



The Tile Shop Reports First Quarter 2022 Results

May 6, 2022

MINNEAPOLIS, May 06, 2022 (GLOBE NEWSWIRE) -- Tile Shop Holdings, Inc. (Nasdaq: TTSH) (the "Company"), a specialty retailer of natural stone and man-made tiles, today announced results for its first quarter ended March 31, 2022.

First Quarter Summary

Net Sales Increased 11.3%
Comparable Store Sales Increased 10.7%
Gross Margin of 65.2%
Net income of \$3.5 Million; Adjusted EBITDA of \$11.7 Million
Diluted Earnings per Share of \$0.07

Management Commentary – Cabell Lolmaugh, CEO

"We are pleased with our continued strong topline performance. We eclipsed \$100 million of sales in a quarter for the first time in our history and this marks our fourth consecutive quarterly sales record," stated Cabell Lolmaugh, CEO. "While our store sales productivity continues to improve, inflationary cost pressures had an adverse impact on our gross margin rate during the quarter. While we are encouraged that the rate of margin decline has slowed from the prior quarter, the economic environment remains volatile. We have taken and plan to continue to take pricing actions in response to the inflationary cost pressure."

(unaudited, dollars in thousands, except per share data)	Three Months Ended	
	March 31,	
	2022	2021
Net sales	\$ 102,471	\$ 92,084
Net sales (decline) growth ⁽¹⁾	11.3 %	(2.3) %
Comparable store sales (decline) growth ⁽²⁾	10.7 %	(2.3) %
Gross margin rate	65.2 %	69.7 %
Income from operations as a % of net sales	4.6 %	7.5 %
Net income	\$ 3,513	\$ 5,297
Net income per diluted share	\$ 0.07	\$ 0.10
Adjusted EBITDA	\$ 11,667	\$ 14,694
Adjusted EBITDA as a % of net sales	11.4 %	16.0 %
Number of stores open at the end of period	143	143

(1) As compared to the prior year period.

(2) The comparable store sales operating metric is the percentage change in sales of comparable stores period over period. A store is considered comparable on the first day of the 13th full month of operation. When a store is relocated, it is excluded from the comparable store sales calculation. Comparable store sales includes total charges to customers less any actual returns. The Company includes the change in allowance for anticipated sales returns applicable to comparable stores in the comparable store sales calculation.

FIRST QUARTER 2022

Net Sales

Net sales for the first quarter of 2022 increased \$10.4 million, or 11.3%, over the first quarter of 2021. Sales increased at comparable stores by 10.7% during the first quarter of 2022 compared to the first quarter of 2021, primarily due to an increase in average ticket driven by higher prices.

Gross Profit

Gross profit increased \$2.7 million, or 4.1%, in the first quarter of 2022 compared to the first quarter of 2021. The gross margin rate was 65.2% and 69.7% during the first quarter of 2022 and 2021, respectively. The decrease in the gross margin rate was primarily due to vendor price increases in response to increases in the cost of energy, labor and other inflationary cost pressures as well as higher international freight rates. These cost increases were partially offset by an increase in our selling prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$4.8 million, or 8.4%, from \$57.3 million in the first quarter of 2021 to \$62.1 million in the first quarter of 2022, primarily due to a \$3.9 million increase in payroll and benefits expenses associated with headcount additions made over the last year. Additionally, marketing expenses increased by \$0.7 million and distribution costs increased by \$0.5 million, which were partially offset by a \$0.8 million decrease in depreciation expense.

Provision for Income Taxes

The provision for income taxes for the first quarter of 2022 and 2021 was \$1.0 million and \$1.4 million respectively. The decrease in the provision for income tax was due to a decrease in pretax income. Our effective tax rate was 21.4% in both the first quarter of 2022 and the first quarter of 2021.

Capital Structure and Liquidity

As of March 31, 2022, our cash balance was \$13.5 million and our debt balance was \$5.0 million.

NON-GAAP INFORMATION

Adjusted EBITDA

Adjusted EBITDA for the first quarter of 2022 was \$11.7 million compared with \$14.7 million for the first quarter of 2021. See the table below for a reconciliation of GAAP net income to Adjusted EBITDA.

(\$ in thousands, unaudited)	Three Months Ended			
	2022		2021	
		% of net sales		% of net sales
GAAP net income	\$ 3,513	3.4 %	\$ 5,297	5.8 %
Interest expense	266	0.3	168	0.2
Provision (benefit) for income taxes	957	0.9	1,443	1.6
Depreciation and amortization	6,439	6.3	7,194	7.8
Stock-based compensation	492	0.5	592	0.6
Adjusted EBITDA	\$ 11,667	11.4 %	\$ 14,694	16.0 %

Pretax Return on Capital Employed

Pretax Return on Capital Employed was 13.1% for the trailing twelve months as of the end of the first quarter in 2022 compared to 7.3% for the trailing twelve months as of the end of the first quarter in 2021. See the Pretax Return on Capital Employed calculation in the table below.

(\$ in thousands, unaudited)	March 31,	
	2022 ⁽¹⁾	2021 ⁽¹⁾
Income from Operations (trailing twelve months)	\$ 18,438	\$ 10,691
Total Assets	350,217	358,686
Less: Accounts payable	(23,724)	(15,255)
Less: Income tax payable	(409)	(141)
Less: Other accrued liabilities	(42,174)	(42,341)
Less: Lease liability	(138,478)	(150,892)
Less: Other long-term liabilities	(5,086)	(3,965)
Capital Employed	140,346	146,092
Pretax Return on Capital Employed	13.1 %	7.3 %

⁽¹⁾ Income statement accounts represent the activity for the trailing twelve months ended as of each of the balance sheet dates. Balance sheet accounts represent the average account balance for the four quarters ended as of each of the balance sheet dates.

Non-GAAP Financial Measures

The Company calculates Adjusted EBITDA by taking net income calculated in accordance with GAAP, and adjusting for interest expense, income taxes, depreciation and amortization, and stock-based compensation expense. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net sales. The Company calculates Pretax Return on Capital Employed by taking income (loss) from operations divided by capital employed. Capital employed equals total assets less accounts payable, income taxes payable, other accrued liabilities, lease liability and other long-term liabilities. Other companies may calculate both Adjusted EBITDA and Pretax Return on Capital Employed differently, limiting the usefulness of these measures for comparative purposes.

The Company believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to the Company's financial condition and results of operations. Company management uses these non-GAAP measures to compare Company performance to that of prior periods for trend analyses, for purposes of determining management incentive compensation, for budgeting and planning purposes and for assessing the effectiveness of capital allocation over time. These measures are used in monthly financial reports prepared for management and the Board of Directors. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

Company 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 recognized in the Company's 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. The

Company urges investors to review the reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate the business.

WEBCAST AND CONFERENCE CALL

As announced on April 29, 2022, the Company will host a conference call via webcast for investors and other interested parties beginning at 9:00 a.m. Eastern Time on Friday, May 6, 2022. The call will be hosted by Cabell Lolmaugh, CEO, Karla Lunan, CFO, and Mark Davis, Vice President of Investor Relations and Chief Accounting Officer.

Participants may access the webcast by visiting the Company's Investor Relations page at www.tileshop.com. The call can also be accessed by dialing (844) 421-0597 or (716) 247-5787 for international participants. A webcast replay of the call will be available on the Company's Investor Relations page at www.tileshop.com.

The Company intends to use its website, investors.tileshop.com, as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on the Company's website under the heading News and Events. Accordingly, investors should monitor such portions of the Company's website, in addition to following its press releases, Securities and Exchange Commission filings and public conference calls and webcasts.

Contact:

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ABOUT THE TILE SHOP

Tile Shop Holdings, Inc. (Nasdaq: TTSH), is a leading specialty retailer of natural stone and man-made tiles, setting and maintenance materials, and related accessories in the United States. The Tile Shop offers a wide selection of high-quality products, exclusive designs, knowledgeable staff and exceptional customer service in an extensive showroom environment. The Tile Shop currently operates 143 stores in 31 states and the District of Columbia.

The Tile Shop is a proud member of the American Society of Interior Designers (ASID), National Association of Homebuilders (NAHB), National Kitchen and Bath Association (NKBA), and the National Tile Contractors Association (NTCA). Visit www.tileshop.com. Join The Tile Shop (#thetileshop) on Facebook, Instagram, Pinterest and Twitter.

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 plan and expected financial performance. 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 such 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 Securities and Exchange Commission by the Company.

Tile Shop Holdings, Inc. and Subsidiaries Consolidated Balance Sheets (\$ in thousands, except per share data)

	(Unaudited) March 31, 2022	(Audited) December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,455	\$ 9,358
Restricted cash	655	655
Receivables, net	3,512	3,202
Inventories	104,701	97,175
Income tax receivable	6,238	6,923
Other current assets, net	8,786	9,769
Total Current Assets	137,347	127,082
Property, plant and equipment, net	79,188	82,285
Right of use asset	117,337	123,101
Deferred tax assets	6,906	6,953
Other assets	2,025	1,337
Total Assets	\$ 342,803	\$ 340,758

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$	28,561	\$	30,884
Income tax payable		616		390
Current portion of lease liability		28,678		28,190
Other accrued liabilities		46,531		38,249
Total Current Liabilities		104,386		97,713
Long-term debt, net		5,000		5,000
Long-term lease liability, net		103,331		110,261
Other long-term liabilities		4,461		5,560
Total Liabilities		217,178		218,534

Stockholders' Equity:

Common stock, par value \$0.0001; authorized: 100,000,000 shares; issued and outstanding:

52,112,567 and 51,963,377 shares, respectively

Preferred stock, par value \$0.0001; authorized: 10,000,000 shares; issued and outstanding: 0 shares

Additional paid-in capital		126,805		126,920
Accumulated deficit		(1,200)		(4,713)
Accumulated other comprehensive loss		15		12
Total Stockholders' Equity		125,625		122,224

Tile Shop Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(\$ in thousands, except per share data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Net sales	\$ 102,471	\$ 92,084
Cost of sales	35,626	27,898
Gross profit	66,845	64,186
Selling, general and administrative expenses	62,109	57,278
Income from operations	4,736	6,908
Interest expense	(266)	(168)
Income before income taxes	4,470	6,740
Provision for income taxes	(957)	(1,443)
Net income	\$ 3,513	\$ 5,297
Income per common share:		
Basic	\$ 0.07	\$ 0.11
Diluted	\$ 0.07	\$ 0.10
Weighted average shares outstanding:		
Basic	50,713,809	50,105,825
Diluted	51,162,891	51,056,798

Tile Shop Holdings, Inc. and Subsidiaries
Rate Analysis
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Gross margin rate	65.2 %	69.7 %
SG&A expense rate	60.6 %	62.2 %
Income from operations margin rate	4.6 %	7.5 %
Adjusted EBITDA margin rate	11.4 %	16.0 %

Tile Shop Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(\$ in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Cash Flows From Operating Activities		
Net income	\$ 3,513	\$ 5,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,439	7,194
Amortization of debt issuance costs	79	76
Non-cash lease expense	6,437	6,155
Stock based compensation	492	592
Deferred income taxes	47	(113)
Changes in operating assets and liabilities:		
Receivables	(310)	(40)
Inventories	(7,526)	3,324
Other current assets, net	217	1,064
Accounts payable	(2,845)	1,580
Income tax receivable / payable	910	1,558
Accrued expenses and other liabilities	181	3,427
Net cash provided by operating activities	<u>7,634</u>	<u>30,114</u>
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(2,933)	(3,202)
Cash Flows From Financing Activities		
Payments of long-term debt and financing lease obligations	(10,000)	-
Advances on line of credit	10,000	-
Employee taxes paid for shares withheld	(607)	(603)
Net cash used in financing activities	<u>(607)</u>	<u>(603)</u>
Effect of exchange rate changes on cash	3	7
Net change in cash, cash equivalents and restricted cash	4,097	26,316
Cash, cash equivalents and restricted cash beginning of period	10,013	10,272
Cash, cash equivalents and restricted cash end of period	<u>\$ 14,110</u>	<u>\$ 36,588</u>
Cash and cash equivalents	\$ 13,455	\$ 35,933
Restricted cash	655	655
Cash, cash equivalents and restricted cash end of period	<u>\$ 14,110</u>	<u>\$ 36,588</u>
Supplemental disclosure of cash flow information		
Purchases of property, plant and equipment included in accounts payable and accrued expenses	\$ 566	\$ 161
Cash paid for interest	339	238



Source: Tile Shop Holdings, Inc.