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

FORM 10-Q

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

For the quarterly period ended May 1, 2022

or

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

For the transition period from to

Commission File Number: 001-38555

THE LOVESAC COMPANY

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of May 31, 2022, there were 15,125,175 shares of common stock, $0.00001 par value per share, outstanding.

THE LOVESAC COMPANY

FORM 10-Q
INDEX TO QUARTERLY REPORT ON FORM 10-Q
May 1, 2022

Forward-Looking Statements

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

You should not place undue reliance on forward looking statements. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeframe. The cautionary statements set forth in this Quarterly Report on Form 10-Q, including in Part I – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere, identify important factors which you should consider in evaluating our forward-looking statements. These factors include, among other things:

- our ability to sustain recent growth rates;
- our ability to sustain the recent increase in our Internet sales;
- our ability to manage the growth of our operations over time;
- our ability to maintain, grow and enforce our brand and trademark rights;
- our ability to improve our products and develop new products;
- our ability to obtain, grow and enforce intellectual property related to our business and avoid infringement or other violation of the intellectual property rights of others;
- our ability to successfully open and operate new showrooms;
- the impact of any systems interruptions that impair customer access to our sites or other performance failures in our technology infrastructure;
- any decline in consumer spending including due to negative impact from economic conditions;
- our ability to compete and succeed in a highly competitive and evolving industry; and
- the effect and consequences of current economic conditions, including the impact of the novel coronavirus (“COVID-19”) public health crisis, the conflict between Russia and Ukraine, and inflation on our business operations and continuity.

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

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the sections entitled “Risk Factors” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeline, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

THE LOVESAC COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share and per share amounts)	May 1, 2022 (unaudited)	January 30, 2022
Assets		
Current Assets		
Cash and cash equivalents	$ 64,380	$ 92,392
Trade accounts receivable	6,413	8,547
Merchandise inventories	123,008	108,493
Prepaid expenses and other current assets	16,384	15,726
Total Current Assets	210,185	225,158
Property and equipment, net	37,455	34,137
Operating lease right-of-use assets	107,930	100,891
Other Assets		
Goodwill	144	144
Intangible assets, net	1,452	1,413
Deferred financing costs, net	97	—
Deferred tax asset	9,313	9,836
Total Other Assets	11,006	11,393
Total Assets	$ 366,576	$ 371,579
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 29,764	$ 33,247
Accrued expenses	39,431	40,497
Payroll payable	5,188	9,978
Customer deposits	7,607	13,316
Current operating lease liabilities	17,530	16,382
Sales taxes payable	4,339	5,359
Total Current Liabilities	103,859	118,779
Operating Lease Liabilities, long-term	103,480	96,574
Line of Credit	—	—
Total Liabilities	207,339	215,353
Commitments and Contingencies (see Note 6)		
Stockholders' Equity		
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of May 1, 2022 and January 30, 2022.	—	—
Common Stock $.00001 par value, 40,000,000 shares authorized, 15,125,042 shares issued and outstanding as of May 1, 2022 and 15,123,338 shares issued and outstanding as of January 30, 2022.	—	—
Additional paid-in capital	174,878	173,762
Accumulated deficit	(15,641)	(17,536)
Stockholders' Equity	159,237	156,226
Total Liabilities and Stockholders' Equity	$ 366,576	$ 371,579

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

THE LOVESAC COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(amounts in thousands, except per share data and share amounts)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
Net sales	$ 129,380	$ 82,915
Cost of merchandise sold	63,272	36,839
Gross profit	66,108	46,076
Operating expenses		
Selling, general and administration expenses	44,901	30,718
Advertising and marketing	15,901	10,680
Depreciation and amortization	2,661	2,420
Total operating expenses	63,463	43,818
Operating income	2,645	2,258
Interest expense, net	(35)	(44)
Net income before taxes	2,610	2,214
Provision for income taxes	(715)	(153)
Net income	$ 1,895	$ 2,061
Net income per common share:		
Basic	$ 0.13	$ 0.14
Diluted	$ 0.12	$ 0.13
Weighted average number of common shares outstanding:		
Basic	15,155,378	15,034,954
Diluted	16,173,339	16,073,021

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

THE LOVESAC COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THIRTEEN WEEKS ENDED MAY 1, 2022 AND MAY 2, 2021
(unaudited)

(amounts in thousands, except share amounts)	Common Shares	Common Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - January 31, 2021	15,011,556	$ —	$ 171,382	$ (63,436)	$ 107,946
Net income	—	—	—	2,061	2,061
Equity based compensation	—	—	654	—	654
Vested restricted stock units	4,868	—	—	—	—
Exercise of warrants	2,106	—	20	—	20
Balance - May 2, 2021	15,018,530	—	172,056	(61,375)	110,681
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
Vested restricted stock units	1,704	—	—	—	—
Taxes paid for net share settlement of equity awards	—	—	(47)	—	(47)
Balance - May 1, 2022	15,125,042	$ —	$ 174,878	$ (15,641)	$ 159,237

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

THE LOVESAC COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(amounts in thousands)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
Cash Flows from Operating Activities		
Net income	$ 1,895	$ 2,061
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of property and equipment	2,575	1,956
Amortization of other intangible assets	86	463
Amortization of deferred financing fees	29	23
Equity based compensation	1,163	654
Non-cash operating lease cost	4,184	3,546
Deferred income taxes	523	—
Changes in operating assets and liabilities:		
Trade accounts receivable	2,134	(2,382)
Merchandise inventories	(14,515)	(5,539)
Prepaid expenses and other current assets	270	(547)
Accounts payable and accrued expenses	(10,359)	(8,290)
Operating lease liabilities	(4,062)	(3,400)
Customer deposits	(5,709)	1,851
Net Cash Used in Operating Activities	(21,786)	(9,604)
Cash Flows from Investing Activities		
Purchase of property and equipment	(5,893)	(2,919)
Payments for patents and trademarks	(125)	(139)
Net Cash Used in Investing Activities	(6,018)	(3,058)
Cash Flows from Financing Activities		
Payment of deferred financing costs	(161)	—
Taxes paid for net share settlement of equity awards	(47)	—
Proceeds from the line of credit	—	42
Proceeds from the exercise of warrants	—	20
Net Cash (Used in) Provided by Financing Activities	(208)	62
Net Change in Cash and Cash Equivalents	(28,012)	(12,600)
Cash and Cash Equivalents - Beginning	92,392	78,341
Cash and Cash Equivalents - Ending	$ 64,380	$ 65,741
Supplemental Cash Flow Disclosures		
Cash paid for taxes	$ 905	$ 61
Cash paid for interest	$ 33	$ 8

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

THE LOVESAC COMPANY

CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN WEEKS ENDED MAY 1, 2022 AND MAY 2, 2021

NOTE 1 - BASIS OF PRESENTATION AND OPERATIONS

The consolidated balance sheet of The Lovesac Company (the “Company”, “we”, “us” or “our”) as of January 30, 2022, which has been derived from our audited financial statements as of and for the 52-week year ended January 30, 2022, and the accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. Certain information and note disclosures normally included in annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), have been condensed or omitted pursuant to those rules and regulations. The financial information presented herein, which is not necessarily indicative of results to be expected for the full current fiscal year, reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the interim unaudited condensed consolidated financial statements. Such adjustments are of a normal, recurring nature. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements filed in its Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

Due to the seasonality of the Company’s business, with the majority of our activity occurring in the fourth quarter of each fiscal year, the results of operations for the thirteen weeks ended May 1, 2022 and May 2, 2021 are not necessarily indicative of results to be expected for the full fiscal year.

Nature of Operations

The Company 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. 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.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic and, in the following weeks, the U.S. federal, state and local governments issued lockdown orders and related safety measures impacting the operations of our showrooms and consumer demand. Although there has been a general improvement in conditions, there continues to be significant uncertainties around the scope and severity of the pandemic, its impact on the global economy, including supply chains, and other business disruptions that may impact our operating results and financial condition. We continue to follow the guidance issued by federal, state and local governments and health organizations and have taken measures to protect the safety of our associates and customers.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company has considered recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its condensed consolidated financial statements.

NOTE 3 – INTANGIBLE ASSETS, NET

A summary of intangible assets follows:

		May 1, 2022		
(amounts in thousands)	Estimated Life	Gross Carrying Amount	Accumulated Amortization	Net carrying amount
Patents	10 years	$ 2,923	$ (1,682)	$ 1,241
Trademarks	3 years	1,430	(1,219)	211
Other intangibles	5 years	840	(840)	—
Total		$ 5,193	$ (3,741)	$ 1,452

		January 30, 2022		
(amounts in thousands)	Estimated Life	Gross Carrying Amount	Accumulated Amortization	Net carrying amount
Patents	10 years	$ 2,838	$ (1,626)	$ 1,212
Trademarks	3 years	1,390	(1,189)	201
Other intangibles	5 years	840	(840)	—
Total		$ 5,068	$ (3,655)	$ 1,413

Amortization expense associated with intangible assets subject to amortization is included in depreciation and amortization expense on the accompanying condensed consolidated statements of operations. Amortization expense on other intangible assets was $0.1 million and $0.5 million for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively.

As of May 1, 2022, estimated future amortization expense associated with intangible assets subject to amortization is as follows:

(amounts in thousands)	
Remainder of Fiscal 2023	$ 182
2024	260
2025	199
2026	174
2027	161
2028	10
Thereafter	466
	$ 1,452

NOTE 4 – INCOME TAXES

The Company recorded federal and state income tax expense of $0.7 million and $0.2 million for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively.

The Company does not anticipate any material adjustments relating to unrecognized tax benefits within the next twelve months; however, the ultimate outcome of tax matters is uncertain and unforeseen results can occur. The Company had no material interest or penalties during the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively, and does not anticipate any such items during the next twelve months. The Company's policy is to record interest and penalties directly related to uncertain tax positions as income tax expense in the condensed consolidated statements of operations.

NOTE 5 – BASIC AND DILUTED NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income by the weighted average number of common shares outstanding and common stock equivalents outstanding during the period. Diluted net income per common share includes, in periods in which they are dilutive, the effect of those potentially dilutive securities where the average market price of the common stock exceeds the exercise prices for the respective periods.

For the thirteen weeks ended May 1, 2022, the effects of767,023 shares of common stock related to restricted stock units,495,366 shares of common stock underlying stock options and warrants to purchase 281,750 shares of common stock were included in the diluted share calculation.

For the thirteen weeks ended May 2, 2021, the effects of652,052 shares of common stock related to restricted stock units,495,366 shares of common stock underlying stock options and warrants to purchase 291,598 shares of common stock were included in the diluted share calculation.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its office, warehouse facilities and retail showrooms under operating lease agreements which expire at various dates through January 2033. 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. Certain operating leases have renewal options and rent escalation clauses. We assess these options to determine if we are reasonably certain of exercising these options based on all relevant economic and financial factors. Any options that meet these criteria are included in the lease term at lease commencement.

Lease right-of-use assets represent 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. Lease right-of-use assets and lease liabilities are recognized at the commencement of an arrangement where it is determined at inception that a lease exists. These assets and liabilities are initially recognized based on the present value of lease payments over the lease term calculated using our incremental borrowing rate generally applicable to the location of the lease right-of-use asset, unless an implicit rate is readily determinable. We combine lease and certain non-lease components for our showroom real estate leases in determining the lease payments subject to the initial present value calculation. Lease right-of-use assets include upfront lease payments and exclude lease incentives, where applicable. Lease terms include options to extend or terminate the lease when it is reasonably certain that those options will be exercised.

Lease expense for operating leases consists of both fixed and variable components. Expense related to fixed lease payments are recognized on a straight-line basis over the lease term. Variable lease payments are generally expensed as incurred, where applicable, and include certain index-based changes in rent, certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet. In addition, certain of our equipment lease agreements include variable lease payments, which are based on the usage of the underlying asset. The variable portion of payments are not included in the initial measurement of the asset or lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred.

ASC 842 requires companies to use the rate implicit in the lease whenever that rate is readily determinable and if the interest rate is not readily determinable, then a lessee may use its incremental borrowing rate. Most of our leases do not have an interest rate implicit in the lease. As a result, for purposes of measuring our ROU asset and lease liability, we determined our incremental borrowing rate by computing the rate of interest that we would have to pay to (i) borrow on a collateralized basis (ii) over a similar term (iii) at an amount equal to the total lease payments and (iv) 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. In the case that an interest rate is implicit in a lease, we will use that rate as the discount rate for that lease. The lease term for all of our lease arrangements include the noncancelable period of the lease plus, if applicable, any additional periods covered by an option to extend the lease that is reasonably certain to be exercised by the Company. Our leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Some of our leases contain variable lease payments based on a Consumer Price Index or percentage of sales, which are excluded from the measurement of the lease liability.

The Company’s lease terms and rates are as follows:

	May 1, 2022
Weighted average remaining lease term (in years)	
Operating Leases	7.2
Weighted average discount rate	
Operating Leases	3.97 %

During the thirteen weeks ended May 1, 2022 and May 2, 2021, the Company recognized operating lease expense of$5.3 million and $3.5 million, respectively. In addition, during the thirteen weeks ended May 1, 2022 and May 2, 2021, we recognized $2.7 million and $2.3 million, respectively, for index-based changes in rent, maintenance, real estate taxes, insurance and other charges included in the lease as well as rental expenses related to short term leases.

We did not recognize any impairment charges associated with showroom-level ROU assets during the thirteen weeks ended May 1, 2022 or May 2, 2021.

The following table discloses the location and amount of our operating lease costs within our condensed consolidated balance sheets:

(amounts in thousands)	Balance sheet location	May 1, 2022
Assets		
Operating leases	Operating lease right-of-use assets (non-current)	$ 107,930
Liabilities		
Current:		
Operating leases	Current operating lease liabilities	$ 17,530
Noncurrent:		
Operating leases	Operating lease liability, long term	103,480
Total lease liabilities		$ 121,010

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancelable leases with terms of more than one year to the total lease liabilities recognized on the condensed consolidated balance sheet as of May 1, 2022 in thousands:

(amounts in thousands)		
Remainder 2023	$	16,571
2024		21,582
2025		20,310
2026		18,187
2027		15,739
Thereafter		48,498
Total undiscounted future minimum lease payments		140,887
Less: imputed interest		(19,877)
Total present value of lease obligations		121,010
Less: current operating lease liability		(17,530)
Operating lease liability- long term	$	103,480

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

(amounts in thousands)		For the thirteen weeks ended May 1, 2022		For the thirteen weeks ended May 2, 2021
Operating cash flow information:				
Amounts paid on operating lease liabilities	$	4,062	$	3,400
Non-cash activities				
Right-of-use assets obtained in exchange for lease obligations	$	12,513	$	94,275

Severance Contingency

The Company has various employment agreements with its senior level executives. A number of these agreements have severance provisions, ranging from12 to 18 months of salary, in the event those employees are terminated without cause. The total amount of exposure to the Company under these agreements was $5.6 million at May 1, 2022 if all executives with employment agreements were terminated without cause and the full amount of severance was payable.

Legal Contingency

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

NOTE 7 – FINANCING ARRANGEMENTS

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

As of May 1, 2022 and January 30, 2022, the Company's borrowing availability under the line of credit with Wells was $31.2 million and $22.5 million, respectively. As of May 1, 2022 and January 30, 2022, there were no borrowings outstanding on this line of credit.

Under the amended line of credit with Wells, the Company may elect that revolving loans bear interest at either a base rate or a term Secured Overnight Funds Rate ("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.

NOTE 8 – STOCKHOLDERS' EQUITY

Common Stock Warrants

The following represents warrant activity during the thirteen weeks ended May 1, 2022 and May 2, 2021:

	Average exercise price	Number of warrants	Weighted average remaining contractual life (in years)
Warrants Outstanding at January 31, 2021	$ 19.07	293,973	2.57
Warrants issued	—	—	0
Expired and canceled	—	—	0
Exercised	16.00	(2,375)	0.16
Outstanding at May 2, 2021	$ 19.11	291,598	2.09
Warrants Outstanding at January 30, 2022	$ 19.20	281,750	1.41
Warrants issued	—	—	0
Expired and canceled	—	—	0
Exercised	—	—	0.00
Outstanding at May 1, 2022	$ 19.20	281,750	1.16

In the thirteen weeks ended May 2, 2021, a total of 1,125 warrants were exercised on a cashless basis, whereby the holders received fewer shares of common stock in lieu of a cash payment to the Company. Warrants exercised in the thirteen weeks ended May 2, 2021 resulted in the issuance of 2,106 common shares.

Equity Incentive Plan

The Company adopted the Amended and Restated 2017 Equity Incentive Plan (the "2017 Equity Plan") which provides for awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. All awards shall be granted within 10 years from the effective date of the 2017 Equity Plan. The number of shares of common stock reserved for issuance under the 2017 Equity Plan was 2,104,889 at May 1, 2022.

On June 2, 2022, the stockholders of the Company approved of the Second Amended and Restated 2017 Equity Incentive Plan that increased the number of shares of common stock reserved for issuance thereunder by 550,000 shares of common stock.

Stock Options

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

A summary of the status of our stock options as of May 1, 2022 and May 2, 2021, and the changes during the thirteen weeks ended May 1, 2022 and May 2, 2021 is presented below:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Average intrinsic value
Outstanding at January 31, 2021	495,366	$ 38.10	3.35	—
Exercised	—	—		
Expired and canceled	—	—		
Outstanding at May 2, 2021	495,366	$ 38.10	3.10	22.87
Exercisable at the end of the period	—	—	—	—

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Average intrinsic value
Outstanding at January 30, 2022	495,366	$ 38.10	2.35	28.68
Granted	—	—		
Canceled and forfeited	—	—		
Outstanding at May 1, 2022	495,366	$ 38.10	2.10	8.05
Exercisable at the end of the period	—	—	—	—

Restricted Stock Units

A summary of the status of our unvested restricted stock units as of May 1, 2022 and May 2, 2021, and changes during the thirteen weeks then ended, is presented below:

	Number of shares	Weighted average grant date fair value
Unvested at January 31, 2021	655,558	$ 18.86
Granted	6,000	53.82
Forfeited	(4,638)	16.64
Vested	(4,868)	8.86
Unvested at May 2, 2021	652,052	$ 19.27

	Number of shares	Weighted average grant date fair value
Unvested at January 30, 2022	533,333	$ 28.41
Granted	256,329	46.11
Forfeited	(20,159)	22.88
Vested	(2,480)	16.57
Unvested at May 1, 2022	767,023	$ 34.31

Equity based compensation expense was approximately $1.2 million and $0.7 million for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively.

The total unrecognized equity-based compensation cost related to unvested stock option and restricted unit awards was approximately $6.3 million as of May 1, 2022 and will be recognized in operations over a weighted average period of 2.61 years.

NOTE 9 – EMPLOYEE BENEFIT PLAN

In February 2017, the Company established the TLC 401(k) Plan (the “401(k) Plan”) with Elective Deferrals beginning May 1, 2017. The 401(k) Plan calls for Elective Deferral Contributions, Safe Harbor Matching Contributions and Profit-Sharing Contributions. All associates of the Company will be eligible to participate in the 401(k) Plan as of the day of the month which is coincident with or next follows the date on which they attain age 21 and complete one month of service. Participants will be able to contribute up to 100% of their eligible compensation to the 401(k) Plan subject to limitations with the IRS. The Company's contributions to the 401(k) Plan were $0.4 million and $0.2 million for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively.

NOTE 10 – SEGMENT INFORMATION

The Company has determined that the Company operates within a single reporting segment. The chief operating decision makers of the Company are the Chief Executive Officer, and President and Chief Operating Officer. The Company’s operating segments are aggregated for financial reporting purposes because they are similar in each of the following areas including economic characteristics, class of consumer, nature of products and distribution method and products are a singular group of products which make up over 95% of net sales.

	Thirteen weeks ended	
	May 1, 2022	May 2, 2021
(amounts in thousands)		
Sactionals	$ 115,002	$ 74,011
Sacs	11,927	7,141
Other	2,451	1,763
	$ 129,380	$ 82,915

NOTE 11 – BARTER ARRANGEMENTS

The Company has a bartering arrangement with a third-party vendor, whereby the Company will provide inventory in exchange for media credits. The Company exchanged $0.9 million of inventory for certain media credits during the thirteen weeks ending May 1, 2022. The Company did not exchange any of inventory for certain media credits during the thirteen weeks ending May 2, 2021.

The Company had $5.4 million and $3.4 million of unused media credits remaining as of May 1, 2022 and January 30, 2022, respectively, which is included in “Prepaid and other current assets” on the accompanying condensed consolidated balance sheet.

The Company accounts for barter transactions under ASC Topic No. 845 “Nonmonetary Transactions.” Barter transactions with commercial substance are recorded at the estimated fair value of the products exchanged, unless the products received have a more readily determinable estimated fair value. Revenue associated with barter transactions is recorded at the time of the exchange of the related assets.

NOTE 12 – REVENUE RECOGNITION

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

Estimated refunds for returns and allowances are recorded using our historical return patterns, adjusting for any changes in returns policies. The Company records estimated refunds for net sales returns on a monthly basis as a reduction of net sales and cost of sales on the condensed consolidated statements of operations and an increase in inventory and customers returns liability on the condensed consolidated balance sheets. There was a returns allowance recorded on the condensed consolidated balance sheet in the amount of $2.0 million as of May 1, 2022 and January 30, 2022, which was included in accrued expenses and $0.4 million as of May 1, 2022 and January 30, 2022, associated with sales returns included in merchandise inventories.

In some cases, deposits are received before the Company transfers control, resulting in contract liabilities. These contract liabilities are reported as deposits on the Company’s condensed consolidated balance sheet. As of May 1, 2022 and January 30, 2022, the Company recorded under customer deposit liabilities the amount of $7.6 million and $13.3 million respectively. During the thirteen weeks ended May 1, 2022 and May 2, 2021, the Company recognized approximately $13.3 million and $6.0 million, respectively, related to our customer deposits.

Upon adoption of ASC 606, we have elected the following accounting policies and practical expedients:

The Company recognizes shipping and handling expense as fulfillment activities (rather than as a promised good or service) when the activities are performed even if those activities are performed after the control of the good has been transferred. Accordingly, we record the expenses for shipping and handling activities at the same time we recognize revenue.

The Company excludes from the measurement of the transaction price all taxes imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer, including sales, use, excise, value-added, and franchise taxes (collectively referred to as sales taxes).

The Company does not adjust revenue for the effects of any financing components if the contract has a duration of one year or less, as the Company receives payment from the customer within one year from when it transferred control of the related goods.

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

	Thirteen weeks ended	
(amounts in thousands)	May 1, 2022	May 2, 2021
Showrooms	$ 81,254	$ 48,986
Internet	31,255	25,175
Other	16,871	8,754
	$ 129,380	$ 82,915

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

The Company had no customers in fiscal 2023 or 2022 that comprise more than 10% of total net sales.

See **Note 10** for sales disaggregated by product.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 30, 2022. As discussed in the section titled "Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified in the Forward-Looking Statements section herein and set forth below and those discussed in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K filed with the Securities and Exchange Commission.

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

Overview

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

Impact of COVID-19

Although there has been a general improvement in conditions related to the COVID-19 pandemic, there continues to be significant uncertainties around the scope and severity of the pandemic, its impact on the global economy, including supply chains, and other business disruptions that may impact our operating results and financial condition. We continue to follow the guidance issued by federal, state and local governments and health organizations and have taken measures to protect the safety of our associates and customers.

While the COVID-19 pandemic has led to shifts in the way in which we operate, we continue to serve our customers through our omni-channel platform as our products can be easily configured in our touchpoints, shopped online and delivered quickly in a touchless way, coupled with consumers' demand for home related products and solutions. We continue to experience growth as our net sales increased $46.5 million, or 56.0% to $129.4 million for the thirteen weeks ended May 1, 2022, compared to $82.9 million for the thirteen weeks ended May 2, 2021. Retail sales drove an increase of $32.3 million, or 65.9%, to $81.3 million for the thirteen weeks ended May 1, 2022, compared to $49.0 million for the thirteen weeks ended May 2, 2021. Our internet sales (sales made directly to customers through our ecommerce channel) also increased $6.1 million or 24.1% to $31.3 million for the thirteen weeks ended May 1, 2022, compared to $25.2 million for the thirteen weeks ended May 2, 2021. New customers increased by 8.2% for the thirteen weeks ended May 1, 2022 as compared to 3.9% for the thirteen weeks ended May 2, 2021.

Product Overview

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

- **Sactionals**. Our Sactional product line currently represents a majority of our net sales. We believe our Sactionals platform is unlike competing products in its adaptability yet is comparable aesthetically to similarly priced premium couches and sectionals. Our Sactional products include a number of patented features relating to their geometry and modularity, coupling mechanisms and other features. Utilizing only two, standardized pieces, "seats" and "sides," and approximately 200 high quality, tight-fitting covers that are removable, washable, and changeable, customers can create numerous permutations of a sectional couch with minimal effort. Customization is further enhanced with our specialty-shaped modular offerings, such as our wedge seat and roll arm side. Our custom features and accessories can be added easily and quickly to a Sactional to meet endless design, style, storage and utility preferences, reflecting our Designed for Life philosophy. Sactionals are built to meet the highest durability and structural standards applicable to fixed couches. Sactionals are comprised of standardized units and we guarantee their compatibility over time, which we believe is a major pillar of their value proposition to the consumer. Our Sactionals represented 88.9% and 89.3% of our sales for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively.

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

- **Sacs**. We believe that our Sacs product line is a category leader in oversized beanbags. The Sac product line offers 6 different sizes ranging from 22 pounds to 95 pounds with capacity to seat 3+ people on the larger model Sacs. Filled with Durafoam, a blend of shredded foam, Sacs provide serene comfort and guaranteed durability. Their removable covers are machine washable and may be easily replaced with a wide selection of cover offerings.

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

Sales Channels

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

- **Showrooms**. We market and sell our products through 162 retail locations at top tier malls, lifestyle centers, mobile concierge, kiosk, and street locations in 40 states in the U.S. We carefully select the best small-footprint retail locations in high-end malls and lifestyle centers for our showrooms. Compared to traditional retailers, our showrooms require significantly less square footage because of our need to have only a few in-store sample configurations for display and our ability to stack our inventory for immediate sale. The architecture and layout of these showrooms is designed to communicate our brand personality and key product features. Our goal is to educate first-time customers, creating an environment where people can touch, feel, read, and understand the technology behind our products. We are updating and remodeling many of our showrooms to reflect our new showroom concept, which emphasizes our unique product platform, and is the standard for new showrooms. Our new showroom concept utilizes technology in more experiential ways to increase traffic and sales. Net sales completed through this channel accounted for 62.8% of total net sales for the thirteen May 1, 2022, up from 59.1% of total net sales for the thirteen weeks ended May 2, 2021.

- **Ecommerce**. Through our ecommerce channel, we believe we are able to significantly enhance the consumer shopping experience for home furnishings, driving deeper brand engagement and loyalty, while also realizing more favorable margins than our showroom locations. We believe our robust technological capabilities position us well to benefit from the growing consumer preference to transact at home and via mobile devices. With furniture especially suited to ecommerce applications, our net sales completed through this channel accounted for 24.2% of total net sales for the thirteen weeks ended May 1, 2022, down from 30.4% of total net sales for the thirteen weeks ended May 2, 2021, respectively.

- **Other touchpoints**. We augment our showrooms with other touchpoint strategies including online pop-up-shops, shop-in-shops, and barter inventory transactions. We utilize in store pop-up-shops to increase the number of locations where customers can experience and purchase our products, a low-cost alternative to drive brand awareness, in store sales, and ecommerce sales. These in-store pop-up-shops are staffed similarly to our showrooms with associates trained to demonstrate and sell our products and promote our brand. Unlike the in-store pop-up-shops which are typically 10-day shows, and pop-up locations, shop-in-shops are designed to be in permanent locations carrying the same digital technology of our showrooms and are also staffed with associates trained to demonstrate and sell our products. Shop-in-shops require less capital expenditure to open a productive space to drive brand awareness and touchpoint opportunities for demonstrating and selling our products. We did not host any in-store pop-up-shops in the thirteen weeks ended May 1, 2022. and May 2, 2021.

We operated 2 online pop-up-shops on Costco.com for the thirteen weeks ended May 1, 2022, and 1 for the thirteen weeks ended May 2, 2021. We operated 22 Best Buy shop-in-shops for the thirteen weeks ended May 1, 2022, up from 4 for the thirteen weeks ended May 2, 2021. Other sales which includes pop-up-shop sales, shop-in-shop sales, and barter inventory transactions accounted for 13.0% of our total sales for the thirteen weeks ended May 1, 2022, up from 10.6% of our total sales for the thirteen weeks ended May 2, 2021.

SELECTED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary condensed consolidated financial and other data as of and for the periods indicated. The condensed consolidated statement of operations data for the thirteen ended May 1, 2022 and May 2, 2021, the condensed consolidated statement of cash flow data for the thirteen weeks ended May 1, 2022 and May 2, 2021 and the summary condensed consolidated balance sheet data as of May 1, 2022, are derived from our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report filed on Form 10-Q and have been prepared on the same basis as the audited condensed consolidated financial statements.

The summarized financial information presented below is derived from and should be read in conjunction with our audited condensed consolidated financial statements including the notes to those financial statements and our unaudited condensed consolidated financial statements including the notes to those financial statements both of which are included elsewhere in is Quarterly Report filed on Form 10-Q along with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results are not necessarily indicative of our future results.

	Thirteen weeks ended	
(amounts in thousands, except per share data and share amounts)	May 1, 2022	May 2, 2021
Condensed Consolidated Statement of Operations Data:		
Net sales		
Showrooms	$ 81,254	$ 48,986
Internet	31,255	25,175
Other	16,871	8,754
Total net sales	129,380	82,915
Cost of merchandise sold	63,272	36,839
Gross profit	66,108	46,076
Operating expenses		
Selling, general and administrative expenses	44,901	30,718
Advertising and marketing	15,901	10,680
Depreciation and amortization	2,661	2,420
Total operating expenses	63,463	43,818
Operating income	2,645	2,258
Interest expense, net	(35)	(44)
Net income before taxes	2,610	2,214
Provision for income taxes	(715)	(153)
Net income	$ 1,895	$ 2,061
Net Income Attributable to Common Stockholders	$ 1,895	$ 2,061
Net income per common share:		
Basic (1)	$ 0.13	$ 0.14
Diluted (1)	$ 0.12	$ 0.13
Weighted average number of common shares outstanding:		
Basic	15,155,378	15,034,954
Diluted	16,173,339	16,073,021

(dollars in thousands)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
EBITDA (2)(3)	$ 5,306	$ 4,678
Adjusted EBITDA (2)(3)	$ 6,373	$ 5,332

(amounts in thousands)	As of May 1, 2022	As of January 30, 2022
Balance Sheet Data:		
Cash and cash equivalents	$ 64,380	$ 65,740
Working capital	106,326	75,702
Total assets	366,576	264,603
Total liabilities	207,339	153,921
Total stockholders' equity	159,237	110,682

(amounts in thousands)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
Condensed Consolidated Statement of Cash flow Data:		
Net Cash Used in Operating Activities	$ (21,786)	$ (9,604)
Net Cash Used in Investing Activities	(6,018)	(3,058)
Net Cash (Used in) Provided by Financing Activities	(208)	62
Net change in cash and cash equivalents	(28,012)	(12,600)
Cash and cash equivalents at the end of the period	64,380	65,741

(1) For the calculation of basic and diluted net income per share, see Note 5 and Note 8 to our condensed consolidated financial statements.

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

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

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

(3) We define "EBITDA" as earnings before interest, taxes, depreciation and amortization. We define "Adjusted EBITDA" as EBITDA adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include management fees, equity-based compensation expense, write-offs of property and equipment, deferred rent, financing expenses and certain other charges and gains that we do not believe reflect our underlying business performance.

Reconciliation of Non-GAAP Financial Measures

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

(amounts in thousands)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
Net income	$ 1,895	$ 2,061
Interest expense, net	35	44
Taxes	715	153
Depreciation and amortization	2,661	2,420
EBITDA	5,306	4,678
Equity-based compensation (a)	1,172	654
Other non-recurring expenses (b)	(105)	—
Adjusted EBITDA	$ 6,373	$ 5,332

(a) Represents expenses, such as compensation expense and employer taxes related to RSU equity vesting and exercises associated with stock options and restricted stock units granted to our associates and board of directors.

(b) Other non-recurring expenses in the thirteen weeks ended May 1, 2022 represents ($0.1) million related to a legal settlement. There were no other non-recurring expenses in the thirteen weeks ended May 2, 2021.

How We Assess the Performance of Our Business

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

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue less returns and discounts. Sales made at Company operated showrooms, including shop-in-shops and pop-up shops, and via the web are recognized in accordance with the guidance set forth in ASC 606, which is typically at the point of transference of title when the goods are shipped.

Gross Profit

Gross profit is equal to our net sales less cost of merchandise sold. Gross profit as a percentage of our net sales is referred to as *gross margin*. In September 2018, the Office of the U.S. Trade Representative began imposing a 10 percent ad valorem duty on a subset of products imported from China, inclusive of various furniture product categories. In September 2019, the Office of U.S. Trade Representative imposed an additional 15 percent ad valorem duty on products imported from China.

Selling, General and Administrative Expenses

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

Our recent revenue growth has been accompanied by increased selling, general and administrative expenses. The most significant components of these increases are payroll and rent costs. We expect these expenses, as well as rent expense associated with the opening of new showrooms, to increase as we grow our business. We expect to leverage total selling, general and administrative expenses as a percentage of sales as sales volumes continue to grow. We expect to continue to invest in infrastructure to support the Company's growth. These investments will lessen the impact of expense leveraging during the period of investment with the greater impact of expense leveraging happening after the period of investment. However, total selling, general and administrative expenses generally will leverage during the periods of investments with the most deleverage occurring in the first three quarters of the fiscal year, and the greatest leverage occurring in the fourth quarter.

Advertising and Marketing Expense

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

Basis of Presentation and Results of Operations

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

	Thirteen weeks ended	
	May 1, 2022	**May 2, 2021**
Statement of Operations Data:		
Net sales	100 %	100 %
Cost of merchandise sold	49 %	44 %
Gross profit	51 %	56 %
Selling, general and administrative expenses	35 %	37 %
Advertising and marketing	12 %	13 %
Depreciation and amortization	2 %	3 %
Operating income	2 %	3 %
Interest expense, net	0 %	0 %
Net income before taxes	2 %	3 %
Provision for income taxes	-1 %	0 %
Net income	1 %	3 %

Thirteen weeks ended May 1, 2022 Compared to the thirteen weeks ended May 2, 2021

Net sales

Net sales increased $46.5 million, or 56.0%, to $129.4 million in the thirteen weeks ended May 1, 2022 as compared to $82.9 million in the thirteen weeks ended May 2, 2021. The increase in overall net sales was driven by growth across all channels. New customers increased by 8.2% in the thirteen weeks ended May 1, 2022 as compared to 3.9% in the thirteen weeks ended May 2, 2021. We had 162 and 116 total showrooms as of May 1, 2022 and May 2, 2021, respectively. We opened 11 additional showrooms, 5 kiosks and did not remodel or close any showrooms in the thirteen weeks ended May 1, 2022. In comparison, we opened 8 showrooms and did not close or remodel any showrooms in the thirteen weeks ended May 2, 2021. Showroom net sales increased $32.3 million, or 65.9%, to $81.3 million in the thirteen weeks ended May 1, 2022 as compared to $49.0 million in the thirteen weeks ended May 2, 2021. This increase was due in large part to comparable net sales increase of $22.0 million, or 53.2%, to $63.3 million in the thirteen weeks ended May 1, 2022, compared to $41.3 million in the thirteen weeks ended May 2, 2021, related to higher point of sales transactions with lower promotional discounting and the addition of 31 new showrooms, 13 kiosks and 2 mobile concierges. Point of sales transactions represent orders placed through our showrooms which does not always reflect the point at which control transfers to the customer, which occurs upon shipment being confirmed. See Note 12 to the condensed consolidated financial statements. We believe point of sales transactions is a more accurate way to measure showroom performance and how our showroom associates are incentivized. Retail sales per selling square foot increased $113, or 23.3%, to $599 in the thirteen weeks ended May 1, 2022 as compared to $486 in the thirteen weeks ended May 2, 2021. Total number of units sold at point of transaction increased by approximately 17.0% driven by higher comparable sales. The increase in comparable sales, retail sales per selling square foot and total number of units sold over prior years is the result of a very strong Easter campaign and some channel shift from Internet net sales. Internet net sales (sales made directly to customers through our ecommerce channel) increased $6.1 million, or 24.1%, to $31.3 million in the thirteen weeks ended May 1, 2022 as compared to $25.2 million in the thirteen weeks ended May 2, 2021 also driven by a strong Easter campaign. Other net sales, which include pop-up-shop sales, shop-in-shop sales, and barter inventory transactions increased $8.1 million, or 92.7%, to $16.9 million in the thirteen weeks ended May 1, 2022 as compared to $8.8 million in the thirteen weeks ended May 2, 2021. This increase was principally due to higher productivity of our temporary online pop-up-shops on Costco.com and hosting 1 additional online event compared to the prior year period. We also opened 18 additional Best Buy shop-in-shop locations compared to the prior year period.

Gross profit

Gross profit increased $20.0 million, or 43.5%, to $66.1 million in the thirteen weeks ended May 1, 2022 from $46.1 million in the thirteen weeks ended May 2, 2021. Gross margin decreased to 51.1% of net sales in the thirteen weeks ended May 1, 2022 from 55.6% of net sales in the thirteen weeks ended May 2, 2021. The decrease in gross margin percentage of 450 basis points was primarily driven by an increase of approximately 640 basis points in total distribution and related tariff expenses partially offset by an improvement of 190 basis points in product margin. The increase in total distribution and related tariff expenses over prior year is principally related to the negative impact of 630 basis points increase in inbound transportation costs. The product margin rate improvement is due to lower promotional discounting and continuing vendor negotiations to assist with the mitigation of tariffs.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $14.2 million, or 46.2%, to $44.9 million in the thirteen weeks ended May 1, 2022 as compared to $30.7 million in the prior year period. The increase in selling, general and administrative expenses was primarily related to an increase in employment costs, rent, overhead expenses, and selling related expenses. Employment costs increased by $8.3 million driven by an increase in new hires and variable compensation. Rent increased by $2.2 million related to $1.4 million rent expense from our net addition of 46 showrooms and $0.8 million in higher percentage rent from the increase in Showroom sales. Overhead expenses increased $2.2 million consisting of an increase of $1.2 million in infrastructure investments, an increase of $0.5 million in travel expenses, an increase of $0.3 million in equity-based compensation and an increase of $0.2 million in insurance expense related to the growth of the Company. Selling related expenses increased $1.5 million principally due to credit card fees related to the increase in sales.

Selling, general and administrative expenses were 34.7% of net sales in the thirteen weeks ended May 1, 2022 as compared to 37.0% of net sales in the thirteen weeks ended May 2, 2021. The decrease in selling, general and administrative expenses of 230 basis points was primarily due to higher leverage within infrastructure investments, rent, equity-based compensation, selling related expenses, and insurance, partially offset by deleverage in employment costs and travel. The deleverage in certain expenses relate to the continuous investments we are making into the business to support our ongoing growth.

Advertising and Marketing

Advertising and marketing expenses increased $5.2 million, or 48.9%, to $15.9 million for the thirteen weeks ended May 1, 2022 as compared to $10.7 million in the thirteen weeks ended May 2, 2021. The majority of the increase in advertising and marketing dollars relates to the ongoing investments in marketing spends to support our sales growth. The investment by quarter may vary greatly. Advertising and marketing expenses were 12.3% of net sales in the thirteen weeks ended May 1, 2022 as compared to 12.9% of net sales in the thirteen weeks ended May 2, 2021. The majority of the decrease in advertising and marketing as a percent of net sales is primarily due to improved performance in our media activities which has driven an increase in net sales.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.3 million, or 9.9%, to $2.7 million in the thirteen weeks ended May 1, 2022 as compared to $2.4 million in the thirteen weeks ended May 2, 2021. The increase in depreciation and amortization expense principally relates to capital investments for new and remodeled showrooms.

Interest expense, net

Interest expense, net which is less than $0.1 million for the thirteen weeks ended May 1, 2022 and May 2, 2021, principally relates to the interest expense related to unused line fees and amortization of deferred financing fees on the asset-based loan with a slight offset of interest earned on the Company’s cash and cash equivalents balances.

Provision for income taxes

Income tax provision was $0.7 million and $0.2 million, less than 0.55% and 0.18% of sales, for the thirteen weeks ended May 1, 2022 and May 2, 2021, respectively. The increase in income taxes is primarily driven by the utilization of deferred tax assets of $0.5 million during the first quarter of fiscal 2023 based on the expected generation of taxable income for the fiscal year 2023.

Liquidity and Capital Resources

General

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

Cash Flow Analysis

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

(amounts in thousands)	Thirteen weeks ended May 1, 2022	Thirteen weeks ended May 2, 2021
Condensed Consolidated Statement of Cash flow Data:		
Net Cash Used in Operating Activities	$ (21,786)	$ (9,604)
Net Cash Used in Investing Activities	(6,018)	(3,058)
Net Cash (Used in) Provided by Financing Activities	(208)	62
Net change in cash and cash equivalents	(28,012)	(12,600)
Cash and cash equivalents at the end of the period	64,380	65,741

Net Cash Used In Operating Activities

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

In the thirteen weeks ended May 1, 2022, net cash used in operating activities was $21.8 million and consisted of changes in operating assets and liabilities of $32.2 million, net income of $1.9 million, and adjustments to reconcile net income to cash provided by operating activities of $8.6 million. Working capital and other activities consisted primarily of increases in merchandise inventories of $14.5 million, decreases in accounts payable and accrued expenses of $10.4 million, customer deposits of $5.7 million, operating lease liabilities of $4.1 million, partially offset by decreases in trade accounts receivable of $2.1 million and prepaid expenses and other current assets of $0.3 million.

In the thirteen weeks ended May 2, 2021, net cash used in operating activities was $9.6 million and consisted of changes in operating assets and liabilities of $18.3 million ,net income of $2.1 million , and adjustments to reconcile net income to cash used in operating activities of $6.6 million. Working capital and other activities consisted primarily of increases in trade accounts receivable of $2.4 million, merchandise inventories of $5.5 million, prepaid expenses and other current assets of $0.5 million, operating lease liabilities of $3.4 million, and customer deposits of $1.9 million, partially offset by a decrease in accounts payable and accrued expenses of $8.3 million.

Net Cash Used In Investing Activities

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

For the thirteen weeks ended May 1, 2022, capital expenditures were $6.0 million as a result of investments in new and remodeled showrooms and intangibles such as patents and trademarks.

For the thirteen weeks ended May 2, 2021, capital expenditures were $3.1 million as a result of investments in new and remodeled showrooms and intangibles such as patents and trademarks.

Net Cash (Used In) Provided By Financing Activities

Financing activities consist primarily of the proceeds from stock offerings and taxes paid for the net settlement of equity awards.

For the thirteen weeks ended May 1, 2022, net cash used in financing activities was $0.2 million, due mostly to the payment of deferred financing costs. For the thirteen weeks ended May 2, 2021, net cash provided by financing activities was $0.1 million, due mostly to borrowing under the line of credit.

Revolving Line of Credit

On March 25, 2022, the Company amended our existing credit agreement providing for an asset-based revolving credit facility with the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent. The maturity date of our credit agreement was extended to March 25, 2024 and, among other things, the maximum revolver commitment was increased from $25.0 million to $40.0 million, subject to borrowing base and availability restrictions. Our credit agreement includes a $1,000,000 sublimit for the issuance of letters of credit and a $4,000,000 sublimit for swing line loans. As of May 1, 2022, the Company's borrowing availability under the line of credit was $31.2 million. As of May 1, 2022, there were no borrowings outstanding on this line of credit.

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

Severance Contingency

The Company has various employment agreements with its senior level executives. A number of these agreements have severance provisions, ranging from 12 to 18 months of salary, in the event those associates are terminated without cause. The total amount of exposure to the Company under these agreements was $5.6 million at May 1, 2022 if all executives with employment agreements were terminated without cause and the full amount of severance was payable.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of May 1, 2022, except for employment agreements entered in the ordinary course of business.

Critical Accounting Policies and Estimates

The discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in conformity with GAAP. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Please see Note 1 to our consolidated financial statements included in the Annual Report on Form 10-K filed on March 30, 2022 for a complete description of our significant accounting policies. There have been no material changes to the significant accounting policies during the thirteen weeks ended May 1, 2022.

Recent Accounting Pronouncements

Refer to Note 2, Recent Accounting Pronouncements, contained in the Condensed Consolidated Notes to Financial Statements in Item 1 of Part 1 of this Quarterly Report on Form 10-Q for a full description of the recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Interest Rate Risk

Debt

Interest rate risk exists primarily through our borrowing activities. We use U.S. dollar denominated borrowings to fund our working capital and investment needs. It is anticipated that the fair market value of any future debt under the line of credit will continue to be immaterially affected by fluctuations in interest rates and we do not believe that the value of such debt would be significantly impacted by current market events. Under the line of credit, the Company may elect that revolving loans bear interest at a rate per annum equal to the base rate plus the applicable margin or the LIBOR rate plus the applicable margin. The applicable margin is based on tier's relating to the quarterly average excess availability. The tiers range from 2.00% to 2.25%. We currently do not engage in any interest rate hedging activity and we have no intention of doing so in the foreseeable future. A hypothetical 100 basis point change (up or down) in the one-month LIBOR rate would not have a material effect on our condensed consolidated results of operations.

LIBOR Transition

Borrowings under our revolving line of credit have an interest rate tied to LIBOR, which is the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms and other pressure may cause LIBOR to disappear entirely or to perform differently than in the past. It is expected that certain banks will stop reporting information used to set LIBOR at the end of 2021 when their reporting obligations cease. This will effectively end the usefulness of LIBOR and end its publication. If LIBOR is no longer available, or otherwise at our option, we will pursue alternative interest rate calculations in our Credit Agreement, including the use of the Secured Overnight Financing Rate (SOFR). A number of other alternatives to LIBOR have been proposed or are being developed, but it is not clear which, if any, will be adopted. Any of these alternative methods may result in interest payments that are higher than expected or that do not otherwise correlate over time with the payments that would have been made on such indebtedness for the interest periods if the applicable LIBOR rate was available in its current form.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As described below in Changes in Internal Control over Financial Reporting, we previously identified a material weakness in our internal control over financial reporting due to the ineffective design and implementation of information technology and related activity level controls covering all significant accounts. This ineffectiveness was due, in part, to inadequate information technology general controls ("ITGC") relating to certain information technology systems. The ITGC deficiencies affected, among other things, the integrity of the data used to support the related activity level controls. Solely as a result of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of May 1, 2022 due to the material weakness in our internal control over financial reporting described below.

Changes in Internal Control Over Financial Reporting

During the thirteen weeks ended May 1, 2022, the Company successfully implemented a remediation plan to address the material weakness in its internal control over financial reporting identified during our review of our audited financial statements for the fiscal year ended January 30, 2022. The material weakness was related to ineffective ITGC controls in the areas of user access and segregation of duties related to certain information technology systems that support our financial reporting process. Additional details on the material weakness are set forth under Item 9A "Controls and Procedures" in the Company's Annual Report on Form 10-K for the year ending January 30, 2022 and filed with the Commission on March 30, 2022. The implemented remediation plan consisted of, among other things, (i) evaluating and implementing enhanced process controls around user access management to key information systems which may impact our financial reporting (ii) expanding the management and governance over user access and system controls and (iii) enhancing our information technology compliance and accounting function with additional experienced hires including a new Chief Information Officer.

Except as discussed above with respect to the implementation of our remediation plan, there were no changes in our internal control over financial reporting during the thirteen weeks ended May 1, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Our board of directors previously approved, subject to stockholder approval, an amendment and restatement of the Company's Second Amended and Restated 2017 Equity Incentive Plan (the "Amended 2017 Plan"). At the annual meeting of stockholders on June 2, 2022, the Company's stockholders approved the Amended 2017 Plan which, among other things, increased by 550,000 the number of shares of the Company's common stock available under the Amended 2017 Plan, as further described under Proposal 4 of the Company's definitive proxy statement filed on Schedule 14A with the SEC on April 18, 2022, which description is incorporated herein by reference. The foregoing description of the Amended 2017 Plan is qualified in its entirety by reference to the text of the Amended 2017 Plan, which is included as an exhibit hereto.

Item 6. Exhibits

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Dated Filed
10.1+	Second Amended and Restated 2017 Equity Incentive Plan	8-K	99.1	06/03/2022
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 Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
101.INS	XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			

+ Indicates a management contract or compensatory plan.

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

SIGNATURES

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

The Lovesac Company

Date: June 8, 2022	By:	/s/ Shawn Nelson Shawn Nelson Chief Executive Officer (Principal Executive Officer)
Date: June 8, 2022	By:	/s/ Donna Dellomo Donna Dellomo Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

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

I, Shawn Nelson, certify that:

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: June 8, 2022	Signed:	/s/ Shawn Nelson
	Name:	Shawn Nelson
	Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

**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, Donna Dellomo, certify that:

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: June 8, 2022

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

Exhibit 32.1

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

I, Shawn Nelson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of The Lovesac Company for the thirteen weeks ended May 1, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: June 8, 2022	Signed:	/s/ Shawn Nelson
	Name:	Shawn Nelson
	Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

**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, Donna Dellomo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of The Lovesac Company for the thirteen weeks ended May 1, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of The Lovesac Company.

Date: June 8, 2022	Signed:	/s/ Donna Dellomo
	Name:	Donna Dellomo
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)