

The Tile Shop Responds to Report on Related Party Transactions

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“Reaffirms 2013 Annual Guidance”

MINNEAPOLIS--(BUSINESS WIRE)-- Tile Shop Holdings, Inc. (NASDAQ:TTS) (the “Company”), a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories, announced that earlier today, the Company was made aware of a report which alleges that its historical financial statements may require restatement along with other accounting irregularities. The Company adamantly denies these allegations and believes that the financial statements are properly stated and its business practices are appropriate.

The Company negotiates all inventory purchases directly with each vendor. As is common practice, certain vendors utilize an export trading company, such as Beijing Pingxiu, for sales to U.S. based companies. Other Chinese vendors maintain their own export licensing authority. The Company has been made aware of changes of the ownership of Beijing Pingxiu which were not previously disclosed to the Company. As a result of this disclosure, The Company has suspended its relationship with this entity.

The Company intends to thoroughly investigate this relationship. The Company believes that any issues associated with the ownership of Beijing Pingxiu, or the utilization of other export trading companies, have had no material impact on the economics of inventory purchases.

Further, the report alleges that the Company’s vendors are compensated in some form through stock transfers. The Company can confirm that there have been no issuances or transfers of stock from the Company or inside shareholders to any vendors or to Beijing Pingxiu.

The Company also today reaffirmed the guidance of net sales ranging from \$227 million to \$237 million, and adjusted EBITDA of \$60 million along with the opening of 20 new stores for the year ending December 31, 2013 provided on October 30, 2013.

About Tile Shop Holdings and The Tile Shop

The Tile Shop is a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories in the United States. The Tile Shop offers a wide selection of products, attractive prices, and exceptional customer service in an extensive showroom setting. The Tile Shop operates 82 stores in 27 states, with an average size of 23,000 square feet. The Tile Shop also sells its products on its website, www.tilesshop.com.

Non-GAAP Financial Measures

We calculate Adjusted EBITDA by taking net income calculated in accordance with GAAP, and adding interest expense, income taxes, depreciation and amortization, non-cash change in warrant liability, non-recurring equity related transaction costs, unusual items, deferred compensation expense, and stock-based compensation expense. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net sales. Pro-forma non-GAAP net income is determined by adding back the non-cash change in warrant liability, and non-recurring warrant related transaction costs to income before taxes calculated in accordance with GAAP and subtracting from this an estimate for income taxes as if the Company had been a “C” Corporation for all periods.

We believe that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, for purposes of

determining management incentive compensation, and for budgeting and planning purposes. These measures are used in monthly financial reports prepared for management and our board of directors. We believe that the use of these non-GAAP financial measures provide an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

Our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of these non-GAAP financial measures are that they exclude significant expenses and income that are required by GAAP to be recorded in our consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate our business.

FORWARD LOOKING STATEMENTS

This press release includes “forward looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward looking statements include any statements regarding the Company’s strategic and operational plans, expected financial performance of new stores, and the benefits of the Company’s operating model. Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward looking statements, including but not limited to unforeseen events that may affect the retail market or the performance of the Company’s stores. The Company does not intend, and undertakes no duty, to update this information to reflect future events or circumstances. Investors are referred to the most recent reports filed with the SEC by the Company.

for The Tile Shop
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