

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 18, 2019**

TILE SHOP HOLDINGS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation)

001-35629
(Commission File Number)

45-5538095
(IRS Employer Identification No.)

1400 Carlson Parkway, Plymouth, Minnesota 55441
(Address of principal executive offices, including ZIP code)

(763) 852-2950
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, \$0.0001 par value	TTS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b—2 of the Securities Exchange Act of 1934 (§ 240.12b—2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On October 22, 2019, Tile Shop Holdings, Inc. (the “Company”) issued a press release announcing its financial results for the three months ended September 30, 2019. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), such exhibit and the information set forth therein and in this Item 2.02 have been furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing regardless of any general incorporation language.

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On October 18, 2019, the Company’s Board of Directors (the “Board”) determined to voluntarily delist the Company’s common stock from The Nasdaq Stock Market LLC (“Nasdaq”), and the Company notified Nasdaq of the Board’s determination on October 22, 2019.

The Company intends to file with the SEC, on or about November 1, 2019, a Form 25 requesting the delisting of its common stock from Nasdaq and the deregistration of its common stock under Section 12(b) of the Exchange Act. After the effectiveness of the Form 25, the Company intends to file with the SEC, on or about November 12, 2019, a Form 15 requesting the deregistration of its common stock under Section 12(g) of the Exchange Act and the suspension of the Company’s reporting obligations under Sections 13 and 15(d) of the Exchange Act. After delisting, the Company’s common stock may be eligible for quotation on the Pink tier of OTC Markets Group if market makers commit to making a market in the Company’s shares. The Company can provide no assurance that trading in its common stock will continue on the OTC Markets Group or otherwise.

On October 22, 2019, the Company issued a press release announcing its intention to delist from Nasdaq and providing additional information about the reasons for the Board’s decision, a letter to its employees, and a summary of frequently asked questions relating to the proposed delisting and deregistration, which are attached hereto as Exhibits 99.2, 99.3, and 99.4, respectively, and are incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 19, 2019, Mr. Christopher T. Cook tendered his resignation, effective immediately, from the Board. The resignation was not the result of any disagreement with the Company on any matters relating to the Company’s operations, policies, or practices and was not as a result of the Company’s proposed delisting and deregistration.

Item 8.01 Other Events

On October 18, 2019, the Board determined to suspend the Company’s quarterly cash dividend and terminate the Company’s share repurchase program, each effective immediately, to focus on debt reduction and continued investment in strategic initiatives.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

[99.1](#)
[99.2](#)
[99.3](#)
[99.4](#)

[Press Release of Tile Shop Holdings, Inc., dated October 22, 2019](#)
[Press Release of Tile Shop Holdings, Inc., dated October 22, 2019](#)
[Letter to Employees, dated October 22, 2019](#)
[Frequently Asked Questions Relating to the Proposed Transaction, dated October 22, 2019](#)

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 hereunto duly authorized.

TILE SHOP HOLDINGS, INC.

Date: October 22, 2019

By /s/ Nancy DiMattia

Name: Nancy DiMattia

Title: Chief Financial Officer



**THE TILE SHOP REPORTS THIRD QUARTER 2019 RESULTS; SUSPENDS DIVIDEND; CANCELS
SHARE REPURCHASE PROGRAM**

MINNEAPOLIS – October 22, 2019 – Tile Shop Holdings, Inc. (Nasdaq: TTS) (the “Company”), a specialty retailer of natural stone and man-made tiles, setting and maintenance materials, and related accessories, today announced results for its third quarter ended September 30, 2019.

Third Quarter Summary

**Net Sales Decreased 3.7%
Comparable Store Sales Decreased 3.5%
Gross Margin of 68.8%
Net Loss of \$1.4 million; Adjusted EBITDA of \$8.3 million**

(unaudited, amounts in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net sales	\$ 85,944	\$ 89,259	\$ 261,755	\$ 273,307
Net sales (decline) growth ⁽¹⁾	(3.7)%	5.7 %	(4.2)%	2.7 %
Comparable store sales (decline) growth ⁽²⁾	(3.5)%	2.1 %	(4.0)%	(2.3)%
Gross margin rate	68.8 %	70.6 %	69.7 %	70.4 %
(Loss) income from operations as a % of net sales	(0.7)%	4.3 %	1.2 %	6.4 %
Net (loss) income	\$ (1,383)	\$ 2,553	\$ (217)	\$ 11,522
Net (loss) income per diluted share	\$ (0.03)	\$ 0.05	\$ (0.00)	\$ 0.22
Adjusted EBITDA	\$ 8,338	\$ 11,857	\$ 29,756	\$ 40,675
Adjusted EBITDA as a % of net sales	9.7 %	13.3 %	11.4 %	14.9 %
Number of stores open at the end of period	140	140	140	140

(1) As compared to the prior year period.

(2) Comparable store sales (decline) growth 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 (decline) growth calculation. Comparable store sales (decline) growth amounts include total charges to customers less any actual returns. Comparable store sales data reported by other companies may be prepared on a different basis and therefore may not be useful for purposes of comparing the Company’s results to those of other businesses.

THIRD QUARTER 2019

Net Sales

Net sales decreased \$3.3 million, or 3.7%, from \$89.3 million in the third quarter of 2018 to \$85.9 million in the third quarter of 2019. Comparable store sales decreased \$3.1 million, or 3.5%, for the third quarter of 2019 compared to the third quarter of 2018 primarily due to lower customer traffic. Net sales generated by stores not included in the comparable store base decreased \$0.2 million.

Gross Profit

Gross profit decreased \$3.8 million, or 6.1%, from \$63.0 million in the third quarter of 2018 to \$59.2 million in the third quarter of 2019. The gross margin rate was 68.8% for the third quarter of 2019 and 70.6% for the third quarter of 2018. The decrease in the gross margin rate during the third quarter of 2019 was primarily due to higher levels of shrink and damaged inventory write-offs combined with a lower freight collection rate.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$0.7 million, or 1.1%, from \$59.1 million in the third quarter of 2018 to \$59.8 million in the third quarter of 2019. The increase in selling, general and administrative expenses was driven primarily by an increase in advertising costs, partially offset by a decrease in legal expense and variable store compensation expense.

Inventory

Inventory decreased 9.1% to \$100.1 million at the end of the third quarter of 2019 from \$110.1 million at the end of the fourth quarter of 2018.

Long-Term Debt

Long-term debt increased \$10.0 million from \$53.0 million in the fourth quarter of 2018 to \$63.0 million at the end of the third quarter of 2019. The increase reflects additional amounts drawn on the line of credit to fund share repurchases in the second quarter of 2019.

Dividend and Share Repurchase

The Board of Directors decided to suspend the Company's quarterly cash dividend and cancel the Company's share repurchase program, each effective immediately, to focus on debt reduction and continued investment in strategic initiatives.

Director Resignation

Christopher T. Cook resigned from the Board of Directors effective October 19, 2019.

NON-GAAP INFORMATION

Adjusted EBITDA

Adjusted EBITDA for the third quarter of 2019 was \$8.3 million compared with \$11.9 million for the third quarter of 2018. See the table below for a reconciliation of GAAP net (loss) income to Adjusted EBITDA.

(\$ in thousands)	Three Months Ended September 30,			
	2019	% of net sales ⁽¹⁾	2018	% of net sales
Net (loss) income	\$ (1,383)	(1.6)%	\$ 2,553	2.9 %
Interest expense	1,027	1.2 %	715	0.8 %
Income taxes	(274)	(0.3)%	652	0.7 %
Depreciation & amortization	8,308	9.7 %	7,202	8.1 %
Stock based compensation	660	0.8 %	735	0.8 %
Adjusted EBITDA	<u>\$ 8,338</u>	<u>9.7 %</u>	<u>\$ 11,857</u>	<u>13.3 %</u>

(\$ in thousands)	Nine Months Ended September 30,			
	2019	% of net sales ⁽¹⁾	2018	% of net sales
Net (loss) income	\$ (217)	(0.1)%	\$ 11,522	4.2 %
Interest expense	2,948	1.1 %	1,866	0.7 %
Income taxes	348	0.1 %	4,157	1.5 %
Depreciation & amortization	24,508	9.4 %	21,180	7.7 %
Stock based compensation	2,169	0.8 %	1,950	0.7 %
Adjusted EBITDA	\$ 29,756	11.4 %	\$ 40,675	14.9 %

⁽¹⁾ Amounts do not foot due to rounding.

Pretax Return on Capital Employed

Pretax Return on Capital Employed was 1.7% for the trailing twelve months as of the end of the third quarter of 2019 compared to 7.7% for the trailing twelve months as of the end of the third quarter of 2018. See the table below for a calculation of Pretax Return on Capital Employed.

(\$ in thousands)	September 30,	
	2019 ⁽¹⁾	2018 ⁽¹⁾
Income from Operations (trailing twelve months)	\$ 3,762	\$ 13,769
Total Assets	389,561	281,996
Less: Accounts payable	(25,280)	(29,015)
Less: Income tax payable	(72)	(71)
Less: Other accrued liabilities	(26,119)	(26,751)
Less: Lease liability ⁽²⁾	(114,490)	(42,401)
Less: Other long-term liabilities	(3,669)	(4,346)
Capital Employed	219,931	179,412
Pretax Return on Capital Employed	1.7 %	7.7 %

⁽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.

⁽²⁾ Represents the average lease liability and deferred rent account balances for the four quarters ended as of each of the balance sheet dates.

Webcast and Conference Call

The Company will not hold its previously scheduled third quarter 2019 earnings call at 9:00 a.m. Eastern Time today, Tuesday, October 22, 2019.

About The Tile Shop

The Tile Shop (Nasdaq:TTS) 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. Each store is outfitted with full-room tiled displays which are enhanced by the complimentary Design Studio, a collaborative platform to create customized 3D design renderings to scale, allowing customers to bring their design ideas to life. The Tile Shop currently operates 141 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.

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. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net sales. The Company calculates Pretax Return on Capital Employed by taking income from operations divided by capital employed. Capital employed equals total assets less accounts payable, income taxes payable, other accrued liabilities, deferred rent, 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.

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 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.

Contacts:

Investors and Media:

Mark Davis

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

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,371	\$ 5,557
Restricted cash	825	825
Receivables, net	4,611	3,084
Inventories	100,080	110,095
Income tax receivable	3,854	3,548
Other current assets, net	7,042	7,181
Total Current Assets	124,783	130,290
Property, plant and equipment, net	137,151	158,356
Right of use asset	143,789	-
Deferred tax assets	5,385	7,225
Other assets	1,251	1,759
Total Assets	\$ 412,359	\$ 297,630
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,855	\$ 25,853
Income tax payable	13	179
Current portion of lease liability	26,653	-
Other accrued liabilities	25,871	24,484
Total Current Liabilities	72,392	50,516
Long-term debt	63,000	53,000
Long-term lease liability, net	138,489	-
Financing lease obligation, net	317	436
Deferred rent	-	43,579
Other long-term liabilities	3,482	3,752
Total Liabilities	277,680	151,283
Stockholders' Equity:		
Common stock, par value \$0.0001; authorized: 100,000,000 shares; issued and outstanding: 50,812,054 and 52,707,879 shares, respectively	5	5
Preferred stock, par value \$0.0001; authorized: 10,000,000 shares; issued and outstanding: 0 shares	-	-
Additional paid-in-capital	156,037	172,255
Accumulated deficit	(21,272)	(25,857)
Accumulated other comprehensive loss	(91)	(56)
Total Stockholders' Equity	134,679	146,347
Total Liabilities and Stockholders' Equity	\$ 412,359	\$ 297,630

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net sales	\$ 85,944	\$ 89,259	\$ 261,755	\$ 273,307
Cost of sales	26,775	26,248	79,384	80,946
Gross profit	59,169	63,011	182,371	192,361
Selling, general and administrative expenses	59,804	59,131	179,314	174,928
(Loss) income from operations	(635)	3,880	3,057	17,433
Interest expense	(1,027)	(715)	(2,948)	(1,866)
Other income	5	40	22	112
(Loss) income before income taxes	(1,657)	3,205	131	15,679
Benefit from (provision for) income taxes	274	(652)	(348)	(4,157)
Net (loss) income	\$ (1,383)	\$ 2,553	\$ (217)	\$ 11,522
(Loss) income per common share:				
Basic	\$ (0.03)	\$ 0.05	\$ (0.00)	\$ 0.22
Diluted	\$ (0.03)	\$ 0.05	\$ (0.00)	\$ 0.22
Weighted average shares outstanding:				
Basic	49,769,739	51,920,830	50,901,289	51,896,678
Diluted	49,769,739	52,303,777	50,901,289	52,056,136
Dividends declared per share	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Gross margin rate	68.8 %	70.6 %	69.7 %	70.4 %
SG&A expense rate	69.6 %	66.2 %	68.5 %	64.0 %
(Loss) income from operations margin rate	(0.7)%	4.3 %	1.2 %	6.4 %
Adjusted EBITDA margin rate	9.7 %	13.3 %	11.4 %	14.9 %

Tile Shop Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(\$ in thousands)
(Unaudited)

	Nine Months Ended	
	September 30,	
	2019	2018
Cash Flows From Operating Activities		
Net (loss) income	\$ (217)	\$ 11,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	24,508	21,180
Amortization of debt issuance costs	446	607
Loss on disposals of property, plant and equipment	90	76
Impairment charges on property, plant and equipment	-	319
Change in leases	(1,267)	2,345
Stock based compensation	2,169	1,950
Deferred income taxes	190	1,415
Changes in operating assets and liabilities:		
Receivables	(1,527)	(1,342)
Inventories	10,015	(21,051)
Prepaid expenses and other assets	47	(2,374)
Accounts payable	(3,307)	(6,550)
Income tax receivable / payable	(362)	2,520
Accrued expenses and other liabilities	2,827	5,104
Net cash provided by operating activities	33,612	15,721
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(22,839)	(22,893)
Proceeds from insurance	610	13
Net cash used in investing activities	(22,229)	(22,880)
Cash Flows From Financing Activities		
Payments of long-term debt and financing lease obligations	(43,153)	(95,235)
Advances on line of credit	53,000	114,095
Dividends paid	(7,706)	(7,800)
Repurchases of common stock	(10,455)	-
Employee taxes paid for shares withheld	(226)	(52)
Debt issuance costs	-	(374)
Net cash (used in) provided by financing activities	(8,540)	10,634
Effect of exchange rate changes on cash	(29)	(11)
Net change in cash	2,814	3,464
Cash, cash equivalents and restricted cash beginning of period	6,382	7,476
Cash, cash equivalents and restricted cash end of period	\$ 9,196	\$ 10,940
Cash and cash equivalents	\$ 8,371	\$ 10,105
Restricted cash	825	835
Cash, cash equivalents and restricted cash end of period	\$ 9,196	\$ 10,940
Supplemental disclosure of cash flow information		
Purchases of property, plant and equipment included in accounts payable and accrued expenses	\$ 1,320	\$ 2,229
Cash paid for interest	2,853	1,846
Cash paid for income taxes, net	471	240



THE TILE SHOP ANNOUNCES PLAN TO DELIST FROM NASDAQ, DEREGISTER ITS COMMON STOCK, AND CANCEL ITS THIRD QUARTER EARNINGS CALL

MINNEAPOLIS – October 22, 2019 – Tile Shop Holdings, Inc. (Nasdaq: TTS) (the “Company”) today announced that it will voluntarily delist its common stock from the Nasdaq Stock Market, and based upon ownership of its shares by fewer than 300 holders of record, deregister its common stock under the Securities Exchange Act of 1934 and suspend its public reporting obligations.

Cabell Lolmaugh, the Company’s CEO stated, “We’ve undertaken a thorough and thoughtful review of our cost structure, including costs associated with being a Nasdaq-listed and SEC reporting company. After careful consideration, our Board of Directors decided to voluntarily delist from Nasdaq and deregister with the SEC as we believe the savings that will benefit our shareholders outweigh the advantages of continuing as a Nasdaq-listed and SEC reporting company.”

The Company intends to file a Form 25 with the Securities and Exchange Commission (the “SEC”) on or about November 1, 2019 in order to delist from Nasdaq. The Company anticipates that the last day of trading on Nasdaq will be on or about November 8, 2019. The Company’s common stock may thereafter be eligible for trading on an over-the-counter market, if one or more brokers chooses to make a market for the Company’s common stock; however, there can be no assurances regarding any such trading.

On or about November 12, 2019, the Company intends to file a Form 15 with the SEC, at which time the Company anticipates that its obligations to file periodic reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K, respectively, will be suspended, and that all requirements associated with being an Exchange Act-registered company, including the requirement to file current and periodic reports, will terminate permanently 90 days thereafter. The Company still intends to file its annual report on Form 10-K for the year ending December 31, 2019.

Further information about the Company’s intention to delist from Nasdaq and deregister its common stock can be found in the Company’s “Frequently Asked Questions Relating to the Proposed Delisting and Deregistration,” which will be filed as an exhibit to the Company’s Form 8-K filed with the SEC today, or on the Company’s website at investors.tileshop.com.

Webcast and Conference Call

The Company also announced that it will not hold its previously scheduled third quarter 2019 earnings call at 9:00 a.m. Eastern Time today, Tuesday, October 22, 2019.

About The Tile Shop

The Tile Shop (Nasdaq:TTS) is a leading specialty retailer of natural stone and man-made tiles, setting and maintenance materials, and related accessories in the United States. The Company offers a wide selection of high-quality products, exclusive designs, knowledgeable staff and exceptional customer service in an extensive showroom environment. Each store is outfitted with full-room tiled displays which are enhanced by the complimentary Design Studio, a collaborative platform to create customized 3D design renderings to scale, allowing customers to bring their design ideas to life. The Tile Shop currently operates 141 stores in 31 states and the District of Columbia

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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, including the intention to delist from Nasdaq and deregister the Company’s common stock, 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 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.

Contacts:

Investors and Media:

Mark Davis

763-852-2978

mark.davis@tileshop.com

Good morning,

Today we announced a decision by our Board to voluntarily deregister our common stock under the Securities Exchange Act of 1934, as amended; cease public reporting with the Securities and Exchange Commission (SEC); and delist our stock from NASDAQ.

What does this mean for Tile Shop employees?

We are on the right track, and our recent performance confirms that. We remain committed to our strategy of having the best product assortment, customer service, and presentation in our industry; deregistering and delisting has no impact on that strategy. You can be assured that whether we trade on a public stock exchange has no bearing on our financial strength or our future prospects. It is also important to emphasize that the integrity of our financial controls and our commitment to compliance will not change. Please see attachment for additional information about this transaction.

I realize our organization has experienced a number of changes over the last year. Thank you for your continued dedication and hard work. This news, like other recent changes, aligns with our strategy and has the ability to strengthen our organization. I am confident our Company will continue to thrive.

Sincerely,

Cabby Lolmaugh
President and CEO
The Tile Shop

FREQUENTLY ASKED QUESTIONS RELATING TO THE PROPOSED DELISTING AND DEREGISTRATION

On October 22, 2019, Tile Shop Holdings, Inc. (“Tile Shop”, the “Company”, “we”, “us” or “our”) announced that its Board of Directors (the “Board”) approved a plan to delist the Company’s common stock from the Nasdaq Stock Market (“Nasdaq”) and terminate the registration of the Company’s common stock under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Below are answers to frequently asked questions relating to the actions taken to delist the Company’s common stock from Nasdaq and terminate the registration of the Company’s common stock under the Exchange Act (collectively, the “Deregistration”).

RATIONALE FOR THE DEREGISTRATION

1. Why is the Deregistration sometimes referred to as a “going dark”?

“Going dark” is a term that refers to the voluntarily delisting from Nasdaq and deregistration of our common stock under the Exchange Act. After giving effect to the Deregistration, we will no longer be subject to any reporting requirements under the Exchange Act or those required by the listing standards of a national securities exchange, the provisions of the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), or the rules of the U.S. Securities and Exchange Commission (the “SEC”) applicable to SEC reporting companies. We will, therefore, cease to file annual, quarterly, current, and other reports and documents with the SEC. See question 10 for information regarding timing. We still intend to file our annual report on Form 10-K for the year ending December 31, 2019. However, other than changes we may make as a result of the changes in our Sarbanes-Oxley Act requirements, we intend to maintain our existing internal controls and corporate governance framework. Although the Company has no current plans to do so, effecting the Deregistration does not preclude us from deciding at a later date to apply for listing with Nasdaq or another national securities exchange if we met all the applicable listing requirements at such time, or registering our shares with the SEC.

2. What is the rationale for the Deregistration?

We incur significant expenses and indirect costs associated with being a public company. We expect to realize a significant expense reduction as a result of the delisting of our common stock from Nasdaq and the termination of the registration of our common stock under the Exchange Act, including ongoing expenses for compliance with the Sarbanes-Oxley Act, and other accounting, legal, printing and other miscellaneous costs associated with being a publicly traded company. The reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies will enable them to focus more on managing our business, strengthening our store operations and commitment to customer service, developing relationships with vendors and growing stockholder value, with a focus on long-term growth without an undue distraction by short-term financial results and stock price movement.

3. What cost savings does the Company anticipate as a result of the Deregistration?

We anticipate significant cost savings after effecting the Deregistration, primarily as a result of a reduction in professional fees of lawyers and accountants, a potential reduction in insurance

premiums for our directors' and executive officers' liability insurance, and printing, mailing, and other costs that we incur to comply with SEC reporting and compliance requirements. Additionally, we will benefit from the reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies, which will enable them to focus more on managing our business and growing stockholder value, with a focus on long-term growth without an undue distraction from short-term financial results and stock price movement.

4. What corporate governance changes will the Company make as a result of the Deregistration?

We remain committed to maintaining strong financial controls and our commitment to compliance will not change. Other than changes we may make as a result of the changes in our Sarbanes-Oxley Act requirements, we intend to maintain our existing internal controls and corporate governance framework.

5. After giving effect to the Deregistration, what information does the Company intend to provide to its stockholders?

We currently intend to make financial information available to our stockholders on a voluntary basis after giving effect to the Deregistration. However, we are not required by law to do so and there is no assurance that even if we do make such information available immediately after giving effect to the Deregistration that we would continue to do so in the future.

6. How will the Deregistration affect the Company's ability to pursue its strategic objectives?

Being a non-reporting company does not preclude opportunities to achieve significant growth. Furthermore, the reduction in time spent by our management and employees complying with the requirements applicable to SEC reporting companies will enable them to focus more on managing our business and growing stockholder value, with a focus on long-term growth without an undue distraction by short-term financial results and stock price movement.

7. Is the Company pursuing alternatives for which a greater level of confidentiality is warranted? Does this signal other considerations underway?

As noted above, the motivation for the Deregistration is to reduce the significant annual expenses and indirect costs associated with being a public company.

PROCESS

8. When will the shares stop trading on Nasdaq?

We expect shares to stop trading upon the effectiveness of a Form 25 that we plan to file with the SEC (see question 10 below regarding timing of Form 25 filing). We anticipate that the last day of trading on Nasdaq will be on or about November 8, 2019.

9. Will the Company's common stock continue to trade after giving effect to the Deregistration?

After giving effect to the Deregistration, the Company's common stock will no longer be listed on Nasdaq or any other national securities exchange. Any trading in our common stock after giving effect to the Deregistration would only occur in privately negotiated sales and potentially on an over-the-counter market, if one or more brokers chooses to make a market for our common stock on any such market and complies with applicable regulatory requirements; however, there can be no assurances regarding any such trading.

10. When will the Company cease filing the periodic and current reports required by the Exchange Act?

We intend to file applicable forms with the SEC to delist our common stock from Nasdaq and deregister our common stock under the Exchange Act. Specifically, we intend to file a Form 25 on or about November 1, 2019 in order to delist our common stock from Nasdaq, which will terminate the registration of our common stock under Section 12(b) of the Exchange Act ten days thereafter. On or around November 12, 2019, we intend to file a Form 15 with the SEC, at which time we anticipate that our obligations to file periodic reports under the Exchange Act, including annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K, respectively, will be suspended. After 90 days following the filing of the Form 15: (1) our obligation to comply with the requirements of the proxy rules and to file proxy statements under Section 14 of the Exchange Act will also be terminated; (2) our executive officers, directors and 10% stockholders will no longer be required to file reports relating to their transactions in our common stock with the SEC and our executive officers, directors and 10% stockholders will no longer be subject to the recovery of profits provision of the Exchange Act; and (3) persons acquiring 5% of our common stock will no longer be required to report their beneficial ownership under the Exchange Act. We still intend to file our annual report on Form 10-K for the year ending December 31, 2019.

11. Will disclosure requirements change for investors (e.g. filings pursuant to Section 13(d) and Section 16 of the Exchange Act)?

After giving effect to the Deregistration, the reporting obligations of the Company's equity holders, including management, pursuant to Sections 13 and 16 of the Exchange Act will be eliminated. (See question 10 above regarding timing.)

12. Under what scenarios would you imagine the Company "relisting" in the future? How would the Company do so?

There are many factors the Company considers in making strategic decisions such as whether to be traded on a national securities exchange. We cannot predict at this time whether such a decision will be made in the future, or what factors may come into play to lead to such a decision. If the Company were to relist its shares on a national securities exchange, it would have to comply with the applicable initial listing requirements for such national securities exchange and the applicable SEC rules.

13. Does the Deregistration eliminate the possibility of dividends going forward?

On October 18, 2019, the Board determined to suspend the Company's quarterly cash dividend, effective immediately. The Deregistration does not preclude the payment of dividends in the future. However, the Company does not anticipate paying cash dividends in the foreseeable future.

14. Does the Company's debt agreement require the Company's common stock to be listed on a national securities exchange or require the Company to file periodic and current reports with the SEC?

The reporting covenants under the Company's debt agreement require us to deliver audited annual and unaudited quarterly financial statements to our banks. However, the debt agreement does not require us to file such information with the SEC. Furthermore, the debt agreement does not require our common stock to continue to be listed on a national securities exchange.

EMPLOYEES

15. How will the Deregistration affect the Company's stock options and restricted stock awards?

Outstanding options evidencing rights to purchase shares of our common stock will be unaffected by the Deregistration because such options will, after the Deregistration, be exercisable into the same number of shares of our common stock as they were before the Deregistration. Outstanding restricted stock awards will be unaffected by the Deregistration because such restricted stock awards will, after the Deregistration, continue to represent the same number of shares of our common stock as they were before the Deregistration. However, following the Deregistration, shares received upon exercising a stock option or shares held following the lapse of risks for forfeiture for restricted stock awards will be subject to restrictions, including holding periods, pursuant to Rule 144 promulgated under the Securities Act.

16. Will the Company continue to use equity as a form of incentive compensation?

The Company's Compensation Committee is responsible for developing short-term and long-term incentive compensation programs that align the Company's priorities with the best interests of our stockholders. We anticipate that the Compensation Committee will continue to consider equity compensation to be an option under these programs after the Deregistration.

CUSTOMERS / VENDORS

17. Will there be any disruption to serving customers or to vendor contracts and payments?

No. We will continue business as usual, and there will be no impact to our customers or vendors as a result of the Deregistration.

About The Tile Shop

The Tile Shop is a leading specialty retailer of natural stone and man-made tiles, setting and maintenance materials and related accessories in the United States. The Company offers a wide selection of high-quality products, exclusive designs, knowledgeable staff, and exceptional customer service in an extensive showroom environment. Each store is outfitted with full-room tiled displays inspiring

customers to bring their design ideas to life. The Tile Shop currently operates 141 stores in 31 states and the District of Columbia. Learn more online at www.tileshop.com.

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

Forward-Looking Statements

This communication may contain forward-looking statements that are being made pursuant to the Private Securities Litigation Reform Act of 1995, which provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information so long as those statements are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. Such forward-looking statements include statements about the perceived benefits and costs of the proposed Deregistration. Such forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results, performance or achievements to differ materially from those described or implied in such forward-looking statements. Accordingly, actual results may differ materially from such forward-looking statements. The forward-looking statements relating to the Deregistration discussed above are based on the Company's current expectations, assumptions, estimates and projections about the Company and involve significant risks and uncertainties, including the many variables that may impact the Company's projected cost savings, variables and risks related to consummation of the proposed Deregistration, SEC regulatory review of the Company's filings related to the proposed Deregistration, and the continuing determination of the Board of Directors that the proposed Deregistration is in the best interests of all stockholders. The Company assumes no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

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