

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

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: 001-35629

**TILE SHOP HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

45-5538095  
(I.R.S. Employer Identification No.)

14000 Carlson Parkway  
Plymouth, Minnesota  
(Address of principal executive offices)

55441  
(Zip Code)

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

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

Title of each class  
Common Stock, \$0.0001 par value

Trading Symbol(s)  
TTSH

Name of each exchange on which registered  
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, a 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   
Non-accelerated filer

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 in Rule 12b-2 of the Exchange Act).  Yes  No

As of November 3, 2025, there were 44,715,001 shares of the registrant's common stock, par value \$0.0001 per share, outstanding.

**TILE SHOP HOLDINGS, INC.**  
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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS****Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Balance Sheets  
(dollars in thousands, except per share data)

	September 30, 2025 (unaudited)	December 31, 2024 (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24,145	\$ 20,957
Receivables, net	3,773	3,085
Inventories	87,240	86,267
Income tax receivable	1,366	850
Other current assets, net	8,415	8,663
<b>Total Current Assets</b>	<b>124,939</b>	<b>119,822</b>
Property, plant and equipment, net	56,683	59,733
Right of use asset	126,927	132,861
Deferred tax assets	5,229	4,890
Other assets	1,663	2,297
<b>Total Assets</b>	<b>\$ 315,441</b>	<b>\$ 319,603</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 24,071	\$ 23,808
Income tax payable	46	62
Current portion of lease liability	29,516	28,880
Other accrued liabilities	27,596	25,644
<b>Total Current Liabilities</b>	<b>81,229</b>	<b>78,394</b>
Long-term debt	-	-
Long-term lease liability, net	106,341	113,700
Other long-term liabilities	5,312	4,597
<b>Total Liabilities</b>	<b>192,882</b>	<b>196,691</b>
<b>Stockholders' Equity:</b>		
Common stock, par value \$0.0001; authorized: 100,000,000 shares; issued and outstanding: 44,715,001 and 44,657,898 shares, respectively	4	4
Preferred stock, par value \$0.0001; authorized: 10,000,000 shares; issued and outstanding: 0 shares	-	-
Additional paid-in capital	130,393	129,696
Accumulated deficit	(7,838)	(6,788)
<b>Total Stockholders' Equity</b>	<b>122,559</b>	<b>122,912</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 315,441</b>	<b>\$ 319,603</b>

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Operations  
(dollars in thousands, except per share data)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net sales	\$ 83,064	\$ 84,505	\$ 259,333	\$ 267,617
Cost of sales	30,785	28,277	92,142	90,739
Gross profit	52,279	56,228	167,191	176,878
Selling, general and administrative expenses	54,245	55,978	168,535	172,494
(Loss) Income from operations	(1,966)	250	(1,344)	4,384
Interest income/(expense), net	4	(71)	52	(294)
(Loss) Income before income taxes	(1,962)	179	(1,292)	4,090
Benefit (Provision) for income taxes	348	(138)	242	(1,141)
<b>Net (loss) income</b>	<b>\$ (1,614)</b>	<b>\$ 41</b>	<b>\$ (1,050)</b>	<b>\$ 2,949</b>
<b>(Loss) Income per common share:</b>				
Basic	\$ (0.04)	\$ 0.00	\$ (0.02)	\$ 0.07
Diluted	\$ (0.04)	\$ 0.00	\$ (0.02)	\$ 0.07
<b>Weighted average shares outstanding:</b>				
Basic	43,965,973	43,794,648	43,892,450	43,685,068
Diluted	43,965,973	43,893,185	43,892,450	43,783,181

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Comprehensive (Loss) Income  
(dollars in thousands)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net (loss) income	\$ (1,614)	\$ 41	\$ (1,050)	\$ 2,949
Currency translation adjustment	-	81	-	69
Other comprehensive income	-	81	-	69
<b>Comprehensive (loss) income</b>	<b>\$ (1,614)</b>	<b>\$ 122</b>	<b>\$ (1,050)</b>	<b>\$ 3,018</b>

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Stockholders' Equity  
(dollars in thousands)  
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	Shares	Amount				
<b>Balance at June 30, 2024</b>	44,652,655	\$ 4	\$ 129,070	\$ (6,201)	\$ (81)	\$ 122,792
Issuance of restricted shares	11,002	-	-	-	-	-
Stock based compensation	-	-	336	-	-	336
Tax withholdings related to net share settlements of stock based compensation awards	(2,490)	-	(18)	-	-	(18)
Foreign currency translation adjustments	-	-	-	-	81	81
Net income	-	-	-	41	-	41
<b>Balance at September 30, 2024</b>	<u>44,661,167</u>	<u>\$ 4</u>	<u>\$ 129,388</u>	<u>\$ (6,160)</u>	<u>\$ -</u>	<u>\$ 123,232</u>
<b>Balance at June 30, 2025</b>	<u>44,779,230</u>	<u>\$ 4</u>	<u>\$ 130,097</u>	<u>\$ (6,224)</u>	<u>\$ -</u>	<u>\$ 123,877</u>
Cancellation of restricted shares	(64,229)	-	-	-	-	-
Stock based compensation	-	-	296	-	-	296
Net loss	-	-	-	(1,614)	-	(1,614)
<b>Balance at September 30, 2025</b>	<u>44,715,001</u>	<u>\$ 4</u>	<u>\$ 130,393</u>	<u>\$ (7,838)</u>	<u>\$ -</u>	<u>\$ 122,559</u>

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Stockholders' Equity  
(dollars in thousands)  
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	Shares	Amount				
<b>Balance at December 31, 2023</b>	44,510,779	\$ 4	\$ 128,861	\$ (9,109)	\$ (69)	\$ 119,687
Issuance of restricted shares	497,893	-	-	-	-	-
Cancellation of restricted shares	(275,689)	-	-	-	-	-
Stock based compensation	-	-	1,008	-	-	1,008
Tax withholdings related to net share settlements of stock based compensation awards	(71,816)	-	(481)	-	-	(481)
Foreign currency translation adjustments	-	-	-	-	69	69
Net income	-	-	-	2,949	-	2,949
<b>Balance at September 30, 2024</b>	44,661,167	\$ 4	\$ 129,388	\$ (6,160)	\$ -	\$ 123,232
<b>Balance at December 31, 2024</b>	44,657,898	\$ 4	\$ 129,696	\$ (6,788)	\$ -	\$ 122,912
Issuance of restricted shares	427,131	-	-	-	-	-
Cancellation of restricted shares	(328,750)	-	-	-	-	-
Stock based compensation	-	-	981	-	-	981
Tax withholdings related to net share settlements of stock based compensation awards	(41,278)	-	(284)	-	-	(284)
Net loss	-	-	-	(1,050)	-	(1,050)
<b>Balance at September 30, 2025</b>	44,715,001	\$ 4	\$ 130,393	\$ (7,838)	\$ -	\$ 122,559

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Cash Flows  
(dollars in thousands)  
(unaudited)

	Nine Months Ended September 30,	
	2025	2024
<b>Cash Flows From Operating Activities</b>		
Net (loss) income	\$ (1,050)	\$ 2,949
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	11,906	13,802
Amortization of debt issuance costs	54	54
(Gain) loss on disposals of property, plant and equipment	(91)	15
Impairment charges	211	949
Non-cash lease expense	20,874	20,110
Stock based compensation	981	1,008
Deferred income taxes	(338)	831
Changes in operating assets and liabilities:		
Receivables, net	(688)	(382)
Inventories	(973)	9,152
Other current assets, net	827	1,630
Accounts payable	162	(1,647)
Income tax receivable / payable	(532)	(2,039)
Accrued expenses and other liabilities	(20,086)	(17,921)
<b>Net cash provided by operating activities</b>	<u>11,257</u>	<u>28,511</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(7,925)	(11,761)
Proceeds from insurance	3	100
Proceeds from the sale of property, plant and equipment	137	-
<b>Net cash used in investing activities</b>	<u>(7,785)</u>	<u>(11,661)</u>
<b>Cash Flows From Financing Activities</b>		
Payments of long-term debt	-	(10,000)
Advances on line of credit	-	10,000
Employee taxes paid for shares withheld	(284)	(481)
<b>Net cash used in financing activities</b>	<u>(284)</u>	<u>(481)</u>
Effect of exchange rate changes on cash	-	69
Net change in cash and cash equivalents	3,188	16,438
Cash and cash equivalents beginning of period	20,957	8,620
<b>Cash and cash equivalents end of period</b>	<u>\$ 24,145</u>	<u>\$ 25,058</u>
<b>Supplemental disclosure of cash flow information</b>		
Purchases of property, plant and equipment included in accounts payable and accrued expenses	\$ 160	\$ 147
Cash paid for interest	156	229
Cash paid for income taxes, net	629	2,352

See accompanying Notes to Consolidated Financial Statements.

**Tile Shop Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**Note 1: Background**

Tile Shop Holdings, Inc. (“Holdings,” and together with its wholly owned subsidiaries, the “Company”) was incorporated in Delaware in June 2012.

The Company is a specialty retailer of man-made and natural stone tiles, luxury vinyl 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 with up to 50 full-room tiled displays. The Company’s primary market is retail sales to consumers, contractors, designers and home builders. As of September 30, 2025, the Company had 140 stores in 31 states and the District of Columbia, with an average size of approximately 20,000 square feet. The Company has distribution centers located in Michigan, Oklahoma and Virginia.

The accompanying Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature, including the elimination of all intercompany transactions. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2025.

These statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024. The accounting policies used in preparing these Consolidated Financial Statements are the same as those described in Note 1 to the Consolidated Financial Statements in the Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 27, 2025.

*Pending Delisting and Deregistration*

As previously disclosed, the Independent Transaction Committee (the “Transaction Committee”) of the Board of Directors of the Company (the “Board”) comprised of independent directors has recommended, and the Board has approved, a plan to delist its shares of common stock from trading on the Nasdaq Stock Market LLC, suspend its duty to file periodic reports and other information with the U.S. Securities and Exchange Commission (the “SEC”), and to terminate the registration of its common stock under the federal securities laws following the completion of a proposed reverse stock split, immediately followed by a forward stock split, subject to obtaining the requisite approval of the Company’s stockholders at a special meeting of the Company’s stockholders (the “Special Meeting”), which is expected to be held in December 2025.

Specifically, the Transaction Committee recommended and the Board approved a transaction (the “Going Dark Transaction”) whereby the Company would effect a reverse stock split of the common stock at a ratio not less than 1-for-2,000 and not greater than 1-for-4,000 (the “Reverse Stock Split”), followed immediately by a forward stock split of the common stock at the same ratio but inverse (i.e., if the Reverse Stock Split were 1-for-3,000, then the Forward Stock Split would be 3,000-for-1) (the “Forward Stock Split,” and together with the Reverse Stock Split, the “Stock Split”). As a result of the Reverse Stock Split, each share of common stock held by a stockholder of record owning immediately prior to the effective time fewer than the minimum number of shares, which, depending on the Stock Split ratio chosen by the Board, would be between 2,000 and 4,000 shares (the “Minimum Number”), would be converted into the right to receive \$6.60 in cash (the “Cash-Out Price”), without interest, and such stockholders would no longer be stockholders of the Company. Stockholders owning a number of shares of common stock equal to or greater than the Minimum Number immediately prior to the effective time of the Reverse Stock Split (the “Continuing Stockholders”) would not be entitled to receive any cash for their fractional share interests resulting from the Reverse Stock Split, if any. The Forward Stock Split, which would immediately follow the Reverse Stock Split, would reconvert whole shares and fractional share interests held by the Continuing Stockholders back into the same number of shares of the common stock held by such Continuing Stockholders immediately before the effective time of the Reverse Stock Split. As a result of the Forward Stock Split, the total number of shares of common stock held by a Continuing Stockholder would not change as a result of the Reverse Stock Split. The Company estimates that as of October 22, 2025, based on a mid-point Reverse Stock Split ratio of 1-for-3,000, approximately 1,307,000 shares of common stock would be cashed out in the Reverse Stock Split and the aggregate cost to the Company of the Going Dark Transaction would be approximately \$8.6 million, plus transaction expenses, which are estimated to be approximately \$523,000. The Company expects to use cash on hand together with borrowings under its line of credit under the Credit Agreement (as defined below), if necessary, to fund the Cash-Out Price.

The primary purpose of the Reverse Stock Split is to enable the Company to reduce to and maintain the number of its record holders of common stock below 300. The Company is taking these steps to avoid the substantial cost and expense of being a public reporting

**Tile Shop Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

company and to focus the Company's resources on enhancing long-term stockholder value. The Company anticipates savings of approximately \$2.4 million on an annual basis as a result of the Going Dark Transaction.

The Board has determined the Going Dark Transaction is in the best interests of all the Company's stockholders. The Company currently realizes none of the traditional benefits of public company status yet incurs all the significant annual expenses and indirect costs associated with being a public company. Without its public company status, the Company would have an ongoing cost structure befitting its current and foreseeable scale of operations and its management would be able to have an increased focus on core operations.

The Company filed a preliminary proxy statement on Schedule 14A on October 6, 2025. The Company intends to file a definitive proxy statement as soon as practicable. Subject to stockholder approval of the Reverse Stock Split at the Special Meeting, it is anticipated that the Reverse Stock Split would become effective shortly after the Special Meeting. Subject to receiving such stockholder approval, as soon as practicable after the Special Meeting, the Company expects to terminate the registration of its common stock with the SEC and de-list its common stock from the Nasdaq Stock Market LLC. As a result, at such time, (i) the Company would cease to file annual, quarterly, current, and other reports and documents with the SEC and (ii) our common stock would no longer be listed on the Nasdaq Stock Market LLC.

Even if the Stock Split is approved by stockholders at the Special Meeting, the Board may determine not to implement the Reverse Stock Split and complete the Going Dark Transaction if subsequently it determines that the Going Dark Transaction is not in the best interests of the Company and its stockholders.

*Recently Issued Accounting Pronouncements*

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The Company will adopt this guidance as of December 31, 2025. The Company is currently evaluating the impact of this guidance on the Company's consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03 "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." This ASU requires public business entities to disclose, for interim and annual reporting periods, additional information about certain income statement expense categories. The requirements are effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027. Entities are permitted to apply either the prospective or retrospective transition methods. The Company is currently evaluating the impact that the adoption of this ASU will have on its consolidated financial statements and related disclosures.

**Note 2: Revenues**

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration received in exchange for those goods or services. Sales taxes are excluded from revenues.

The following table presents revenues disaggregated by product category:

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Man-made tiles <sup>(1)</sup>	56 %	54 %	56 %	54 %
Natural stone tiles	19	21	20	21
Setting and maintenance materials	14	15	14	15
Accessories	8	7	8	8
Delivery service	3	3	2	2
Total	100 %	100 %	100 %	100 %

<sup>(1)</sup> Man-made tile revenues include sales of luxury vinyl tile products.

**Tile Shop Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

The Company generates revenues by selling tile products, setting and maintenance materials, accessories, and delivery services to its customers through its store locations and online. The timing of revenue recognition coincides with the transfer of control of goods and services ordered by the customer, which falls into one of three categories described below:

Revenue recognized when an order is placed – If a customer places an order in a store and the contents of their order are available, the Company recognizes revenue concurrent with the exchange of goods for consideration from the customer.

Revenue recognized when an order is picked up – If a customer places an order for items held in a centralized distribution center, the Company requests a deposit from the customer at the time they place the order. Subsequently, when the contents of the customer’s order are delivered to the store, the customer returns to the store and picks up the items that were ordered. The Company recognizes revenue on this transaction when the customer picks up their order.

Revenue recognized when an order is delivered – If a customer places an order in a store and requests delivery of their order, the Company prepares the contents of their order, initiates the delivery service, and recognizes revenue once the contents of the customer’s order are delivered.

The Company determines the transaction price of its contracts based on the pricing established at the time a customer places an order. The transaction price does not include sales tax as the Company is a pass-through conduit for collecting and remitting sales tax. Any discounts applied to an order are allocated proportionately to the base price of the goods and services ordered. Deposits made by customers are recorded in other accrued liabilities. Deferred revenues associated with customer deposits are recognized at the time the Company transfers control of the items ordered or renders the delivery service. In the event an order is partially fulfilled at the end of a reporting period, revenue will be recognized based on the transaction price allocated to the goods delivered and services rendered. The customer deposit balance was \$10.5 million and \$10.9 million as of September 30, 2025 and December 31, 2024, respectively. Revenues recognized during the nine months ended September 30, 2025 that were included in the customer deposit balance as of the beginning of the period were \$10.1 million.

The Company extends financing to qualified professional customers who apply for credit. Customers who qualify for an account receive 30-day payment terms. The accounts receivable balance was \$3.8 million and \$3.1 million at September 30, 2025 and December 31, 2024, respectively. The Company expects that the customer will pay for the goods and services ordered within one year from the date the order is placed. Accordingly, the Company does not adjust the promised amount of consideration for the effects of the financing component.

Customers may return purchased items for an exchange or refund. The Company records a reserve for estimated product returns based on historical returns trends and the current product sales performance. The Company presents the sales returns reserve as an other current accrued liability and the estimated value of the inventory that will be returned as an other current asset in the Consolidated Balance Sheet. The components of the sales returns reserve reflected in the Consolidated Balance Sheets as of September 30, 2025 and December 31, 2024 were as follows:

	(in thousands)	
	September 30, 2025	December 31, 2024
Other current accrued liabilities	\$ 3,363	\$ 2,886
Other current assets	1,162	956
Sales returns reserve, net	<u>\$ 2,201</u>	<u>\$ 1,930</u>

**Note 3: Inventories**

The Company’s inventory consists of manufactured items and purchased merchandise held for resale. Inventories are stated at the lower of cost (determined using the moving average cost method) or net realizable value. The Company capitalizes the cost of inbound freight, duties, and receiving and handling costs to bring purchased materials into its distribution network. The labor and

**Tile Shop Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

overhead costs incurred in connection with the production process are included in the value of manufactured finished goods. Inventories were comprised of the following as of September 30, 2025 and December 31, 2024:

	(in thousands)	
	September 30, 2025	December 31, 2024
Finished goods	\$ 85,485	\$ 84,255
Raw materials	1,755	2,012
<b>Total</b>	<b>\$ 87,240</b>	<b>\$ 86,267</b>

The Company provides provisions for losses related to shrinkage and other amounts that are otherwise not expected to be fully recoverable. These provisions are calculated based on historical shrinkage, selling price, margin and current business trends. The provision for losses related to shrinkage and other amounts was \$1.1 million and \$1.2 million as of September 30, 2025 and December 31, 2024, respectively.

**Note 4: Income Taxes**

Effective tax rates for the nine months ended September 30, 2025 and 2024 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within each period. The Company's effective tax rate was 17.7% and 77.0% for the three months ended September 30, 2025 and 2024, respectively. The Company's effective tax rate for the nine months ended September 30, 2025 and 2024 was 18.7% and 27.9%, respectively. The effective income tax rate was lower than the statutory federal income tax rate of 21.0%, primarily due to the decrease in pretax earnings and the impact of certain permanent differences.

The Company records interest and penalties relating to uncertain tax positions in income tax expense. As of both September 30, 2025 and 2024, the Company had not recognized any liabilities for uncertain tax positions, nor had interest and penalties related to uncertain tax positions been accrued.

On July 4, 2025, the President signed H.R. 1, the One Big Beautiful Bill Act ("OBBBA") into law. The OBBBA permanently extends several provisions of the Tax Cuts and Jobs Act ("TCJA") that were previously scheduled to expire, including, but not limited to, the immediate expensing of qualified property under bonus depreciation. In addition, the OBBBA introduces modifications to various U.S. corporate tax provisions, such as changes to interest expense limitations, the treatment of research and development expenditures, and the international tax regime. The Company has completed an evaluation of the OBBBA and determined that the enacted changes do not have a material impact on the Company's income tax provision for the quarter ended September 30, 2025. The Company will continue to monitor future regulatory guidance and assess the potential impact of any subsequent developments related to the OBBBA.

**Note 5: (Loss) Earnings Per Share**

Basic (loss) earnings per share is calculated by dividing net (loss) income by the weighted-average number of common shares outstanding during the period. Diluted (loss) earnings per share is calculated by dividing net (loss) income by the weighted-average number of common shares outstanding, after taking into consideration all dilutive potential shares outstanding during the period.

Basic and diluted (loss) earnings per share were calculated as follows:

	(dollars in thousands, except per share data)			
	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Net (loss) income	\$ (1,614)	\$ 41	\$ (1,050)	\$ 2,949
Weighted average shares outstanding - basic	43,965,973	43,794,648	43,892,450	43,685,068
Effect of dilutive securities attributable to stock based awards	-	98,537	-	98,113
Weighted average shares outstanding - diluted	43,965,973	43,893,185	43,892,450	43,783,181
(Loss) Income per common share:				
Basic	\$ (0.04)	\$ 0.00	\$ (0.02)	\$ 0.07
Diluted	\$ (0.04)	\$ 0.00	\$ (0.02)	\$ 0.07
Anti-dilutive securities excluded from earnings per share calculation	596,460	117,300	523,931	117,953

**Tile Shop Holdings, Inc. and Subsidiaries**  
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**Note 6: Other Accrued Liabilities**

Other accrued liabilities consisted of the following:

	(in thousands)	
	September 30, 2025	December 31, 2024
Customer deposits	\$ 10,475	\$ 10,882
Sales returns reserve	3,363	2,886
Accrued wages and salaries	5,098	4,585
Payroll and sales taxes	2,335	2,107
Other current liabilities	6,325	5,184
Total other accrued liabilities	\$ 27,596	\$ 25,644

**Note 7: Long-term Debt**

On September 30, 2022, Holdings and its operating subsidiary, The Tile Shop, LLC, and certain subsidiaries of each entered into a Credit Agreement with JPMorgan Chase Bank, N.A. and the lenders party thereto, including Fifth Third Bank (the "Credit Agreement"). The Credit Agreement provides the Company with a senior credit facility consisting of a \$75.0 million revolving line of credit through September 30, 2027. Borrowings pursuant to the Credit Agreement initially bear interest at a rate per annum equal to: (i) Adjusted Term SOFR Rate (as defined in the Credit Agreement), plus a margin ranging from 1.25% to 1.75%; (ii) Adjusted Daily Simple SOFR (as defined in the Credit Agreement), plus a margin ranging from 1.25% to 1.75%; or (iii) the Alternate Base Rate (as defined in the Credit Agreement), plus a margin ranging from 0.25% to 0.75%. The margin is determined based on The Tile Shop's Rent Adjusted Leverage Ratio (as defined in the Credit Agreement).

The Credit Agreement is secured by virtually all of the assets of the Company, including, but not limited to, inventory, accounts receivable, equipment and general intangibles. The Credit Agreement contains customary events of default, conditions to borrowing and restrictive covenants, including restrictions on the Company's ability to dispose of assets, engage in acquisitions or mergers, make distributions on or repurchases of capital stock, incur additional debt, incur liens or make investments. The Credit Agreement also includes financial and other covenants, including covenants to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of no less than 1.20 to 1.00 and a Rent Adjusted Leverage Ratio (as defined in the Credit Agreement) of no greater than 3.50 to 1.00. The Company was in compliance with the covenants as of September 30, 2025.

The Company had no borrowings outstanding on its line of credit as of September 30, 2025. The Company has standby letters of credit outstanding related to its workers' compensation and medical insurance policies. As of September 30, 2025, standby letters of credit totaled \$1.2 million. As of September 30, 2025, there was \$73.8 million available for borrowing on the revolving line of credit, which may be used for maintaining the Company's existing stores, purchasing additional merchandise inventory, and general corporate purposes.

**Note 8: Leases**

The Company leases its retail stores, certain distribution space, and office space. Leases generally have an initial term of ten to fifteen years and contain renewal options. Assets acquired under operating leases are included in the Company's right of use assets in the accompanying Consolidated Balance Sheet. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants. Leasehold improvements are amortized using the straight-line method over the shorter of the original lease term, the renewal term if the lease renewal is reasonably certain or the useful life of the improvement.

Leases (in thousands)	Classification	September 30, 2025	December 31, 2024
<b>Assets</b>			
Operating lease assets	Right of use asset	\$ 126,927	\$ 132,861
<b>Total leased assets</b>		<b>\$ 126,927</b>	<b>\$ 132,861</b>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current portion of lease liability	\$ 29,516	\$ 28,880
<b>Noncurrent</b>			
Operating	Long-term lease liability, net	106,341	113,700
<b>Total lease liabilities</b>		<b>\$ 135,857</b>	<b>\$ 142,580</b>

**Tile Shop Holdings, Inc. and Subsidiaries**  
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Lease cost (in thousands)	Classification	Three Months Ended	
		September 30, 2025	September 30, 2024
Operating lease cost	SG&A expenses	\$ 9,328	\$ 9,362
Variable lease cost <sup>(1)</sup>	SG&A expenses	3,995	3,814
Short term lease cost	SG&A expenses	51	56
Net lease cost		\$ 13,374	\$ 13,232

Lease cost (in thousands)	Classification	Nine Months Ended	
		September 30, 2025	September 30, 2024
Operating lease cost	SG&A expenses	\$ 28,275	\$ 28,277
Variable lease cost <sup>(1)</sup>	SG&A expenses	11,796	11,363
Short term lease cost	SG&A expenses	133	154
Net lease cost		\$ 40,204	\$ 39,794

<sup>(1)</sup> Variable lease cost consists primarily of taxes, insurance, and common area or other maintenance costs for the Company's leased facilities.

Other Information (in thousands)	Nine Months Ended	
	September 30, 2025	September 30, 2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 30,054	\$ 29,248
Lease right-of-use assets obtained or modified in exchange for lease obligations	\$ 14,940	\$ 21,359

During the second quarter of 2025, the Company entered into two sublease agreements for its distribution center space in New Jersey, which was closed in 2024. These sublease agreements commenced in the second quarter of 2025 and will expire in August 2026. The Company anticipates the sublease agreements will generate approximately \$0.7 million of sublease income in 2025 and an additional \$1.0 million of sublease income in 2026 which will be classified as a reduction of its selling, general and administrative expense. During the three and nine months ended September 30, 2025, the Company recognized sublease income of \$0.2 million and \$0.4 million, respectively. The Company's lease of the distribution space in New Jersey terminates in September 2026.

**Note 9: Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, the Company uses a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in non-active markets;

Inputs other than quoted prices that are observable for the asset or liability; and

Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment.

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The following table sets forth by level within the fair value hierarchy the Company's financial assets that were accounted for at fair value on a recurring basis at September 30, 2025 and December 31, 2024 according to the valuation techniques the Company uses to determine their fair values. There have been no transfers of assets among the fair value hierarchies presented.

Assets	Pricing Category	Fair Value at	
		September 30, 2025	December 31, 2024
		(in thousands)	
Cash and cash equivalents	Level 1	\$ 24,145	\$ 20,957

The following methods and assumptions were used to estimate the fair value of each class of financial instrument. There have been no changes in the valuation techniques used by the Company to value the Company's financial instruments.

*Cash and cash equivalents:* Consists of cash on hand, bank deposits and money market funds primarily held in short term US treasury securities. The value was measured using quoted market prices in active markets. The carrying amount approximates fair value.

Fair value measurements also apply to certain non-financial assets and liabilities measured at fair value on a nonrecurring basis. Property, plant and equipment and right of use assets are measured at fair value when an impairment is recognized and the related assets are written down to fair value. During the three and nine months ended September 30, 2025, the Company recorded \$0.0 million and \$0.1 million, respectively, of impairment charges in selling, general and administrative expenses to write-down property, plant and equipment to their estimated fair values. During the three and nine months ended September 30, 2024, the Company recorded \$0.0 million and \$0.9 million, respectively, of impairment charges. The Company measured the fair value of these assets based on projected cash flows, an estimated risk-adjusted rate of return and market rental rates for comparable properties. Projected cash flows are considered Level 3 inputs. Market rental rates for comparable properties are considered Level 2 inputs.

During the three and nine months ended September 30, 2025, the Company recorded a \$0.3 million and \$1.1 million, respectively, adjustment to reflect an increase in the fair value to restore leased property to its original condition at the end of the lease. The change in the estimated value of the Company's asset retirement obligation resulted in a \$1.1 million increase in other long-term liabilities that was offset by a \$1.0 million increase in property, plant and equipment and a \$0.1 million asset impairment charge. The Company measured the fair value of its asset retirement obligation based on the estimated amounts and timing of settlements, an estimated risk adjusted rate of return, and expected inflation rates, which are considered Level 2 inputs.

#### **Note 10: Equity Incentive Plans**

On July 20, 2021, the Company's stockholders approved the 2021 Omnibus Equity Compensation Plan (the "2021 Plan"). The 2021 Plan replaced the 2012 Omnibus Award Plan (the "Prior Plan"). Awards granted under the Prior Plan that were outstanding on the date of stockholder approval remained outstanding in accordance with their terms. The maximum number of shares that may be delivered with respect to awards under the 2021 Plan is 3,500,000 shares, subject to adjustment in certain circumstances. Shares tendered or withheld to pay the exercise price of a stock option or to cover tax withholding will not be added back to the number of shares available under the 2021 Plan. To the extent that any award under the 2021 Plan, or any award granted under the Prior Plan prior to stockholder approval of the 2021 Plan, is forfeited, canceled, surrendered or otherwise terminated without the issuance of shares or an award is settled only in cash, the shares subject to such awards granted but not delivered will be added to the number of shares available for awards under the 2021 Plan.

#### **Stock options:**

The Company measures and recognizes compensation expense for all stock based awards at fair value. The financial statements for the three and nine months ended September 30, 2025 and 2024 include compensation expense for the portion of outstanding awards that vested during those periods. The Company recognizes stock based compensation expenses on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The Company did not record any significant stock based compensation expense related to stock options during the three and nine months ended September 30, 2025 and 2024. Stock based compensation expense pertaining to stock options is included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

As of September 30, 2025, the Company had fully vested outstanding stock options to purchase 295,367 shares of common stock at a weighted average exercise price of \$7.07 per share.

**Tile Shop Holdings, Inc. and Subsidiaries**  
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**Restricted stock:**

The Company awards restricted common shares to selected employees and to non-employee directors. Recipients are not required to provide any consideration upon vesting of the award. Restricted stock awards are subject to certain restrictions on transfer, and all or part of the shares awarded may be subject to forfeiture upon the occurrence of certain events, including employment termination. Certain awards are also subject to forfeiture if the Company fails to attain certain performance targets. The restricted stock is valued at its grant date fair value and expensed over the requisite service period or the vesting term of the awards. The Company adjusts the cumulative expense recognized on awards with performance conditions based on the probability of achieving the performance condition. Total stock based compensation expense related to restricted stock was \$0.3 million and \$0.3 million for the three months ended September 30, 2025 and 2024, respectively. Total stock based compensation expense related to restricted stock was \$1.0 million and \$1.0 million for the nine months ended September 30, 2025 and 2024, respectively. Stock based compensation expense pertaining to restricted stock awards is included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

As of September 30, 2025, the Company had 749,026 unvested outstanding restricted common shares.

**Note 11: Segments**

The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM utilizes the Company's annual budget planning process, which includes Company-wide initiatives, as a key input to resource allocation. The CODM makes decisions on resource allocation and evaluates financial performance on a total Company basis; therefore, the Company has one reportable segment. The Company earns most of its revenue in the United States. Long-lived assets, which consist of property and equipment, net and operating lease right of use assets, are all located in the United States.

The Company has concluded that consolidated net (loss) income is the measure of segment profitability. The following table presents the Company's segment revenue and gross profit, significant segment expenses, segment (loss) income from operations and net (loss) income provided to the CODM:

	(in thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net sales	\$ 83,064	\$ 84,505	\$ 259,333	\$ 267,617
Cost of sales	30,785	28,277	92,142	90,739
Gross profit	52,279	56,228	167,191	176,878
Stock based compensation	296	336	981	1,008
Depreciation and amortization	3,711	4,458	11,906	13,802
Adjusted selling, general and administrative expenses*	50,238	51,184	155,648	157,684
(Loss) Income from operations	(1,966)	250	(1,344)	4,384
Interest income/(expense), net	4	(71)	52	(294)
(Loss) Income before income taxes	(1,962)	179	(1,292)	4,090
Benefit (Provision) for income taxes	348	(138)	242	(1,141)
<b>Net (loss) income</b>	<b>\$ (1,614)</b>	<b>\$ 41</b>	<b>\$ (1,050)</b>	<b>\$ 2,949</b>

\*Exclusive of stock based compensation and depreciation and amortization shown separately.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of Tile Shop Holdings, Inc.'s ("Holdings," and together with its wholly owned subsidiaries, the "Company," "we," "us," or "our") financial condition and results of operations should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2024 and our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.*

### Forward-Looking Statements

*This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "depend," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "seek," "should," "target," "will," "will likely result," "would," and similar expressions or variations, although some forward-looking statements are expressed differently. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements in this Quarterly Report on Form 10-Q are based on current expectations and assumptions that are subject to risks and uncertainties, many of which are difficult to predict and are outside of our control, that may cause our actual results, performance, or achievements to differ materially from any expected future results, performance, or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the Going Dark Transaction, including the timing and stockholder approval of the Reverse Stock Split and our ability to realize the anticipated benefits (as defined below); our business strengths, marketing strategies, competitive advantages and role in our industry and markets; an overall decline in the health of the economy, the tile industry, consumer confidence and spending, and the housing market, including as a result of high inflation or fluctuating interest rates, tariffs and other trade barriers and restrictions, instability in the global banking system, a prolonged shutdown of the U.S. federal government, geopolitical instability or the possibility of an economic downturn or recession or other macroeconomic factors; the impact of ongoing supply chain disruptions (including tariffs) and inflationary cost pressures, including increased materials, labor, energy, and transportation costs and decreased discretionary consumer spending; our ability to successfully implement and realize the anticipated benefits of our strategic plan; our ability to successfully anticipate consumer trends; any statements with respect to dividends or stock repurchases and timing, methods, and payment of same; the effectiveness of our marketing strategy; potential fluctuations in our comparable store sales; our expectations regarding our and our customers' financing arrangements and our ability to obtain additional capital, including potential difficulties of obtaining financing due to market conditions resulting from geopolitical conditions, including the impacts of tariffs and other trade barriers and restrictions and resulting volatility in the financial, capital and bond markets, and other economic factors; supply costs and expectations, including the continued availability of sufficient products from our suppliers, risks related to relying on foreign suppliers, and the potential impact of the Russia-Ukraine, Israel/Hamas and other geopolitical conflicts on, among other things, product availability and pricing and timing and cost of deliveries; the impact of U.S. trade tensions, including increased tariffs and retaliatory measures imposed by foreign governments; our expectations with respect to ongoing compliance with the terms of the Credit Agreement (as defined below), including fluctuating interest rates; our ability to provide timely delivery to our customers; the effect of regulations on us and our industry, and our suppliers' compliance with such regulations, including any environmental requirements; the impact of corporate citizenship; labor shortages and our expectations regarding the effects of employee recruiting, training, mentoring, and retention on our business; tax-related risks; the potential impact of cybersecurity breaches or disruptions to our management information systems or to third-party information technology systems upon which we rely; widespread outages, interruptions or other failures of operational, communication, or other systems; our ability to successfully implement our information technology and other digital initiatives; our ability to effectively manage our online sales; costs and adequacy of insurance; the potential impact of natural disasters and other catastrophic events; risks inherent in operating as a holding company; our ability to maintain effective internal control over financial reporting; the potential outcome of any legal proceedings; risks related to ownership of our common stock; and those factors set forth in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024 and in this Quarterly Report on Form 10-Q.*

*There is no assurance that our expectations will be realized. If one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated, or projected. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

*We intend to use our website, [investors.tileshop.com](https://investors.tileshop.com), as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD of the Securities and Exchange Commission ("SEC"). Such disclosures will be included on our website under the heading News and Events. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts. Information contained on or*

accessible through our website is not a part of, and is not incorporated by reference into, this Quarterly Report on Form 10-Q or any other report or document we file with the SEC. Any reference to our website is intended to be an inactive textual reference only.

## Recent Developments

As previously disclosed, the Independent Transaction Committee (the “Transaction Committee”) of the Board of Directors of the Company (the “Board”) comprised of independent directors has recommended, and the Board has approved, a plan to delist its shares of common stock from trading on the Nasdaq Stock Market LLC, suspend its duty to file periodic reports and other information with the U.S. Securities and Exchange Commission (the “SEC”), and to terminate the registration of its common stock under the federal securities laws following the completion of a proposed reverse stock split, immediately followed by a forward stock split, subject to obtaining the requisite approval of the Company’s stockholders at a special meeting of the Company’s stockholders (the “Special Meeting”), which is expected to be held in December 2025.

Specifically, the Transaction Committee recommended and the Board approved a transaction (the “Going Dark Transaction”) whereby the Company would effect a reverse stock split of the common stock at a ratio not less than 1-for-2,000 and not greater than 1-for-4,000 (the “Reverse Stock Split”), followed immediately by a forward stock split of the common stock at the same ratio but inverse (i.e., if the Reverse Stock Split were 1-for-3,000, then the Forward Stock Split would be 3,000-for-1) (the “Forward Stock Split,” and together with the Reverse Stock Split, the “Stock Split”). As a result of the Reverse Stock Split, each share of common stock held by a stockholder of record owning immediately prior to the effective time fewer than the minimum number of shares, which, depending on the Stock Split ratio chosen by the Board, would be between 2,000 and 4,000 shares (the “Minimum Number”), would be converted into the right to receive \$6.60 in cash (the “Cash-Out Price”), without interest, and such stockholders would no longer be stockholders of the Company. Stockholders owning a number of shares of common stock equal to or greater than the Minimum Number immediately prior to the effective time of the Reverse Stock Split (the “Continuing Stockholders”) would not be entitled to receive any cash for their fractional share interests resulting from the Reverse Stock Split, if any. The Forward Stock Split, which would immediately follow the Reverse Stock Split, would reconvert whole shares and fractional share interests held by the Continuing Stockholders back into the same number of shares of the common stock held by such Continuing Stockholders immediately before the effective time of the Reverse Stock Split. As a result of the Forward Stock Split, the total number of shares of common stock held by a Continuing Stockholder would not change as a result of the Reverse Stock Split. The Company estimates that as of October 22, 2025, based on a mid-point Reverse Stock Split ratio of 1-for-3,000, approximately 1,307,000 shares of common stock would be cashed out in the Reverse Stock Split and the aggregate cost to the Company of the Going Dark Transaction would be approximately \$8.6 million, plus transaction expenses, which are estimated to be approximately \$523,000. The Company expects to use cash on hand together with borrowings under its line of credit under the Credit Agreement, if necessary, to fund the Cash-Out Price.

The primary purpose of the Reverse Stock Split is to enable the Company to reduce to and maintain the number of its record holders of common stock below 300. The Company is taking these steps to avoid the substantial cost and expense of being a public reporting company and to focus the Company’s resources on enhancing long-term stockholder value. The Company anticipates savings of approximately \$2.4 million on an annual basis as a result of the Going Dark Transaction.

The Board has determined the Going Dark Transaction is in the best interests of all the Company’s stockholders. The Company currently realizes none of the traditional benefits of public company status yet incurs all the significant annual expenses and indirect costs associated with being a public company. Without its public company status, the Company would have an ongoing cost structure befitting its current and foreseeable scale of operations and its management would be able to have an increased focus on core operations.

The Company filed a preliminary proxy statement on Schedule 14A on October 6, 2025. The Company intends to file a definitive proxy statement as soon as practicable. Subject to stockholder approval of the Reverse Stock Split at the Special Meeting, it is anticipated that the Reverse Stock Split would become effective shortly after the Special Meeting. Subject to receiving such stockholder approval, as soon as practicable after the Special Meeting, the Company expects to terminate the registration of its common stock with the SEC and de-list its common stock from the Nasdaq Stock Market LLC. As a result, at such time, (i) the Company would cease to file annual, quarterly, current, and other reports and documents with the SEC and (ii) our common stock would no longer be listed on the Nasdaq Stock Market LLC.

Even if the Stock Split is approved by stockholders at the Special Meeting, the Board may determine not to implement the Reverse Stock Split and complete the Going Dark Transaction if subsequently it determines that the Going Dark Transaction is not in the best interests of the Company and its stockholders.

## Introduction

Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, for important background regarding, among other things, our key business drivers.

In light of ongoing changes to U.S. trade policy, including the imposition of elevated tariffs on certain imported goods, the Company is evaluating a range of strategic options to manage the anticipated cost pressures including sourcing adjustments and pricing strategies. The degree of our exposure is dependent on (among other things) the type of goods, rates imposed and timing of the tariffs. We continue to analyze the impact of these tariffs on our business and actions we can take to minimize their impact.

In addition, there is meaningful uncertainty related to the confluence of different macroeconomic factors that could influence business conditions in the U.S. The Company continues to monitor the impacts of various macroeconomic factors, such as inflationary pressure, changes in monetary policy, decreasing consumer confidence and spending, the introduction of or changes in tariffs or trade barriers, employment rates, the ongoing U.S. federal government shutdown, and the potential for an economic downturn or recession. Such changes in macroeconomic conditions may lead to increased costs. Additionally, these macroeconomic trends could adversely affect the Company's customers, which could impact their willingness to spend on the Company's products and services, or their ability to make payments, which could negatively impact our financial results. While our risk expectation is that these different factors will moderate in the future, the timing and precise outlook for these improvements is uncertain, and we cannot predict the ultimate impact such factors will have on the Company's business, financial condition, results of operation and cash flows, which will depend largely on future developments.

## Overview and Recent Trends

We are a specialty retailer of man-made and natural stone tiles, luxury vinyl tiles, setting and maintenance materials, and related accessories in the United States. We offer a wide selection of high-quality products, exclusive designs, knowledgeable staff and exceptional customer service, in an extensive showroom environment with up to 50 full-room tiled displays. As of September 30, 2025, we operated 140 stores in 31 states and the District of Columbia, with an average size of approximately 20,000 square feet.

We purchase our tile products and accessories directly from suppliers and manufacture our own setting and maintenance materials, such as thinset, grout, and sealers. We believe that our long-term supplier relationships, together with our design and manufacturing and distribution capabilities, enable us to offer a broad assortment of high-quality products to our customers, who are primarily homeowners and professionals, at competitive prices. We have invested significant resources to develop our proprietary brands and product sources, and we believe that we are a leading retailer of man-made and natural stone, luxury vinyl tiles, setting and maintenance materials, and related accessories in the United States.

We serve customers who seek to undertake a wide range of projects; however, many end customers choose to work with us when they choose to remodel their home. Historically, we have monitored existing home sales trends as a leading indicator of demand in our industry. While existing home sales trends have moderated in recent quarters, the level of existing home sales remains at historically low levels. We believe this has resulted in lower levels of demand for home improvement products and has affected our store traffic. Our comparable store sales decreased by 1.4% and 3.0% during the three and nine months ended September 30, 2025, respectively, due to lower levels of traffic in our stores.

Our gross margin rate decreased by (360) basis points to 62.9% during the third quarter of 2025 as compared to 66.5% during the third quarter of 2024. The decrease in gross margin rate was primarily due to an increase in product costs, an increase in customer delivery expenses and higher levels of discounting during the third quarter of 2025.

Many of the items we carry in our assortment are imported from vendors outside the U.S. We face uncertainty related to tariffs and other trade policies, which may increase the costs of securing products from our vendors. Tariffs and other non-tariff trade practices and policies may adversely affect our business in other ways beyond increased costs for our products. Historically, we have taken steps to shift our sourcing strategy away from countries with higher tariff rates in favor of other jurisdictions, but these countermeasures may prove to be ineffective and the ability to predict tariff rates in different countries may be difficult as policies may change on short notice. Uncertainty about trade policy, tariff rates, retaliatory tariffs, and other changes in practices affecting international trade might have an adverse effect on our business and results of operation and we may face challenges in implementing the optimal responses to changing trade conditions.

Selling, general and administrative expenses decreased \$1.7 million, or 3.1%, from \$56.0 million in the third quarter of 2024 to \$54.2 million in the third quarter of 2025. The decrease was due to a \$1.0 million reduction in selling, general and administrative expenses associated with the closure of our New Jersey and Wisconsin distribution centers, a \$0.6 million decrease in wages associated with a reduction in staffing levels at our corporate offices and a \$0.3 million decrease in variable compensation expenses. Excluding the impact of the New Jersey and Wisconsin distribution center closures, depreciation expense decreased an additional \$0.5 million. These factors were partially offset by a \$0.6 million increase in professional service expenses associated with the proposed delisting and deregistration of the Company as well as other legal expenses.

In response to the continued challenges facing our industry and our topline results, we closed our distribution center based in Spring Valley, WI during the second quarter of 2025. We did not incur any material asset impairment or severance costs in connection with

this distribution center closure. We anticipate the annualized benefit from closing this distribution center will be approximately \$1.0 million.

In addition, we closed one store during the second quarter of 2025 and a second store during the third quarter of 2025 at the end of each store's lease term. We did not incur any material asset impairment or severance costs in connection with the store closures.

On July 4, 2025, the President signed H.R. 1, the OBBBA into law. The OBBBA permanently extends several provisions of the TCJA that were previously scheduled to expire, including, but not limited to, the immediate expensing of qualified property under bonus depreciation. In addition, the OBBBA introduces modifications to various U.S. corporate tax provisions, such as changes to interest expense limitations, the treatment of research and development expenditures, and the international tax regime. The Company has completed an evaluation of the OBBBA and determined that the enacted changes do not have a material impact on the Company's income tax provision for the quarter ended September 30, 2025. The Company will continue to monitor future regulatory guidance and assess the potential impact of any subsequent developments related to the OBBBA.

During the nine months ended September 30, 2025, we generated \$11.3 million of operating cash flow, which was used to fund \$7.9 million of capital expenditures. Cash and cash equivalents increased by \$3.1 million from \$21.0 million on December 31, 2024 to \$24.1 million on September 30, 2025. As of September 30, 2025, we had no borrowings outstanding on our line of credit.

### **Key Components of our Consolidated Statements of Operations**

**Net Sales** – Net sales represents total charges to customers, net of returns, and includes freight charged to customers. We recognize sales at the time that the customer takes control of the merchandise or final delivery of the product has occurred. We are required to charge and collect sales and other taxes on sales to our customers and remit these taxes back to government authorities. Total revenues do not include sales tax because we are a pass-through conduit for collecting and remitting sales tax. Sales are reduced by a reserve for anticipated sales returns that we estimate based on historical returns.

Comparable store sales 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 growth calculation. Comparable store sales growth amounts include total charges to customers less any actual returns. We include the change in allowance for anticipated sales returns applicable to comparable stores in the comparable store sales calculation. 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 our results to those of other businesses. Company management believes the comparable store sales growth (decline) metric provides useful information to both management and investors to evaluate the Company's performance, the effectiveness of its strategy and its competitive position.

**Cost of Sales** – Cost of sales consists primarily of material costs, freight, customs and duties fees, and storage and delivery of product to the customers, as well as physical inventory losses and costs associated with manufacturing of setting and maintenance materials.

**Gross Profit** – Gross profit is net sales less cost of sales. Gross margin rate is the percentage determined by dividing gross profit by net sales.

**Selling, General, and Administrative Expenses** – Selling, general, and administrative expenses consist primarily of compensation costs, occupancy, utilities, maintenance costs, advertising costs, shipping and transportation expenses to move inventory from our distribution centers to our stores, and depreciation and amortization.

**Income Taxes** – We are subject to income tax in the United States as well as other tax jurisdictions in which we conduct business.

**Results of Operations**
**Comparison of the three months ended September 30, 2025 to the three months ended September 30, 2024**

	(\$ in thousands)			
	2025	% of sales <sup>(1)</sup>	2024	% of sales
Net sales	\$ 83,064	100.0 %	\$ 84,505	100.0 %
Cost of sales	30,785	37.1 %	28,277	33.5 %
Gross profit	52,279	62.9 %	56,228	66.5 %
Selling, general and administrative expenses	54,245	65.3 %	55,978	66.2 %
(Loss) Income from operations	(1,966)	(2.4)%	250	0.3 %
Interest income/(expense), net	4	0.0 %	(71)	(0.1)%
(Loss) Income before income taxes	(1,962)	(2.4)%	179	0.2 %
Benefit (Provision) for income taxes	348	0.4 %	(138)	(0.2)%
Net (loss) income	\$ (1,614)	(1.9)%	\$ 41	0.0 %

(1) Amounts do not foot due to rounding.

**Net Sales** Net sales for the third quarter of 2025 decreased \$1.4 million, or 1.7%, compared with the third quarter of 2024. Sales decreased at comparable stores by 1.4% during the third quarter of 2025 compared to the third quarter of 2024, primarily due to a decrease in traffic.

**Gross Profit** Gross profit decreased \$3.9 million, or 7.0%, in the third quarter of 2025 compared to the third quarter of 2024. The gross margin rate was 62.9% and 66.5% during the third quarter of 2025 and 2024, respectively. The decrease in the gross margin rate was primarily due to an increase in product costs, an increase in customer delivery expenses and higher levels of discounting during the third quarter of 2025.

**Selling, General, and Administrative Expenses** Selling, general, and administrative expenses decreased \$1.7 million, or 3.1%, from \$56.0 million in the third quarter of 2024 to \$54.2 million in the third quarter of 2025. The decrease was due to a \$1.0 million reduction in selling, general and administrative expenses associated with the closure of our New Jersey and Wisconsin distribution centers, a \$0.6 million decrease in wages associated with a reduction in staffing levels at our corporate offices and a \$0.3 million decrease in variable compensation expenses. Excluding the impact of the New Jersey and Wisconsin distribution center closures, depreciation expense decreased an additional \$0.5 million. These factors were partially offset by a \$0.6 million increase in professional service expenses associated with the proposed delisting and deregistration of the Company as well as other legal expenses.

**Provision for Income Taxes** The benefit (provision) for income taxes for the third quarter of 2025 and 2024 was \$0.3 million and (\$0.1) million, respectively. The change in the provision for income taxes was primarily due to taxable income in 2024 and a pretax loss in 2025. Our effective tax rate was 17.7% and 77.0% in the third quarter of 2025 and 2024, respectively. The decrease in the effective tax rate was largely due to the impact of permanent differences relative to the pretax income or pretax loss generated in each period.

**Comparison of the nine months ended September 30, 2025 to the nine months ended September 30, 2024**

	(\$ in thousands)			
	2025	% of sales	2024	% of sales
Net sales	\$ 259,333	100.0 %	\$ 267,617	100.0 %
Cost of sales	92,142	35.5 %	90,739	33.9 %
Gross profit	167,191	64.5 %	176,878	66.1 %
Selling, general and administrative expenses	168,535	65.0 %	172,494	64.5 %
(Loss) Income from operations	(1,344)	(0.5) %	4,384	1.6 %
Interest income/(expense), net	52	0.0 %	(294)	(0.1)%
(Loss) Income before income taxes	(1,292)	(0.5) %	4,090	1.5 %
Benefit (Provision) for income taxes	242	0.1%	(1,141)	(0.4)%
Net (loss) income	\$ (1,050)	(0.4) %	\$ 2,949	1.1 %

**Net Sales** Net sales for the nine months ended September 30, 2025 decreased \$8.3 million, or 3.1%, compared with the nine months ended September 30, 2024. Sales decreased at comparable stores by 3.0% during the nine months ended September 30, 2025 when compared to the nine months ended September 30, 2024, primarily due to a decrease in store traffic.

**Gross Profit** Gross profit for the nine months ended September 30, 2025 decreased \$9.7 million, or 5.5%, compared with the nine months ended September 30, 2024. The gross margin rate was 64.5% and 66.1% for the nine months ended September 30, 2025 and

2024, respectively. The decrease in the gross margin rate was primarily due to an increase in product costs, an increase in customer delivery expenses and higher levels of discounting.

**Selling, General, and Administrative Expenses** Selling, general, and administrative expenses for the nine months ended September 30, 2025, decreased \$4.0 million, or 2.3%, compared with the nine months ended September 30, 2024. The decrease was due to a \$1.7 million reduction in selling, general and administrative expenses associated with the closure of our New Jersey and Wisconsin distribution centers, a \$1.4 million decrease in wages associated with a reduction in staffing levels at our corporate offices, and a \$1.2 million decrease in medical expenses. Excluding the impact of the New Jersey and Wisconsin distribution center closures, depreciation expense decreased an additional \$1.8 million. These factors were partially offset by a \$0.8 million increase in professional services, a \$0.6 million increase in IT costs and a \$0.5 million increase in display supply expenses.

**Provision for Income Taxes** The benefit (provision) for income taxes decreased \$1.4 million for the nine months ended September 30, 2025 compared with the nine months ended September 30, 2024 due to a decrease in taxable income. Our effective tax rate for the nine months ended September 30, 2025 and 2024 was 18.7% and 27.9%, respectively. The decrease in the effective tax rate was largely due to the impact of permanent differences relative to the pretax income or pretax loss generated in each period.

#### Non-GAAP Measures

We calculate Adjusted EBITDA by taking net (loss) income calculated in accordance with accounting principles generally accepted in the United States (“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. We calculate pretax return on capital employed by taking (loss) income 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.

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, 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 our Board of Directors. We believe 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 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 recognized 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.

The reconciliation of Adjusted EBITDA to net (loss) income for the three and nine months ended September 30, 2025 and 2024 is as follows:

	(\$ in thousands)			
	Three Months Ended		September 30,	
	2025	% of sales <sup>(1)</sup>	2024	% of sales
Net (loss) income	\$ (1,614)	(1.9) %	\$ 41	0.0 %
Interest (income)/expense, net	(4)	(0.0)%	71	0.1 %
(Benefit) Provision for income taxes	(348)	(0.4) %	138	0.2 %
Depreciation and amortization	3,711	4.5 %	4,458	5.3 %
Stock based compensation	296	0.4 %	336	0.4 %
Adjusted EBITDA	\$ 2,041	2.5 %	\$ 5,044	6.0 %

<sup>(1)</sup> Amounts do not foot due to rounding.

	(\$ in thousands)			
	Nine Months Ended			
	September 30,			
	2025	% of sales	2024	% of sales
Net (loss) income	\$ (1,050)	(0.4) %	\$ 2,949	1.1 %
Interest (income)/expense, net	(52)	(0.0) %	294	0.1 %
(Benefit) Provision for income taxes	(242)	(0.1) %	1,141	0.4 %
Depreciation and amortization	11,906	4.6 %	13,802	5.2 %
Stock based compensation	981	0.4 %	1,008	0.4 %
Adjusted EBITDA	\$ 11,543	4.5 %	\$ 19,194	7.2 %

The calculation of pretax return on capital employed is as follows:

	(\$ in thousands)	
	September 30,	
	2025 <sup>(1)</sup>	2024 <sup>(1)</sup>
(Loss) Income from Operations (trailing twelve months)	\$ (2,651)	\$ 5,854
Total Assets	320,987	321,398
Less: Accounts payable	(25,202)	(22,726)
Less: Income tax payable	(50)	(643)
Less: Other accrued liabilities	(27,653)	(30,820)
Less: Lease liability	(140,115)	(140,503)
Less: Other long-term liabilities	(4,831)	(4,952)
Capital Employed	\$ 123,136	\$ 121,754
Pretax Return on Capital Employed	(2.2) %	4.8%

<sup>(1)</sup> 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.

### Liquidity and Capital Resources

Our principal liquidity requirements have been for working capital and capital expenditures. Our principal sources of liquidity are \$24.1 million of cash and cash equivalents at September 30, 2025, our cash flow from operations, and borrowings available under our Credit Agreement. We expect to use this liquidity for maintaining our existing stores, purchasing additional merchandise inventory, and general corporate purposes.

On September 30, 2022, Holdings and its operating subsidiary, The Tile Shop, LLC and certain subsidiaries of each entered into a Credit Agreement with JPMorgan Chase Bank, N.A. and the lenders party thereto, including Fifth Third Bank (the "Credit Agreement"). The Credit Agreement provides us with a senior credit facility consisting of a \$75.0 million revolving line of credit through September 30, 2027. Borrowings pursuant to the Credit Agreement initially bear interest at a rate per annum equal to: (i) Adjusted Term SOFR Rate (as defined in the Credit Agreement), plus a margin ranging from 1.25% to 1.75%; (ii) Adjusted Daily Simple SOFR (as defined in the Credit Agreement), plus a margin ranging from 1.25% to 1.75%; or (iii) the Alternate Base Rate (as defined in the Credit Agreement), plus a margin ranging from 0.25% to 0.75%. The margin is determined based on the Rent Adjusted Leverage Ratio (as defined in the Credit Agreement).

The Credit Agreement is secured by virtually all our assets, including but not limited to inventory, accounts receivable, equipment and general intangibles. The Credit Agreement contains customary events of default, conditions to borrowing and restrictive covenants, including restrictions on our ability to dispose of assets, engage in acquisitions or mergers, make distributions on or repurchases of capital stock, incur additional debt, incur liens or make investments. The Credit Agreement also includes financial and other covenants, including covenants to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of no less than 1.20 to 1.00 and a Rent Adjusted Leverage Ratio (as defined in the Credit Agreement) of no greater than 3.50 to 1.00. We were in compliance with the covenants as of September 30, 2025.

We had no borrowings outstanding on our line of credit as of September 30, 2025. We have standby letters of credit outstanding related to our workers' compensation and medical insurance policies. As of September 30, 2025, standby letters of credit totaled \$1.2 million. As of September 30, 2025, there was \$73.8 million available for borrowing on the revolving line of credit, which may be used for maintaining our existing stores, purchasing additional merchandise inventory, and general corporate purposes.

We believe that our cash flow from operations, together with our existing cash and cash equivalents and borrowings available under our Credit Agreement, will be sufficient to fund our operations and anticipated capital expenditures over at least the next twelve months and our long-term liquidity requirements.

### Capital Expenditures

Capital expenditures were \$7.9 million and \$11.8 million for the nine months ended September 30, 2025 and 2024, respectively. Capital expenditures in 2025 were primarily due to investments in store remodels, merchandising, distribution and information technology assets.

### Cash Flows

The following table summarizes our cash flow data for the nine months ended September 30, 2025 and 2024.

	(in thousands)	
	Nine Months Ended	
	September 30,	
	2025	2024
Net cash provided by operating activities	\$ 11,257	\$ 28,511
Net cash used in investing activities	(7,785)	(11,661)
Net cash used in financing activities	(284)	(481)

#### *Operating activities*

Net cash provided by operating activities during the nine months ended September 30, 2025 was \$11.3 million compared with \$28.5 million during the nine months ended September 30, 2024. The decrease was primarily attributable to a decrease in net income and other working capital changes.

#### *Investing activities*

Net cash used in investing activities totaled \$7.8 million for the nine months ended September 30, 2025 compared with \$11.7 million for the nine months ended September 30, 2024. Cash used in investing activities during the nine months ended September 30, 2025 was primarily due to investments in store remodels, merchandising, distribution and information technology assets.

#### *Financing activities*

Net cash used in financing activities was \$0.3 million for the nine months ended September 30, 2025 compared with \$0.5 million for the nine months ended September 30, 2024. The decrease in cash outflows for financing activities from the nine months ended September 30, 2024 to nine months ended September 30, 2025 relates to the impact of employee shares withheld for employee stock award vestings.

Cash and cash equivalents totaled \$24.1 million at September 30, 2025 compared with \$21.0 million at December 31, 2024. Working capital was \$43.7 million at September 30, 2025 compared with \$41.4 million at December 31, 2024.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

We have established disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that information relating to the Company is accumulated and communicated to management, including our principal officers, as appropriate to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2025 and concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in internal control over financial reporting (as defined by Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2025 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**

We are, from time to time, party to lawsuits, threatened lawsuits, disputes and other claims arising in the normal course of business. We assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. These legal accruals may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, we do not record an accrual, consistent with applicable accounting guidance. In the opinion of management, while the outcome of such claims and disputes cannot be predicted with certainty, our ultimate liability in connection with these matters is not expected to have a material adverse effect on our results of operations, financial position or cash flows, and the amounts accrued for any individual matter are not material. However, legal proceedings are inherently uncertain. As a result, the outcome of a particular matter or a combination of matters may be material to our results of operations for a particular period, depending upon the size of the loss or our income for that particular period.

### **ITEM 1A. RISK FACTORS**

Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2024, includes a discussion of our risk factors. Except as set forth below, there have been no material changes in the risk factors described in such report.

***Subject to stockholder approval at the Special Meeting, the Board has approved a plan to effectuate a reverse/forward stock split to reduce the number of record holders of the Company's common stock and to delist and terminate the registration of the Company's common stock under the Exchange Act.***

If the proposed reverse/forward stock split is effected, the Company intends to delist and terminate the registration of its common stock under the Exchange Act. Following deregistration, the Company will no longer file annual reports on Form 10-K, quarterly reports on Form 10-Q, or current reports on Form 8-K. Accordingly, there will be significantly less information regarding the Company available to stockholders and potential investors. In addition, the Company will no longer be subject to the provisions of the Sarbanes-Oxley Act and certain of the liability provisions of the Exchange Act, although the Company will still be subject to the antifraud provisions of the Exchange Act and any applicable state securities laws. Following deregistration, the Company's executive officers, directors and 10% stockholders will no longer be required to file reports relating to their transactions in the common stock with the SEC. In addition, the Company's executive officers, directors and 10% stockholders will no longer be subject to the recovery of short-swing profits provision of the Exchange Act, and persons acquiring 5% of the common stock will no longer be required to report their beneficial ownership under the Exchange Act. In addition, as soon as practicable following the effective time of the reverse/forward stock split, the Company plans to delist its common stock from the Nasdaq Stock Market LLC. Any trading in our common stock after the delisting and deregistration would only occur in privately negotiated sales or potentially on the OTC Pink Market, if one or more brokers chooses to make a market for our common stock there and complies with applicable regulatory requirements; however, there can be no assurances regarding any such trading. The lack of public information and increased illiquidity will make trading in our shares of common stock more difficult, which may cause the value of our common stock to decrease.

***We are vulnerable to changes in political and economic conditions, including the effects of tariffs and international trade wars.***

The United States government has implemented significant tariffs measures, including a baseline tariff on products from all countries and higher rates targeting specific countries such as China, Vietnam, Mexico, Canada and the European Union. The United States, or foreign governments may, in the future, adjust and/or impose new quotas, duties, tariffs or reciprocal tariffs or other restrictions which may affect our operations and our ability to purchase imported merchandise at reasonable prices. These potential changes to the trade landscape may require price increases to maintain our target margins, or may cause shortages of certain products, either of which could adversely affect our sales and profitability. The ultimate impact of any tariffs or other trade measures will depend on various factors, including how long such tariffs remain in place, the ultimate levels of such tariffs and how other countries respond to the United States tariffs. We have historically, and intend to continue, to shift our sourcing strategy away from countries with higher tariffs in favor of suppliers in countries with more advantageous tariff rates; however, our ability to successfully execute this strategy depends on a variety of factors, including our ability to identify suppliers who can produce products that meet our quality standards or our ability to mitigate any logistical challenges, and the cost of moving production to the identified countries. If we are unable to mitigate tariff-related risks through supply chain adjustments, pricing strategies, or other measures, our financial performance could be negatively affected.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(in thousands)
				Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
July 1, 2025 - July 31, 2025	17,795 (1)	\$ 0.00	-	\$ -
August 1, 2025 - August 31, 2025	-	-	-	-
September 1, 2025 - September 30, 2025	46,434 (2)	0.00	-	-
	<u>64,229</u>	<u>\$ 0.00</u>	<u>-</u>	<u>\$ -</u>

(1) We cancelled 17,795 shares that were forfeited when vesting conditions were not met, in accordance with the terms of the 2021 Omnibus Equity Compensation Plan and the related award agreements. We did not pay cash to repurchase these shares, nor were these repurchases part of a publicly announced plan or program.

(2) We cancelled 46,434 shares that were forfeited when vesting conditions were not met, in accordance with the terms of the 2021 Omnibus Equity Compensation Plan and the related award agreements. We did not pay cash to repurchase these shares, nor were these repurchases part of a publicly announced plan or program.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION***Rule 10b5-1 Trading Plans*

During the quarter ended September 30, 2025, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

**ITEM 6. EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">3.1</a>	<a href="#">Certificate of Incorporation of Tile Shop Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (Reg. No. 333-182482) filed with the Securities and Exchange Commission on July 2, 2012).</a>
<a href="#">3.2</a>	<a href="#">Certificate of Amendment to the Certificate of Incorporation of Tile Shop Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 21, 2021).</a>
<a href="#">3.3</a>	<a href="#">By-Laws of Tile Shop Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (Reg. No. 333-182482) filed with the Securities and Exchange Commission on July 2, 2012).</a>
<a href="#">31.1*</a>	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>
<a href="#">31.2*</a>	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>
<a href="#">32.1**</a>	<a href="#">Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>
<a href="#">32.2**</a>	<a href="#">Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>
101*	The following financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith

\*\* Furnished herewith

+ Management compensatory plan or arrangement.

**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.

**TILE SHOP HOLDINGS, INC.**

Dated: November 4, 2025

By: /s/ CABELL H. LOLMAUGH  
Cabell H. Lolmaugh  
Chief Executive Officer

Dated: November 4, 2025

By: /s/ MARK B. DAVIS  
Mark B. Davis  
Chief Financial Officer

## 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Cabell H. Lolmaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tile Shop Holdings, Inc.;
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 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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2025

/s/ CABELL H. LOLMAUGH

Cabell H. Lolmaugh  
*Chief Executive Officer*

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## 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mark B. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tile Shop Holdings, Inc.;
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 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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2025

/s/ MARK B. DAVIS

Mark B. Davis  
*Chief Financial Officer*

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**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, Cabell H. Lolmaugh, the Chief Executive Officer of Tile Shop Holdings, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2025 ("the Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: November 4, 2025

/s/ CABELL H. LOLMAUGH

Cabell H. Lolmaugh  
*Chief Executive Officer*

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**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, Mark B. Davis, the Chief Financial Officer of Tile Shop Holdings, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2025 ("the Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: November 4, 2025

/s/ MARK B. DAVIS \_\_\_\_\_

Mark B. Davis  
*Chief Financial Officer*

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