidilutive.

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.

Note 2. Restatement and Other Corrections of Previously Issued Financial Statements

The Audit Committee of the Board of Directors of Lovesac completed an independent investigation in August 2023 whereby the Company concluded $2.2 million of last mile shipping expenses relating to the fiscal year ended January 29, 2023 were improperly capitalized during the quarter ended April 30, 2023. Through this investigation, the Company also determined that the methodology used to estimate an accrual of last mile freight expenses at each period end was not accurate because the calculation did not use the correct number of shipments that were accepted by the shipper for delivery, but not yet invoiced to the Company. Management prepared a quantitative and qualitative analysis of these errors, along with certain other immaterial accounting errors, in accordance with the U.S. SEC Staff's Accounting Bulletin Nos. 99 and 108, Materiality, and concluded the aggregate impact of all the errors are material to the Company's previously reported interim, year-to-date, and annual financial statements as of and for the year ended January 29, 2023 and the Company's previously reported interim financial statements as of and for the three-month period ended April 30, 2023 and immaterial to the previously reported interim, year-to-date, and annual financial statements as of and for the year ended January 30, 2022 (collectively the "previously reported financial statements"). As a result, the accompanying financial statements as of and for the years ended January 29, 2023 and 2022, and related notes hereto, have been restated or revised, as applicable, to correct these errors. The errors had no impact on the Company's previously financial statements as of and for the year ended January31, 2021.

A summary of the impacts of the adjustments on the previously reported financial statements are included below. Note 13. Quarterly Financial Data (Unaudited) discloses the impact of the adjustments on the Company's unaudited condensed financial information for each interim period within the fiscal year ended January 29, 2023.

	Year Ended			
	January 29, 2023		January 30, 2022	
(in thousands)	**As Previously Reported**	**As Restated**	**As Previously Reported**	**As Revised**
Net sales	$ 651,545	$ 651,179	$ 498,239	$ 498,239
Gross profit	345,826	343,651	273,345	273,532
Operating income	39,017	36,966	38,441	40,578
Net income	28,242	26,488	45,900	47,488

	As of			
	January 29, 2023		January 30, 2022	
(in thousands)	**As Previously Reported**	**As Restated**	**As Previously Reported**	**As Revised**
Total current assets	$ 194,041	$ 187,715	$ 225,158	$ 221,731
Total non-current assets	224,013	220,911	146,421	147,353
Total assets	418,054	408,626	371,579	369,084
Total current liabilities	88,839	82,041	118,779	114,696
Total non-current liabilities	135,955	133,491	96,574	96,574
Total liabilities	224,794	215,532	215,353	211,270
Total equity	193,260	193,094	156,226	157,814

A description of the errors and their impacts on the previously issued financial statements are included below.

Description of Misstatement Adjustments

(a) Last Mile Freight

The Company recorded adjustments to correct misstatements identified in the internal investigation related to last mile freight expenses. The correction of this item represents the net impact of the findings from the investigation as noted above.

(b) Leases

The Company recorded adjustments to correct certain misstatements related to its operating leases. In the fiscal year 2022, the Company recorded an incorrect entry that resulted in the double-counting of rent expense associated with operating leases, with a corresponding impact on prepaid rent and lease liabilities as of January 30, 2022. In addition, the Company recorded an incorrect entry pertaining to incremental borrowing rate that resulted in misstatements associated with operating leases, with a corresponding impact on prepaid rent, right-of-use assets, and the current and long-term portion of operating lease liabilities, as of and during the fiscal year ended January 29, 2023

(c) Buyer’s Remorse

The Company recorded an adjustment to correct certain canceled sales orders related to buyer’s remorse, which resulted in an overstatement of net revenue and trade receivables as of and for the fiscal year ended January 29, 2023. The Company defines buyer's remorse as a customer who cancels an order within a short window of time after making a purchase.

(d) Supplier Rebates

During the quarter ended July 31, 2022, the Company received rebates from certain of its suppliers which was incorrectly recorded to cost of goods sold for the entire amount of the rebate received instead of deferring a portion of the rebate to inventory and recognizing the rebate in cost of goods sold as the related inventory was sold. We corrected these misstatements to defer the up-front consideration from suppliers when the retention or receipt of that consideration was to recognize the consideration as a reduction of cost of goods sold over the sell through rate of the inventory.

(e) Balance Sheet Reclassifications

The Company recorded adjustments to correct the classification of certain balance sheet reclassifications between short and long-term assets. These adjustments primarily related to the classification of prepaid expenses and other current assets and the classification of other assets (long-term). In addition, the Company recorded adjustments to correct the classification of tenant improvement allowances which resulted in a reclassification between prepaid expenses and other current assets and short-term lease liabilities.

(f) Income Taxes

The Company recorded adjustments to recognize the net impact on current and deferred income taxes associated with all the misstatements described herein. The adjustments to income taxes were recorded in the period corresponding with the respective misstatements. The correction of these misstatements resulted in a decrease in provision for income taxes of $0.3 million and a decrease in benefit from income taxes of $0.5 million, respectively for the years ended January 29, 2023 and January 30, 2022.

(g) Inventory and Cost of Goods Sold

The Company recorded adjustments to correct for a misstatement of an accrual related to a duplicate recording of a vendor invoice for freight charges. The Company recorded another adjustment to correct for the misstatement of inventory related to partial returned goods.

(h) Cash Flow Reclassification

The Company corrected the cash flow presentation related to purchases of property and equipment and patents and trademarks not yet paid for at period end. This resulted in a reclassification between cash flows from operating activities and investing activities for the fiscal year ended January 30, 2022 and for the fiscal periods ended October 30, 2022, July 31, 2022 and May 1, 2022. There was no impact to net change in cash and cash equivalents.

THE LOVESAC COMPANY
BALANCE SHEET

(amounts in thousands, except share and per share amounts)	January 29, 2023 As Previously Reported	Corrections	Reference	As Restated
Assets				
Current Assets				
Trade accounts receivable	9,469	(366)	(c)	9,103
Merchandise inventories, net	119,962	(335)	(g)	119,627
Prepaid expenses and other current assets	21,077	(5,625)	(a)(b)(e)(f)	15,452
Total Current Assets	194,041	(6,326)		187,715
Operating lease right-of-use assets	138,271	(2,860)	(b)	135,411
Other Assets				
Deferred tax asset	9,420	(743)	(f)	8,677
Other assets	21,863	501	(e)	22,364
Total Other Assets	32,838	(242)		32,596
Total Assets	$ 418,054	$ (9,428)		$ 408,626
Liabilities and Stockholders' Equity				
Current Liabilities				
Accrued expenses	23,392	2,025	(a)(b)(f)	25,417
Current operating lease liabilities	21,898	(8,823)	(b)(e)	13,075
Total Current Liabilities	88,839	(6,798)		82,041
Operating Lease Liability, long-term	135,955	(2,464)	(b)	133,491
Total Liabilities	224,794	(9,262)		215,532
Stockholders' Equity				
Accumulated earnings (deficit)	10,706	(166)	(a)(b)(c)(f)(g)	10,540
Stockholders' Equity	193,260	(166)		193,094
Total Liabilities and Stockholders' Equity	$ 418,054	$ (9,428)		$ 408,626

The description of each error is described above. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $1.0 million, an increase to accrued expenses of $2.3 million, and a decrease to accumulated earnings of $1.3 million at January 29, 2023.

(b) Leases - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of less than $0.1 million, a decrease to operating lease right-of-use assets of $2.9 million, an increase to accrued expenses of $0.2 million, a decrease to current operating lease liabilities of $2.7 million, a decrease to operating lease liability, long-term of $2.5 million, and an increase to accumulated earnings of $2.1 million at January 29, 2023.

(c) Buyer's Remorse - The correction of these misstatements resulted in a decrease to trade accounts receivable of $0.4 million and a decrease to accumulated earnings of $0.4 million at January 29, 2023.

(e) Balance Sheet Reclassifications - The correction of these misstatements resulted in a decrease to prepaid expenses and other current assets of $6.7 million, a decrease to current operating lease liabilities of $6.2 million, and an increase to other assets of $0.5 million at January 29, 2023.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to prepaid expenses and other current assets of less than $0.1 million, a decrease to deferred tax asset of $0.7 million, a decrease to accrued expenses of $0.5 million, and a decrease to accumulated earnings of $0.2 million at January 29, 2023.

(g) Inventory and Cost of Goods Sold - The correction of these misstatements resulted in a decrease to merchandise inventories, net of $0.3 million and a decrease to accumulated earnings of $0.3 million at January 29, 2023.

THE LOVESAC COMPANY
STATEMENT OF OPERATIONS

(amounts in thousands, except per share data and share amounts)	For the Year Ended January 29, 2023			
	As Previously Reported	Corrections	Reference	As Restated
Net sales	$ 651,545	$ (366)	(c)	$ 651,179
Cost of merchandise sold	305,719	1,809	(a)(g)	307,528
Gross profit	345,826	(2,175)		343,651
Operating expenses				
Selling, general and administration expenses	216,103	(124)	(b)	215,979
Total operating expenses	306,809	(124)		306,685
Operating income (loss)	39,017	(2,051)		36,966
Net income (loss) before taxes	38,900	(2,051)		36,849
(Provision for) benefit from income taxes	(10,658)	297	(f)	(10,361)
Net income (loss)	$ 28,242	$ (1,754)		$ 26,488
Net income (loss) per common share:				
Basic	$ 1.86	$ (0.12)		$ 1.74
Diluted	$ 1.77	$ (0.11)		$ 1.66

The description of each error is described above. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase tocost of merchandise sold of $1.5 million for the year ended January 29, 2023.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of $0.1 million for the year ended January 29, 2023.

(c) Buyer’s Remorse - The correction of these misstatements resulted in a decrease to net sales of $0.4 million for the year ended January 29, 2023.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to provision for income taxes of $0.3 million for the year ended January 29, 2023.

(g) Inventory and Cost of Goods Sold - The correction of these misstatements resulted in an increase to cost of merchandise sold of $0.3 million for the year ended January 29, 2023.

THE LOVESAC COMPANY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JANUARY 29, 2023

		Common				
(amounts in thousands, except share amounts)	Restatement Reference	Shares	Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
As Previously Reported						
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (17,536)	$ 156,226
Net income		—	—	—	28,242	28,242
Balance - January 29, 2023		15,195,698	$ —	$ 182,554	$ 10,706	$ 193,260
Adjustments/Restatement Impacts						
Balance - January 30, 2022		—	$ —	$ —	$ 1,588	$ 1,588
Net loss	(a)(b)(c)(f)(g)	—	—	—	(1,754)	(1,754)
Balance - January 29, 2023		—	$ —	$ —	$ (166)	$ (166)
As Revised/Restated						
Balance - January 30, 2022 (As Revised)		15,123,338	$ —	$ 173,762	$ (15,948)	$ 157,814
Net income (As Restated)		—	—	—	26,488	26,488
Balance - January 29, 2023 (As Restated)		15,195,698	$ —	$ 182,554	$ 10,540	$ 193,094

See descriptions of the net income (loss) impacts in the statement of operations for the year ended January 29, 2023 sections above.

THE LOVESAC COMPANY
STATEMENT OF CASH FLOWS

	For the Year Ended January 29, 2023			
	As Previously Reported	Corrections	Reference	As Restated
Cash Flows from Operating Activities				
Net income (loss)	$ 28,242	$ (1,754)	(a)(b)(c)(f)(g)	$ 26,488
Adjustments to reconcile net income (loss) to cash used in operating activities:				
Deferred income taxes	416	628	(f)	1,044
Change in operating assets and liabilities:				
Trade accounts receivable	(921)	366	(c)	(555)
Merchandise inventories	(11,470)	335	(g)	(11,135)
Prepaid expenses and other current assets	890	2,197	(a)(b)(e)(f)	3,087
Other assets	(21,459)	546	(e)	(20,913)
Accounts payable and accrued expenses	(33,002)	1,664	(a)(b)(f)	(31,338)
Operating lease liabilities	(18,281)	(3,982)	(b)(e)	(22,263)
Net cash used in operating activities	(21,375)	—		(21,375)
Cash Flows from Investing Activities				
Net cash used in investing activities	(25,549)	—		(25,549)
Cash Flows from Financing Activities				
Net cash used in financing activities	(1,935)	—		(1,935)
Net change in cash and cash equivalents	(48,859)	—		(48,859)
Cash and cash equivalents - Beginning	92,392	—		92,392
Cash and cash equivalents - Ending	$ 43,533	$ —		$ 43,533

See descriptions of the net income (loss) impacts in the statement of operations for the year ended January 29, 2023 section above.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the year ended January 29, 2023.

THE LOVESAC COMPANY
BALANCE SHEET

	January 30, 2022			
(amounts in thousands, except share and per share amounts)	As Previously Reported	Revisions	Reference	As Revised
Assets				
Current Assets				
Prepaid expenses and other current assets	15,726	(3,427)	(a)(b)(e)(f)	12,299
Total Current Assets	225,158	(3,427)		221,731
Other Assets				
Deferred tax asset	9,836	(115)	(f)	9,721
Other assets	—	1,047	(e)	1,047
Total Other Assets	11,393	932		12,325
Total Assets	$ 371,579	$ (2,495)		$ 369,084
Liabilities and Stockholders' Equity				
Current Liabilities				
Accrued expenses	40,497	362	(a)(f)	40,859
Current operating lease liabilities	16,382	(4,445)	(b)(e)	11,937
Total Current Liabilities	118,779	(4,083)		114,696
Total Liabilities	215,353	(4,083)		211,270
Stockholders' Equity				
Accumulated (deficit) earnings	(17,536)	1,588	(a)(b)(f)	(15,948)
Stockholders' Equity	156,226	1,588		157,814
Total Liabilities and Stockholders' Equity	$ 371,579	$ (2,495)		$ 369,084

The description of each error is described above. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.1 million, a decrease to accrued expenses of $0.1 million, and a decrease to accumulated deficit of $0.2 million at January 30, 2022.

(b) Leases - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.3 million, a decrease to current operating lease liabilities of $1.7 million, and a decrease to accumulated deficit of $2.0 million at January 30, 2022.

(e) Balance Sheet Reclassifications - The correction of these misstatements resulted in a decrease to prepaid expenses and other current assets of $3.8 million, a decrease to current operating lease liabilities of $2.8 million, and an increase to other assets of $1.0 million at January 30, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in an increase to prepaid expenses and other current assets of less than $0.1 million, a decrease to deferred tax asset of $0.1 million, an increase to accrued expenses of $0.5 million, and an increase to accumulated deficit of $0.5 million at January 30, 2022.

THE LOVESAC COMPANY
STATEMENT OF OPERATIONS

	For the Year Ended January 30, 2022			
(amounts in thousands, except per share data and share amounts)	As Previously Reported	Revisions	Reference	As Revised
Cost of merchandise sold	224,894	(187)	(a)	224,707
Gross profit	273,345	187		273,532
Operating expenses				
Selling, general and administration expenses	161,967	(1,950)	(b)	160,017
Total operating expenses	234,904	(1,950)		232,954
Operating income	38,441	2,137		40,578
Net income before taxes	38,262	2,137		40,399
Benefit from (provision for) income taxes	7,638	(549)	(f)	7,089
Net income	$ 45,900	$ 1,588		$ 47,488
Net income per common share:				
Basic	$ 3.04	$ 0.10		$ 3.14
Diluted	$ 2.86	$ 0.10		$ 2.96

The description of each error is described above. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in a decrease tocost of merchandise sold of $0.2 million for the year ended January 30, 2022.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of $2.0 million for the year ended January 30, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to benefit from income taxes of $0.5 million for the year ended January 30, 2022.

THE LOVESAC COMPANY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JANUARY 30, 2022

		Common				
(amounts in thousands, except share amounts)	Reference	Shares	Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
As Previously Reported						
Balance - January 31, 2021		15,011,556	$ —	$ 171,382	$ (63,436)	$ 107,946
Net income		—	—	—	45,900	45,900
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (17,536)	$ 156,226
Adjustments						
Balance - January 31, 2021		—	$ —	$ —	$ —	$ —
Net income	(a)(b)(f)	—	—	—	1,588	1,588
Balance - January 30, 2022		—	$ —	$ —	$ 1,588	$ 1,588
As Revised						
Balance - January 31, 2021		15,011,556	$ —	$ 171,382	$ (63,436)	$ 107,946
Net income		—	—	—	47,488	47,488
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (15,948)	$ 157,814

See descriptions of the net income (loss) impacts in the statement of operations for the year ended January 30, 2022 sections above.

THE LOVESAC COMPANY
STATEMENT OF CASH FLOWS

	For the Year Ended January 30, 2022			
	As Previously Reported	Revisions	Reference	As Revised
Cash Flows from Operating Activities				
Net income	$ 45,900	$ 1,588	(a)(b)(f)	$ 47,488
Adjustments to reconcile net income to cash provided by (used in) operating activities:				
Deferred income taxes	(9,836)	115	(f)	(9,721)
Change in operating assets and liabilities:				
Prepaid expenses and other current assets	(2,459)	3,427	(a)(b)(e)(f)	968
Other assets	—	(1,047)	(e)	(1,047)
Accounts payable and accrued expenses	39,195	(1,008)	(a)(f)(h)	38,187
Operating lease liabilities	(14,400)	(4,445)	(b)(e)	(18,845)
Net cash provided by (used in) operating activities	34,018	(1,370)		32,648
Cash Flows from Investing Activities				
Purchase of property and equipment	(15,887)	1,272	(h)	(14,615)
Payments for patents and trademarks	(601)	98	(h)	(503)
Net cash (used in) provided by investing activities	(16,488)	1,370		(15,118)
Cash Flows from Financing Activities				
Net cash used in financing activities	(3,479)	—		(3,479)
Net change in cash and cash equivalents	14,051	—		14,051
Cash and cash equivalents - Beginning	78,341	—		78,341
Cash and cash equivalents - Ending	$ 92,392	$ —		$ 92,392
Supplemental Cash Flow Data:				
Non-cash investing activities:				
Asset acquisitions not yet paid for at period end	$ —	$ 1,370	(h)	$ 1,370

See descriptions of the net income (loss) impacts in the statement of operations for the year ended January 30, 2022 section above.

The cash flow classification, as described in item (h) in the description of misstatement adjustments section above, resulted in a decrease of $1.4 million in net cash provided by operating activities and an increase of $1.4 million in net cash provided by investing activities for the year ended January 30, 2022.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the year ended January 30, 2022.

Note 3. Property and Equipment, net

Property and equipment as of January 29, 2023 and January 30, 2022 consists of (in thousands):

	Estimated Life	2023	2022
Office and store furniture, and equipment	5 Years	$ 8,933	$ 6,497
Software	3 Years	3,996	3,625
Leasehold improvements	Shorter of estimated useful life or lease term	60,964	40,788
Computers	3 Years	4,032	2,138
Tools, Dies, Molds	5 Years	868	764
Vehicles	5 Years	497	497
Construction in process	NA	6,329	2,765
Total		85,619	57,074
Accumulated depreciation and amortization		(32,715)	(22,937)
Property and equipment, net		$ 52,904	$ 34,137

Depreciation and amortization expense was $10.5 million, $7.2 million, and $6.1 million in fiscal 2023, 2022, and 2021, respectively.

Note 4. Intangible Assets, net

A summary of other intangible assets follows (in thousands):

		January 29, 2023		
	Weighted-Average Remaining Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net carrying amount
Patents	7.6	$ 3,091	$ (1,864)	$ 1,227
Trademarks	2.2	1,522	(1,338)	184
Other intangibles	—	840	(840)	—
Total		$ 5,453	$ (4,042)	$ 1,411

		January 30, 2022		
	Weighted-Average Remaining Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net carrying amount
Patents	8.1	$ 2,838	$ (1,626)	$ 1,212
Trademarks	2.2	1,390	(1,189)	201
Other intangibles	—	840	(840)	—
Total		$ 5,068	$ (3,655)	$ 1,413

Amortization expense was $0.4 million, $0.7 million, and $0.5 million in fiscal 2023, 2022, and 2021, respectively.

Expected amortization expense by fiscal year for these other intangible assets follows (in thousands):

2024	$	356
2025		299
2026		225
2027		178
2028		139
Thereafter		214
	$	1,411

Note 5. Prepaid Expenses and Other Current Assets

Certain balances herein reflect the restatements described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements.

A summary of other prepaid and other current assets follows (in thousands):

	2023 (As Restated)	2022 (As Revised)
Barter credits	3,770	3,407
Rebate receivable	2,780	226
Prepaid insurance	2,009	1,667
Prepaid catalog costs and related	1,557	4,794
Prepaid taxes	1,000	—
Prepaid software licenses	945	790
Deposits	662	16
Prepaid rent	536	348
Prepaid inventory	49	475
Other	2,144	576
	$ 15,452	$ 12,299

Note 6. Accrued Expenses

Certain balances herein reflect the restatements described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements.

A summary of accrued expenses follows (in thousands):

	2023 (As Restated)	2022 (As Revised)
Accrued warehouse expenses	$ 5,625	$ 2,671
Customer return liability	4,483	2,026
Accrued professional fees	2,167	2,268
Accrued freight and shipping	4,432	23,594
Accrued occupancy	1,278	1,284
Accrued income taxes	687	1,458
Accrued insurance	1,026	973
Accrued credit card fees	770	542
Accrued advertising fees	739	4,150
Warranty liability	721	689
Other accrued expenses	3,489	1,204
	$ 25,417	$ 40,859

Note 7. Income Taxes

Certain balances herein reflect the restatements described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements.

The Company is subject to federal, state and local corporate income taxes.The components of the provision for income taxes reflected on the statements of operations are set forth below:

	2023 (As Restated)	2022 (As Revised)	2021
Current taxes:			
U.S. federal	$ 6,127	$ 412	$ —
State and local	3,190	2,220	86
Total current tax expense	$ 9,317	$ 2,632	$ 86
Deferred taxes:			
U.S. federal	$ 1,767	$ (7,222)	$ —
State and local	(723)	(2,499)	—
Total deferred tax expense (benefit)	1,044	(9,721)	—
Total tax provision	$ 10,361	$ (7,089)	$ 86

A reconciliation of income taxes at the federal statutory corporate rate to the effective rate is as follows:

	2023 (As Restated)	2022 (As Revised)	2021
Provision (benefit) at federal Statutory rates	21.0 %	21.0 %	21.0 %
State tax, net of federal provision (benefit)	4.9 %	4.9 %	3.3 %
Non-deductible executive compensation	1.8 %	1.8 %	— %
Permanent adjustments	0.2 %	— %	0.1 %
Equity-based compensation	0.1 %	(4.4)%	(2.8)%
Federal true-ups	0.1 %	(0.4)%	0.4 %
Change in valuation allowance	— %	(40.4)%	(21.4)%
Income tax provision	28.1 %	(17.5)%	0.6 %

Significant components of the Company's deferred tax assets are as follows (in thousands):

	2023 (As Restated)	2022 (As Revised)
Deferred Income Tax Assets		
Federal net operating loss carryforward	$ —	$ 2,399
State net operating loss carryforward	440	1,399
Intangible assets	403	397
Accrued liabilities	2,952	3,242
Equity-based compensation	3,247	2,032
Merchandise inventories	724	689
Charitable Contributions	—	12
R&D Capitalization	1,920	—
Operating Lease Liabilities	39,488	28,702
Total Deferred Income Tax Assets	49,174	38,872
Deferred Income Tax Liabilities		
Operating Lease Right of Use Asset	(35,484)	(26,726)
Property and equipment	(5,013)	(2,425)
Total Deferred Tax Liabilities	(40,497)	(29,151)
Net Deferred Income Tax Asset	$ 8,677	$ 9,721

At January 29, 2023, the Company did not have any net operating loss carryforwards available for federal income tax purposes. At January 30, 2022, the Company had net operating loss carryforwards available for federal income tax purposes of approximately $11.4 million. In addition, the Company has approximately $7.1 million and $22.2 million of state net operating loss carryforwards as of January 29, 2023 and January 30, 2022, respectively. The state net operating losses expire at various times between 2031 and 2040. The statute of limitations has expired for all tax years prior to 2019 for federal and state tax purposes. However, the net operating losses generated on the Company's federal and state tax returns in prior years may be subject to adjustments by the federal and state tax authorities.

Prior to the fiscal 2022 year-end, the Company recorded a full valuation allowance on its net deferred tax assets, as it did not meet the more likely than not threshold required under ASC 740-10-30. For the year ended January 30, 2022, the Company reversed its full valuation allowance of $16.4 million, as it assessed and concluded that it met the more likely than not threshold of realizing its net deferred tax assets. The main forms of positive evidence to support the valuation allowance release were the substantial realization of its net operating loss carryforwards and cumulative three years of income. As of January 29, 2023, the Company did not record a valuation allowance against its net deferred tax assets, due to its assessment and conclusion that it is more likely than not that it would realize its net deferred tax assets.

As of January 29, 2023 and January 30, 2022, the Company assessed and concluded that it does not have any unrecognized tax benefits. 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. We had no interest or penalties during fiscal years 2023, 2022, and 2021, and we do not anticipate any such items during the next twelve months. Our policy is to record interest and penalties directly related to uncertain tax positions as income tax expense in the statements of operations. The IRS is auditing the Company's fiscal 2019 federal income tax return. The Company has been responding to information requests and at this time, the Internal Revenue Service (IRS) has not proposed any adjustments.

On August 16, 2022, the Inflation Reduction Act was signed into law. The Inflation Reduction Act includes various tax provisions, which are effective for tax years beginning on or after January 1, 2023. The Company assessed and concluded that the Inflation Reduction Act did not have an impact to the financials as of January 29, 2023, and will continue to monitor the impact of the changes.

For tax years beginning after December 31, 2021, the Tax Cuts & Jobs Act of 2017 eliminated the option to deduct research and development expenditures as incurred and instead required taxpayers to capitalize and amortize them over five or 15 years beginning in 2022. These changes in tax laws did not have a material impact on the Company's results of operations for the year ended January 30, 2022. For the year ended January 29, 2023 due to the capitalization of research and development expenditures, the Company's current federal taxable income increased by approximately $7.7 million with a corresponding increase in the Company's deferred tax assets. The Company will continue to monitor the impact of changes in tax legislation.

Note 8. Leases

Certain balances herein reflect the restatements described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements.

During fiscal 2022, the Company adopted ASC No. 2016-02,*Leases* (Topic 842). Components of lease expense were as follows (in thousands):

	2023 (As Restated)	2022 (As Revised)
Operating lease expense	$ 24,173	$ 18,902
Variable lease expense	16,082	10,489
Short term lease expense	721	336
Total lease expense	$ 40,976	$ 29,727

Variable lease expense includes index-based changes in rent, maintenance, real estate taxes, insurance and other variable charges included in the lease as well as rental expenses related to short term leases.

The Company's weighted average lease term and weighted average discount rates are as follows:

	For the year ended	
	2023	2022
Weighted average remaining lease term (in years)		
Operating Leases	7.4	6.29
Weighted average discount rate		
Operating Leases	4.10 %	3.44 %

During the fiscal year ended January 29, 2023, we didnot recognize any impairment charges associated with showroom-level right-of-use assets. During the fiscal year ended January 30, 2022, we recognized impairment charges totaling $0.6 million associated with showroom-level ROU assets that were included as part of selling, general and administrative expenses. We did not recognize any impairment charges with showroom-level right-of-use assets during the fiscal year ended January 31, 2021 as we did not adopt ASC 842 until fiscal year 2022.

Future minimum lease payments under non-cancelable leases as of January 29, 2023 were as follows (in thousands):

		(As Restated)
2024	$	21,511
2025		26,759
2026		24,447
2027		22,083
2028		19,747
Thereafter		57,705
Total undiscounted future minimum lease payments		172,252
Less: imputed interest		(25,686)
Total present value of lease obligations		146,566
Less: current operating lease liability		(13,075)
Operating lease liability- long term	$	133,491

Supplemental cash flow information and non-cash activity related to our operating leases is as follows (in thousands):

		2023		2022
		(As Restated)		
Operating cash flow information:				
Cash paid for operating lease liabilities	$	23,724	$	14,400
Non-cash activities				
Net additions to right-of-use assets obtained in exchange for lease obligations	$	53,239	$	116,048

Note 9. Commitments, Contingencies and Related Parties

Contingencies

The Company received management services from Mistral Capital Management, LLC ("Mistral") under a contractual agreement that ended on January 31, 2021. One of our directors is a member and principal of Mistral. There were no management fees incurred in fiscal 2023 or fiscal 2022, and management fees totaled approximately $0.4 million in fiscal 2021, and are included in selling, general and administrative expenses. There were no amounts payable to Mistral as of January 29, 2023 or January 30, 2022. There were less than $0.1 million in amounts payable to Mistral as of January 31, 2021.

The Company also received management services from Satori Capital, LLC ("Satori") under a contractual agreement that ended on January 31, 2021. One of our directors is a partner at Satori. There were no management fees incurred in fiscal 2023 or fiscal 2022 and management fees totaled approximately $0.1 millions in fiscal 2021 and are included in selling, general and administrative expenses. There were no amounts payable to Satori as of January 29, 2023 or January 30, 2022. Amounts payable to Satori as of January 31, 2021 were less than $0.1 million consisting of management fees which were included in accounts payable in the accompanying balance sheet as of January 31, 2021.

The Company engaged Blueport Commerce ("Blueport"), a company owned in part by investment vehicles affiliated with Mistral, as an ecommerce platform in February 2018. The Company terminated the Blueport contract in fiscal 2021 in order to launch a new enhanced ecommerce platform. There were no fees incurred in fiscal 2023 or 2022. There was $2.1 million of fees incurred with Blueport for sales transacted through the platform and an early termination fee of $0.7 million during fiscal 2021. There were no amounts payable as of January 29, 2023, January 30, 2022, or January 31, 2021.

Recovery of Insurance Proceeds

During fiscal year 2022, a warehouse the Company had inventory in was damaged by fire and qualified for a loss recovery claim. The Company disposed of inventory of approximately $0.6 million. The Company reached an agreement with its insurance carrier and the Company received a cash insurance recovery of approximately $1.2 million for the reimbursement of lost inventory and profit margin. Accordingly, the Company recognized a gain of approximately $0.6 million related to the recovery of lost profit margin and is included in the accompanying statements of operations as a reduction to cost of goods sold. No other insurance proceeds were received during the periods presented.

Legal Proceedings

The Company is involved in various legal proceedings in the ordinary course of business. Where appropriate, the Company has made accruals with respect to these matters, however, for cases where liability is not probable or the amount cannot be reasonably estimated, accruals have not been made. 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 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 described in the Explanatory Note and in **Note 2. Restatement and Other Corrections of Previously Issued Financial Statements** 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 10. 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. The warrants remain outstanding as of January 29, 2023. 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. In fiscal 2023, there were no exercises of warrants. In fiscal 2022, 5,625 warrants were exercised, which resulted in the issuance of 10,956 common shares. There were 98 warrants that expired as of January 30, 2022. In fiscal 2021, 738,897 warrants were exercised on a cashless basis and resulted in the issuance of 439,447 common shares.

The following represents warrant activity during fiscal 2023, 2022, and 2021:

	Average exercise price	Number of warrants	Weighted average remaining contractual life (in years)
Outstanding at February 2, 2020	16.83	1,039,120	1.93
Warrants issued	—	—	—
Expired and canceled	—	—	—
Exercised	16.00	(745,147)	0.41
Outstanding at January 31, 2021	19.07	293,973	2.57
Warrants issued	—	—	—
Expired and canceled	9.83	(98)	—
Exercised	16.00	(12,125)	0.09
Outstanding at January 30, 2022	19.20	281,750	1.41
Warrants issued	—	—	—
Expired and canceled	—	—	—
Exercised	—	—	—
Outstanding at January 29, 2023	$ 19.20	281,750	0.41

Equity Incentive Plans

The Company adopted the 2017 Equity Plan which provides for awards in the form of 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 June 2020, the stockholders of the Company approved an amendment to the 2017 Equity Plan that increased the number of shares of common stock reserved for issuance under the 2017 Equity Plan by 690,000 shares of common stock. The number of shares of common stock reserved for issuance under the 2017 Equity Plan increased from 1,414,889 to 2,104,889 shares of common stock. In fiscal 2023, the 2017 Equity Plan was amended and restated to, among other things, increase the shares of our common stock authorized and reserved for issuance by 550,000 shares, which increased the number of shares of common stock reserved for issuance under the 2017 Equity Plan to 2,654,889 shares of common stock.

Stock Options

In June 2019, the Company granted 495,366 nonstatutory 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 were required to be satisfied no later than June 5, 2022 or the options would 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 stock options were modified 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 and the remaining expense was 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. As a result of the market condition being met, the Company accelerated the amortization and recognized additional stock-based compensation expense during fiscal year 2022 of approximately $0.9 million. The awards vested and became exercisable on June 5, 2022.

The following summarizes the activity of our stock options as of January 29, 2023, January 30, 2022, and January 31, 2021 and the changes during fiscal years then ended (in thousands, except share and per share amounts) :

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding at February 2, 2020	495,366	$ 38.10	2.34	$ —
Granted	—	—		
Canceled and forfeited	—	—		
Outstanding at January 31, 2021	495,366	38.10	3.35	9,135
Granted	—	—		
Canceled and forfeited	—	—		
Outstanding at January 30, 2022	495,366	38.10	2.35	6,162
Granted	—	—		
Canceled and forfeited	—	—		
Outstanding and exercisable at January 29, 2023	495,366	$ 38.10	1.35	$ —

Restricted Stock Units

The following table summarizes the activity for the Company's unvested restricted stock units as of January 29, 2023, January 30, 2022, January 31, 2021, and changes during fiscal years then ended, is presented below:

	Number of shares	Weighted average grant date fair value
Unvested at February 2, 2020	183,053	$ 21.34
Granted	627,940	16.94
Forfeited	(5,701)	11.86
Vested	(149,734)	16.24
Unvested at January 31, 2021	655,558	18.86
Granted	94,985	78.53
Forfeited	(42,516)	22.67
Vested	(174,694)	19.57
Unvested at January 30, 2022	533,333	28.41
Granted	289,625	44.20
Forfeited	(62,186)	29.09
Vested	(120,516)	36.03
Unvested at January 29, 2023	640,256	$ 34.50

Equity-based compensation expense was approximately $10.5 million, $5.9 million, and $4.7 million for fiscal 2023, 2022, and 2021 respectively. In fiscal 2023, The Company recognized $4.3 million related to performance stock units granted in fiscal 2021 with athree year term, which met the performance target of $550 million in net sales and $50 million in Adjusted EBITDA for fiscal 2023.

The total unrecognized equity based compensation cost related to unvested restricted stock unit awards was approximately $4.2 million as of January 29, 2023 and will be recognized in operations over a weighted average period of 1.95 years.

Note 11. Financing Arrangements

Credit Line

On February 6, 2018, the Company established a line of credit with Wells Fargo Bank. The line of credit allowed the Company to borrow up to $25.0 million and matured on February 2023. As of January 30, 2022, the Company’s borrowing availability under the line of credit was $22.5 million, and there were no borrowings outstanding on this line of credit.

On March 25, 2022, the Company amended the credit agreement to extend the maturity date to March 25, 2024, and among other things, increase the maximum revolver commitment to $40.0 million, subject to borrowing base and availability restrictions. Availability is based on eligible accounts receivable and inventory. 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.

Under the amended line of credit, the Company may elect that revolving loans bear interest at either a base rate or a term SOFR based rate, plus, in either case, a margin determined by reference to our quarterly average excess availability under the line of credit and ranging from 0.50% to 0.75% for borrowings accruing interest at a 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 line of credit. As of January 29, 2023, the Company’s borrowing availability under the line of credit was $36.0 million, no borrowings outstanding, and the Company was in compliance with required covenants.

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.

Note 12. Segment Information

Certain balances herein reflect the restatements described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements.

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:

	2023	2022	2021
	(As Restated)		
Sactionals	$ 584,449	$ 436,588	$ 271,018
Sacs	55,145	52,478	44,975
Other	11,585	9,173	4,745
Total net sales	$ 651,179	$ 498,239	$ 320,738

Note 13. Quarterly Financial Data (Unaudited)

The following tables present net impact of the restatement described in Note 2. Restatement and Other Corrections of Previously Issued Financial Statements on our previously reported unaudited condensed financial statements for each interim period ended October 30, 2022, July 31, 2022 and May 1, 2022, respectively.

The restated periods presented below will be effective with the filing of our future 2024 unaudited interim condensed financial statement filings in Quarterly Reports on Form 10-Q. The previously reported amounts presented in the tables below have been derived from our Quarterly Reports on Form 10-Q filed on December 8, 2022, September 9, 2022 and June, 8, 2022 respectively. See Note 2. Restatement and Other Corrections of Previously Issued Financial Statements for a description of the misstatements in each category of restatements referenced by (a) through (h).

The net impact of the restatement on our quarterly financial data for 2023 is summarized as follows:

	For the Thirteen Weeks Ended							
	January 29, 2023		October 30, 2022		July 31, 2022		May 1, 2022	
(in thousands)	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
Net sales	$ 238,847	$ 238,481	$ 134,784	$ 134,784	$ 148,534	$ 148,534	$ 129,380	$ 129,380
Gross profit	135,220	133,674	63,572	64,904	80,926	79,099	66,108	65,974
Operating income (loss)	38,071	36,477	(11,595)	(10,125)	9,896	8,120	2,645	2,494
Net income (loss)	27,644	26,215	(8,419)	(7,362)	7,122	5,849	1,895	1,786

	As of							
	January 29, 2023		October 30, 2022		July 31, 2022		May 1, 2022	
(in thousands)	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
Total current assets	$ 194,041	$ 187,715	$ 215,537	$ 209,264	$ 209,259	$ 203,491	$ 210,185	$ 206,214
Total non-current assets	224,013	220,911	191,859	191,787	164,655	165,422	156,391	157,381
Total assets	418,054	408,626	407,396	401,051	373,914	368,913	366,576	363,595
Total current liabilities	88,839	82,041	118,997	111,389	98,059	92,852	103,859	99,399
Total non-current liabilities	135,955	133,491	130,229	130,229	109,864	109,864	103,480	103,480
Total liabilities	224,794	215,532	249,226	241,618	207,923	202,716	207,339	202,879
Total equity	193,260	193,094	158,170	159,433	165,991	166,197	159,237	160,716

The net impact of the restatement on our quarterly and year-to-date unaudited condensed financial statements as of and for the thirteen weeks and thirty-nine weeks ended October 30, 2022, as of and for the thirteen and twenty-six weeks ended July 31, 2023 and as of and for the thirteen weeks ended May 1, 2022 is summarized as follows:

THE LOVESAC COMPANY
CONDENSED BALANCE SHEET
(unaudited)

(amounts in thousands, except share and per share amounts)	October 30, 2022			
	As Previously Reported	**Corrections**	**Reference**	**As Restated**
Assets				
Current Assets				
Cash and cash equivalents	$ 3,832	$ —		$ 3,832
Trade accounts receivable	15,357	—		15,357
Merchandise inventories, net	154,481	—		154,481
Prepaid expenses and other current assets	41,867	(6,273)	(a)(b)(e)(f)	35,594
Total Current Assets	215,537	(6,273)		209,264
Property and equipment, net	47,477	—		47,477
Operating lease right-of-use assets	133,075	(1,100)	(b)	131,975
Other Assets				
Goodwill	144	—		144
Intangible assets, net	1,395	—		1,395
Deferred financing costs, net	73	—		73
Deferred tax asset	9,695	(12)	(f)	9,683
Other assets	—	1,040	(e)	1,040
Total Other Assets	11,307	1,028		12,335
Total Assets	$ 407,396	$ (6,345)		$ 401,051
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	$ 47,267	$ —		$ 47,267
Accrued expenses	33,126	1,533	(a)(f)	34,659
Payroll payable	7,199	—		7,199
Customer deposits	5,861	—		5,861
Current operating lease liabilities	20,774	(9,141)	(b)(e)	11,633
Sales taxes payable	4,770	—		4,770
Total Current Liabilities	118,997	(7,608)		111,389
Operating Lease Liability, long-term	130,229	—		130,229
Line of Credit	—	—		—
Total Liabilities	249,226	(7,608)		241,618
Stockholders' Equity				
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of October 30, 2022	—	—		—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 15,192,134 shares issued and outstanding as of October 30, 2022	—	—		—
Additional paid-in capital	175,108	—		175,108
Accumulated (deficit) earnings	(16,938)	1,263	(a)(b)(f)	(15,675)
Stockholders' Equity	158,170	1,263		159,433
Total Liabilities and Stockholders' Equity	$ 407,396	$ (6,345)		$ 401,051

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.7 million, an increase to accrued expenses of $1.1 million, and an increase to accumulated deficit of $0.4 million at October 30, 2022.

(b) Leases - The correction of these misstatements resulted in an decease to prepaid expenses and other current assets of less than $0.1 million, a decrease to operating lease right-of-use assets of $1.1 million, a decrease to current operating lease liabilities of $3.3 million, and a decrease to accumulated deficit of $2.2 million at October 30, 2022.

(e) Balance Sheet Reclassifications - The correction of these misstatements resulted in a decrease to prepaid expenses and other current assets of $6.9 million, a decrease to current operating lease liabilities of $5.9 million and an increase to other assets of $1.0 million at October 30, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in an increase to prepaid expenses and other current assets of less than $0.1 million, a decrease to deferred tax asset of less than $0.1 million, an increase to accrued expenses of $0.4 million, and an increase to accumulated deficit of $0.4 million at October 30, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Thirteen Weeks Ended October 30, 2022			
(amounts in thousands, except per share data and share amounts)	As Previously Reported	Corrections	Reference	As Restated
Net sales	$ 134,784	$ —		$ 134,784
Cost of merchandise sold	71,212	(1,332)	(a)(d)	69,880
Gross profit	63,572	1,332		64,904
Operating expenses				
Selling, general and administration expenses	53,658	(138)	(b)	53,520
Advertising and marketing	19,050	—		19,050
Depreciation and amortization	2,459	—		2,459
Total operating expenses	75,167	(138)		75,029
Operating (loss) income	(11,595)	1,470		(10,125)
Interest expense, net	(69)	—		(69)
Net (loss) income before taxes	(11,664)	1,470		(10,194)
Benefit from (provision for) income taxes	3,245	(413)	(f)	2,832
Net (loss) income	$ (8,419)	$ 1,057		$ (7,362)
Net (loss) income per common share:				
Basic	$ (0.55)	$ 0.07		$ (0.48)
Diluted	$ (0.55)	$ 0.07		$ (0.48)
Weighted average number of common shares outstanding:				
Basic	15,220,593	—		15,220,593
Diluted	15,220,593	—		15,220,593

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in a decrease tocost of merchandise sold of $0.4 million for the thirteen weeks ended October 30, 2022.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of $0.1 million for the thirteen weeks ended October 30, 2022.

(d) Supplier Rebates - The correction of these misstatements resulted in a decrease to cost of merchandise sold of $0.9 million for the thirteen weeks ended October 30, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to benefit from income taxes of $0.4 million for the thirteen weeks ended October 30, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Thirty-Nine Weeks Ended October 30, 2022			
(amounts in thousands, except per share data and share amounts)	As Previously Reported	Corrections	Reference	As Restated
Net sales	$ 412,698	$ —		$ 412,698
Cost of merchandise sold	202,092	629	(a)	202,721
Gross profit	210,606	(629)		209,977
Operating expenses				
Selling, general and administration expenses	147,425	(172)	(b)	147,253
Advertising and marketing	54,039	—		54,039
Depreciation and amortization	8,196	—		8,196
Total operating expenses	209,660	(172)		209,488
Operating income (loss)	946	(457)		489
Interest expense, net	(101)	—		(101)
Net income (loss) before taxes	845	(457)		388
(Provision for) benefit from income taxes	(247)	132	(f)	(115)
Net income (loss)	$ 598	$ (325)		$ 273
Net income (loss) per common share:				
Basic	$ 0.04	$ (0.02)		$ 0.02
Diluted	$ 0.04	$ (0.02)		$ 0.02
Weighted average number of common shares outstanding:				
Basic	15,190,079	—		15,190,079
Diluted	16,067,066	—		16,067,066

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase tocost of merchandise sold of $0.6 million for the thirty-nine weeks ended October 30, 2022.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of $0.2 million for the thirty-nine weeks ended October 30, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to provision for income taxes of $0.1 million for the thirty-nine weeks ended October 30, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED OCTOBER 30, 2022
(unaudited)

(amounts in thousands, except share amounts)	Restatement Reference	Common Shares	Common Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
As Previously Reported						
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (17,536)	$ 156,226
Net income		—	—	—	1,895	1,895
Equity-based compensation		—	—	1,163	—	1,163
Issuance of common stock for restricted stock		1,704	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(47)	—	(47)
Balance - May 1, 2022		15,125,042	$ —	$ 174,878	$ (15,641)	$ 159,237
Net income		—	—	—	7,122	7,122
Equity-based compensation		—	—	1,034	—	1,034
Issuance of common stock for restricted stock		58,235	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(1,402)	—	(1,402)
Balance - July 31, 2022		15,183,277	$ —	$ 174,510	$ (8,519)	$ 165,991
Net loss		—	—	—	(8,419)	(8,419)
Equity-based compensation		—	—	732	—	732
Issuance of common stock for restricted stock		8,857	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(134)	—	(134)
Balance - October 30, 2022		15,192,134	$ —	$ 175,108	$ (16,938)	$ 158,170
Restatement Impacts						
Balance - January 30, 2022	(a)(b)(f)	—	$ —	$ —	$ 1,588	$ 1,588
Net loss	(a)(b)(f)	—	—	—	(109)	(109)
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - May 1, 2022		—	$ —	$ —	$ 1,479	$ 1,479
Net loss	(a)(b)(d)(f)	—	—	—	(1,273)	(1,273)
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - July 31, 2022		—	$ —	$ —	$ 206	$ 206
Net income	(a)(b)(d)(f)	—	—	—	1,057	1,057
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - October 30, 2022		—	$ —	$ —	$ 1,263	$ 1,263
As Restated						
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
Issuance of common stock for restricted stock		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 income		—	—	—	5,849	5,849
Equity-based compensation		—	—	1,034	—	1,034
Issuance of common stock for restricted stock		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
Net loss		—	—	—	(7,362)	(7,362)
Equity-based compensation		—	—	732	—	732
Issuance of common stock for restricted stock		8,857	—	—	—	
Taxes paid for net share settlement of equity awards		—	—	(134)	—	(134)
Balance - October 30, 2022		15,192,134	$ —	$ 175,108	$ (15,675)	$ 159,433

See descriptions of the net income (loss) impacts in the statements of operations for the thirteen and thirty-nine weeks ended October 30, 2022 sections above.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

	For the Thirty-Nine Weeks Ended October 30, 2022			
	As Previously Reported	Corrections	Reference	As Restated
Cash Flows from Operating Activities				
Net income (loss)	$ 598	$ (325)	(a)(b)(f)	$ 273
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization of property and equipment	7,911	—		7,911
Amortization of other intangible assets	285	—		285
Amortization of deferred financing fees	117	—		117
Net loss on disposal of property and equipment	41	—		41
Equity based compensation	2,929	—		2,929
Non-cash operating lease cost	13,582	—		13,582
Deferred income taxes	141	(103)	(f)	38
Change in operating assets and liabilities:				
Trade accounts receivable	(6,810)	—		(6,810)
Merchandise inventories	(45,988)	—		(45,988)
Prepaid expenses and other current assets	(20,547)	2,846	(a)(b)(e)(f)	(17,701)
Other assets	—	7	(e)	7
Accounts payable and accrued expenses	3,281	(2,073)	(a)(f)(h)	1,208
Operating lease liabilities	(13,227)	(3,596)	(b)(e)	(16,823)
Customer deposits	(7,455)	—		(7,455)
Net cash used in operating activities	(65,142)	(3,244)		(68,386)
Cash Flows from Investing Activities				
Purchase of property and equipment	(21,292)	3,177	(h)	(18,115)
Payments for patents and trademarks	(267)	67	(h)	(200)
Net cash (used in) provided by investing activities	(21,559)	3,244		(18,315)
Cash Flows from Financing Activities				
Taxes paid for net share settlement of equity awards	(1,583)	—		(1,583)
Payment of deferred financing costs	(276)	—		(276)
Net cash used in financing activities	(1,859)	—		(1,859)
Net change in cash and cash equivalents	(88,560)	—		(88,560)
Cash and cash equivalents - Beginning	92,392	—		92,392
Cash and cash equivalents - Ending	$ 3,832	$ —		$ 3,832
Supplemental Cash Flow Data:				
Cash paid for taxes	$ 9,811	$ —		$ 9,811
Cash paid for interest	$ 65	$ —		$ 65
Non-cash investing activities:				
Asset acquisitions not yet paid for at period end	$ —	$ 3,244	(h)	$ 3,244

See descriptions of the net income (loss) impacts in the statement of operations for the thirty-nine weeks ended October 30, 2022 section above.

The cash flow classification, as described in item (h) in the description of misstatement adjustments section above, resulted in a decrease of $3.2 million in net cash provided by operating activities and an increase of $3.2 million in net cash provided by investing activities for the thirty-nine weeks ended October 30, 2022.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the thirty-nine weeks ended October 30, 2022.

THE LOVESAC COMPANY
CONDENSED BALANCE SHEET
(unaudited)

(amounts in thousands, except share and per share amounts)	July 31, 2022			
	As Previously Reported	**Corrections**	**Reference**	**As Restated**
Assets				
Current Assets				
Cash and cash equivalents	$ 17,652	$ —		$ 17,652
Trade accounts receivable	8,970	—		8,970
Merchandise inventories, net	146,626	(934)	(d)	145,692
Prepaid expenses and other current assets	36,011	(4,834)	(a)(b)(e)(f)	31,177
Total Current Assets	209,259	(5,768)		203,491
Property and equipment, net	42,049	—		42,049
Operating lease right-of-use assets	113,823	(600)	(b)	113,223
Other Assets				
Goodwill	144	—		144
Intangible assets, net	1,425	—		1,425
Deferred financing costs, net	116	—		116
Deferred tax asset	7,098	310	(f)	7,408
Other assets	—	1,057	(e)	1,057
Total Other Assets	8,783	1,367		10,150
Total Assets	$ 373,914	$ (5,001)		$ 368,913
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	$ 34,238	$ —		$ 34,238
Accrued expenses	29,372	1,401	(a)(f)	30,773
Payroll payable	5,056	—		5,056
Customer deposits	6,488	—		6,488
Current operating lease liabilities	18,514	(6,608)	(b)(e)	11,906
Sales taxes payable	4,391	—		4,391
Total Current Liabilities	98,059	(5,207)		92,852
Operating Lease Liability, long-term	109,864	—		109,864
Line of Credit	—	—		—
Total Liabilities	207,923	(5,207)		202,716
Stockholders' Equity				
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of July 31, 2022	—	—		—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 15,183,277 shares issued and outstanding as of July 31, 2022	—	—		—
Additional paid-in capital	174,510	—		174,510
Accumulated (deficit) earnings	(8,519)	206	(a)(b)(d)(f)	(8,313)
Stockholders' Equity	165,991	206		166,197
Total Liabilities and Stockholders' Equity	$ 373,914	$ (5,001)		$ 368,913

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.2 million, an increase to accrued expenses of $1.0 million, and an increase to accumulated deficit of $0.8 million at July 31, 2022.

(b) Leases - The correction of these misstatements resulted in an decease to prepaid expenses and other current assets of less than $0.1 million, a decrease to operating lease right-of-use assets of $0.6 million, a decrease to current operating lease liabilities of $2.6 million, and a decrease to accumulated deficit of $2.0 million at July 31, 2022.

(d) Supplier Rebates - The correction of these misstatements resulted in a decrease to merchandise inventories, net of $0.9 million and an increase to accumulated deficit of $0.9 million at July 31, 2022.

(e) Balance Sheet Reclassifications - The correction of these misstatements resulted in a decrease to prepaid expenses and other current assets of $5.1 million, a decrease to current operating lease liabilities of $4.0 million and an increase to other assets of $1.1 million at July 31, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in an increase to prepaid expenses and other current assets of less than $0.1 million, an increase to deferred tax asset of $0.3 million, an increase to accrued expenses of $0.3 million, and an increase to accumulated deficit of less than $0.1 million at July 31, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Thirteen Weeks Ended July 31, 2022			
(amounts in thousands, except per share data and share amounts)	As Previously Reported	Corrections	Reference	As Restated
Net sales	$ 148,534	$ —		$ 148,534
Cost of merchandise sold	67,608	1,827	(a)(d)	69,435
Gross profit	80,926	(1,827)		79,099
Operating expenses				
Selling, general and administration expenses	48,866	(51)	(b)	48,815
Advertising and marketing	19,088	—		19,088
Depreciation and amortization	3,076	—		3,076
Total operating expenses	71,030	(51)		70,979
Operating income (loss)	9,896	(1,776)		8,120
Interest income, net	3	—		3
Net income (loss) before taxes	9,899	(1,776)		8,123
(Provision for) benefit from income taxes	(2,777)	503	(f)	(2,274)
Net income (loss)	$ 7,122	$ (1,273)		$ 5,849
Net income (loss) per common share:				
Basic	$ 0.47	$ (0.09)		$ 0.38
Diluted	$ 0.45	$ (0.08)		$ 0.37
Weighted average number of common shares outstanding:				
Basic	15,195,116	—		15,195,116
Diluted	16,004,061	—		16,004,061

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase tocost of merchandise sold of $0.9 million for the thirteen weeks ended July 31, 2022.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of less than $0.1 million for the thirteen weeks ended July 31, 2022.

(d) Supplier Rebates - The correction of these misstatements resulted in an increase to cost of merchandise sold of $0.9 million for the thirteen weeks ended July 31, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to provision for income taxes of $0.5 million for the thirteen weeks ended July 31, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Twenty-Six Weeks Ended July 31, 2022			
(amounts in thousands, except per share data and share amounts)	As Previously Reported	Corrections	Reference	As Restated
Net sales	$ 277,914	$ —		$ 277,914
Cost of merchandise sold	130,880	1,961	(a)(d)	132,841
Gross profit	147,034	(1,961)		145,073
Operating expenses				
Selling, general and administration expenses	93,767	(34)	(b)	93,733
Advertising and marketing	34,989	—		34,989
Depreciation and amortization	5,737	—		5,737
Total operating expenses	134,493	(34)		134,459
Operating income (loss)	12,541	(1,927)		10,614
Interest expense, net	(32)	—		(32)
Net income (loss) before taxes	12,509	(1,927)		10,582
(Provision for) benefit from income taxes	(3,492)	545	(f)	(2,947)
Net income (loss)	$ 9,017	$ (1,382)		$ 7,635
Net income (loss) per common share:				
Basic	$ 0.59	$ (0.09)		$ 0.50
Diluted	$ 0.56	$ (0.08)		$ 0.48
Weighted average number of common shares outstanding:				
Basic	15,175,247	—		15,175,247
Diluted	16,032,731	—		16,032,731

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase tocost of merchandise sold of $1.0 million for the twenty-six weeks ended July 31, 2022.

(b) Leases - The correction of these misstatements resulted in a decrease to selling, general and administrative expenses of less than $0.1 million for the twenty-six weeks ended July 31, 2022.

(d) Supplier Rebates - The correction of these misstatements resulted in an increase to cost of merchandise sold of $0.9 million for the twenty-six weeks ended July 31, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to provision for income taxes of $0.5 million for the twenty-six weeks ended July 31, 2022.

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

(amounts in thousands, except share amounts)	Restatement Reference	Common Shares	Common Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
As Previously Reported						
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (17,536)	$ 156,226
Net income		—	—	—	1,895	1,895
Equity-based compensation		—	—	1,163	—	1,163
Issuance of common stock for restricted stock		1,704	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(47)	—	(47)
Balance - May 1, 2022		15,125,042	$ —	$ 174,878	$ (15,641)	$ 159,237
Net income		—	—	—	7,122	7,122
Equity-based compensation		—	—	1,034	—	1,034
Issuance of common stock for restricted stock		58,235	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(1,402)	—	(1,402)
Balance - July 31, 2022		15,183,277	$ —	$ 174,510	$ (8,519)	$ 165,991
Restatement Impacts						
Balance - January 30, 2022	(a)(b)(f)	—	$ —	$ —	$ 1,588	$ 1,588
Net loss	(a)(b)(f)	—	—	—	(109)	(109)
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - May 1, 2022		—	$ —	$ —	$ 1,479	$ 1,479
Net loss	(a)(b)(d)(f)	—	—	—	(1,273)	(1,273)
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - July 31, 2022		—	$ —	$ —	$ 206	$ 206
As Restated						
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
Issuance of common stock for restricted stock		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 income		—	—	—	5,849	5,849
Equity-based compensation		—	—	1,034	—	1,034
Issuance of common stock for restricted stock		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

See descriptions of the net income (loss) impacts in the statements of operations for the thirteen and twenty-six weeks ended July 31, 2022 sections above.

THE LOVESAC COMPANY

CONDENSED STATEMENT OF CASH FLOWS

(unaudited)

	For the Twenty-Six Weeks Ended July 31, 2022			
	As Previously Reported	Corrections	Reference	As Restated
Cash Flows from Operating Activities				
Net income (loss)	$ 9,017	$ (1,382)	(a)(b)(d)(f)	$ 7,635
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization of property and equipment	5,549	—		5,549
Amortization of other intangible assets	188	—		188
Amortization of deferred financing fees	71	—		71
Equity based compensation	2,197	—		2,197
Non-cash operating lease cost	8,711	—		8,711
Deferred income taxes	2,738	(425)	(f)	2,313
Change in operating assets and liabilities:				
Trade accounts receivable	(423)	—		(423)
Merchandise inventories	(38,133)	934	(d)	(37,199)
Prepaid expenses and other current assets	(17,916)	1,406	(a)(b)(e)(f)	(16,510)
Other assets	—	(10)	(e)	(10)
Accounts payable and accrued expenses	(16,024)	(2,496)	(a)(f)(h)	(18,520)
Operating lease liabilities	(8,501)	(1,563)	(b)(e)	(10,064)
Customer deposits	(6,828)	—		(6,828)
Net cash used in operating activities	(59,354)	(3,536)		(62,890)
Cash Flows from Investing Activities				
Purchase of property and equipment	(13,461)	3,496	(h)	(9,965)
Payments for patents and trademarks	(200)	40	(h)	(160)
Net cash (used in) provided by investing activities	(13,661)	3,536		(10,125)
Cash Flows from Financing Activities				
Taxes paid for net share settlement of equity awards	(1,449)	—		(1,449)
Payment of deferred financing costs	(276)	—		(276)
Net cash used in financing activities	(1,725)	—		(1,725)
Net change in cash and cash equivalents	(74,740)	—		(74,740)
Cash and cash equivalents - Beginning	92,392	—		92,392
Cash and cash equivalents - Ending	$ 17,652	$ —		$ 17,652
Supplemental Cash Flow Data:				
Cash paid for taxes	$ 9,393	$ —		$ 9,393
Cash paid for interest	$ 34	$ —		$ 34
Non-cash investing activities:				
Asset acquisitions not yet paid for at period end	$ —	$ 3,536	(h)	$ 3,536

See descriptions of the net income (loss) impacts in the statement of operations for the twenty-six weeks ended July 31, 2022 section above.

The cash flow classification, as described in item (h) in the description of misstatement adjustments section above, resulted in a decrease of $3.5 million in net cash provided by operating activities and an increase of $3.5 million in net cash provided by investing activities for the twenty-six weeks ended July 31, 2022.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the twenty-six weeks ended July 31, 2022.

THE LOVESAC COMPANY
CONDENSED BALANCE SHEET
(unaudited)

(amounts in thousands, except share and per share amounts)	May 1, 2022 As Previously Reported	Corrections	Reference	As Restated
Assets				
Current Assets				
Cash and cash equivalents	$ 64,380	$ —		$ 64,380
Trade accounts receivable	6,413	—		6,413
Merchandise inventories, net	123,008	—		123,008
Prepaid expenses and other current assets	16,384	(3,971)	(a)(b)(e)(f)	12,413
Total Current Assets	210,185	(3,971)		206,214
Property and equipment, net	37,455	—		37,455
Operating lease right-of-use assets	107,930	—		107,930
Other Assets				
Goodwill	144	—		144
Intangible assets, net	1,452	—		1,452
Deferred financing costs, net	97	—		97
Deferred tax asset	9,313	(84)	(f)	9,229
Other assets	—	1,074	(e)	1,074
Total Other Assets	11,006	990		11,996
Total Assets	$ 366,576	$ (2,981)		$ 363,595
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	$ 29,764	$ —		$ 29,764
Accrued expenses	39,431	494	(a)(f)	39,925
Payroll payable	5,188	—		5,188
Customer deposits	7,607	—		7,607
Current operating lease liabilities	17,530	(4,954)	(b)(e)	12,576
Sales taxes payable	4,339	—		4,339
Total Current Liabilities	103,859	(4,460)		99,399
Operating Lease Liability, long-term	103,480	—		103,480
Line of Credit	—	—		—
Total Liabilities	207,339	(4,460)		202,879
Stockholders' Equity				
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of May 1, 2022	—	—		—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 15,125,042 shares issued and outstanding as of May 1, 2022	—	—		—
Additional paid-in capital	174,878	—		174,878
Accumulated (deficit) earnings	(15,641)	1,479	(a)(b)(f)	(14,162)
Stockholders' Equity	159,237	1,479		160,716
Total Liabilities and Stockholders' Equity	$ 366,576	$ (2,981)		$ 363,595

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.1 million, an increase to accrued expenses of less than $0.1 million, and a decrease to accumulated deficit of less than $0.1 million at May 1, 2022.

(b) Leases - The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.3 million, a decrease to current operating lease liabilities of $1.7 million, and a decrease to accumulated deficit of $2.0 million at May 1, 2022.

(e) Balance Sheet Reclassifications - The correction of these misstatements resulted in a decrease to prepaid expenses and other current assets of $4.4 million, a decrease to current operating lease liabilities of $3.3 million and an increase to other assets of $1.1 million at May 1, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in an increase to prepaid expenses and other current assets of less than $0.1 million, a decrease to deferred tax asset of $0.1 million, an increase to accrued expenses of $0.4 million, and an increase to accumulated deficit of $0.5 million at May 1, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Thirteen Weeks Ended May 1, 2022			
(amounts in thousands, except per share data and share amounts)	**As Previously Reported**	**Corrections**	**Reference**	**As Restated**
Net sales	$ 129,380	$ —		$ 129,380
Cost of merchandise sold	63,272	134	(a)	63,406
Gross profit	66,108	(134)		65,974
Operating expenses				
Selling, general and administration expenses	44,901	17	(b)	44,918
Advertising and marketing	15,901	—		15,901
Depreciation and amortization	2,661	—		2,661
Total operating expenses	63,463	17		63,480
Operating income (loss)	2,645	(151)		2,494
Interest expense, net	(35)	—		(35)
Net income (loss) before taxes	2,610	(151)		2,459
(Provision for) benefit from income taxes	(715)	42	(f)	(673)
Net income (loss)	$ 1,895	$ (109)		$ 1,786
Net income (loss) per common share:				
Basic	$ 0.13	$ (0.01)		$ 0.12
Diluted	$ 0.12	$ (0.01)		$ 0.11
Weighted average number of common shares outstanding:				
Basic	15,155,378	—		15,155,378
Diluted	16,173,339	—		16,173,339

The description of each error is described in Note 2. The impact of each error for the corresponding period in the above table is described below:

(a) Last Mile Freight - The correction of these misstatements resulted in an increase tocost of merchandise sold of $0.1 million for the thirteen weeks ended May 1, 2022.

(b) Leases - The correction of these misstatements resulted in an increase to selling, general and administrative expenses of less than $0.1 million for the thirteen weeks ended May 1, 2022.

(f) Income Taxes - The tax impact of all misstatements resulted in a decrease to provision for income taxes of less than $0.1 million for the thirteen weeks ended May 1, 2022.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THIRTEEN WEEKS ENDED MAY 1, 2022
(unaudited)

(amounts in thousands, except share amounts)	Restatement Reference	Common Shares	Common Amount	Additional paid-in capital	Accumulated (deficit) earnings	Total Shareholders' Equity
As Previously Reported						
Balance - January 30, 2022		15,123,338	$ —	$ 173,762	$ (17,536)	$ 156,226
Net income		—	—	—	1,895	1,895
Equity-based compensation		—	—	1,163	—	1,163
Issuance of common stock for restricted stock		1,704	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	(47)	—	(47)
Balance - May 1, 2022		15,125,042	$ —	$ 174,878	$ (15,641)	$ 159,237
Restatement Impacts						
Balance - January 30, 2022	(a)(b)(f)	—	$ —	$ —	$ 1,588	$ 1,588
Net loss	(a)(b)(f)	—	—	—	(109)	(109)
Equity-based compensation		—	—	—	—	—
Issuance of common stock for restricted stock		—	—	—	—	—
Taxes paid for net share settlement of equity awards		—	—	—	—	—
Balance - May 1, 2022		—	$ —	$ —	$ 1,479	$ 1,479
As Restated						
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
Issuance of common stock for restricted stock		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

See descriptions of the net income (loss) impacts in the statement of operations for the thirteen weeks ended May 1, 2022 section above.

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

	For the Thirteen Weeks Ended May 1, 2022			
	As Previously Reported	Corrections	Reference	As Restated
Cash Flows from Operating Activities				
Net income (loss)	$ 1,895	$ (109)	(a)(b)(f)	$ 1,786
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization of property and equipment	2,575	—		2,575
Amortization of other intangible assets	86	—		86
Amortization of deferred financing fees	29	—		29
Equity based compensation	1,163	—		1,163
Non-cash operating lease cost	4,184	—		4,184
Deferred income taxes	523	(31)	(f)	492
Change in operating assets and liabilities:				
Trade accounts receivable	2,134	—		2,134
Merchandise inventories	(14,515)	—		(14,515)
Prepaid expenses and other current assets	270	543	(a)(b)(e)(f)	813
Other assets	—	(26)	(e)	(26)
Accounts payable and accrued expenses	(10,359)	(1,409)	(a)(f)(h)	(11,768)
Operating lease liabilities	(4,062)	(509)	(b)(e)	(4,571)
Customer deposits	(5,709)	—		(5,709)
Net cash used in operating activities	(21,786)	(1,541)		(23,327)
Cash Flows from Investing Activities				
Purchase of property and equipment	(5,893)	1,443	(h)	(4,450)
Payments for patents and trademarks	(125)	98	(h)	(27)
Net cash (used in) provided by investing activities	(6,018)	1,541		(4,477)
Cash Flows from Financing Activities				
Taxes paid for net share settlement of equity awards	(47)	—		(47)
Payment of deferred financing costs	(161)	—		(161)
Net cash used in financing activities	(208)	—		(208)
Net change in cash and cash equivalents	(28,012)	—		(28,012)
Cash and cash equivalents - Beginning	92,392	—		92,392
Cash and cash equivalents - Ending	$ 64,380	$ —		$ 64,380
Supplemental Cash Flow Data:				
Cash paid for taxes	$ 905	$ —		$ 905
Cash paid for interest	$ 33	$ —		$ 33
Non-cash investing activities:				
Asset acquisitions not yet paid for at period end	$ —	$ 1,541	(h)	$ 1,541

See descriptions of the net income (loss) impacts in the statement of operations for the thirteen weeks ended May 1, 2022 section above.

The cash flow classification, as described in item (h) in the description of misstatement adjustments section above, resulted in a decrease of $1.5 million in net cash provided by operating activities and an increase of $1.5 million in net cash provided by investing activities for the thirteen weeks ended May 1, 2022.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the thirteen weeks ended May 1, 2022.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-248755 on Form S-8 of our reports dated March 29, 2023 (November 2, 2023, as to the effects of the restatement discussed in Note 2), relating to the financial statements of The Lovesac Company and the effectiveness of The Lovesac Company's internal control over financial reporting appearing in this Annual Report on Form 10-K/A for the year ended January 29, 2023.

/s/ Deloitte & Touche LLP

Stamford, CT
November 30, 2023

Exhibit 23.2

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of The Lovesac Company on Form S-8, Nos. 333-248755 and 333-232674, of our report dated March 30, 2022, except for Note 2 and the revised disclosures in Notes 5, 6, 7 and 8, for which the date is November 2, 2023, with respect to our audits of the consolidated financial statements of The Lovesac Company as of January 30, 2022 and for each of the two years in the period ended January 30, 2022, which report is included in this Annual Report on Form 10-K of The Lovesac Company for the year ended January 29, 2023.

Our report on the effectiveness of internal control over financial reporting expressed an adverse opinion because of the existence of a material weakness.

/s/ Marcum LLP

Hartford CT
November 30, 2023

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 Annual Report on Form 10-K/A 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 30, 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 Annual Report on Form 10-K/A 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 30, 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 Annual Report on Form 10-K/A of The Lovesac Company for the fiscal year ended January 29, 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 Annual Report on Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: November 30, 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 Annual Report on Form 10-K/A of The Lovesac Company for the fiscal year ended January 29, 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 Annual Report on Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: November 30, 2023	Signed:	/s/ Keith Siegner
	Name:	Keith Siegner
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)