

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 June 30, 2024

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 August 5, 2024, there were 44,650,165 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)

	June 30, 2024 (unaudited)	December 31, 2023 (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,341	\$ 8,620
Receivables, net	3,654	2,882
Inventories	86,071	93,679
Income tax receivable	1,415	129
Other current assets, net	8,501	9,248
<b>Total Current Assets</b>	<b>124,982</b>	<b>114,558</b>
Property, plant and equipment, net	59,959	64,317
Right of use asset	130,915	129,092
Deferred tax assets	4,263	5,256
Other assets	2,177	3,449
<b>Total Assets</b>	<b>\$ 322,296</b>	<b>\$ 316,672</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 21,922	\$ 23,345
Income tax payable	84	1,135
Current portion of lease liability	28,686	27,265
Other accrued liabilities	31,335	27,000
<b>Total Current Liabilities</b>	<b>82,027</b>	<b>78,745</b>
Long-term debt	-	-
Long-term lease liability, net	112,828	112,697
Other long-term liabilities	4,649	5,543
<b>Total Liabilities</b>	<b>199,504</b>	<b>196,985</b>
<b>Stockholders' Equity:</b>		
Common stock, par value \$0.0001; authorized: 100,000,000 shares; issued and outstanding: 44,652,655 and 44,510,779 shares, respectively	4	4
Preferred stock, par value \$0.0001; authorized: 10,000,000 shares; issued and outstanding: 0 shares	-	-
Additional paid-in capital	129,070	128,861
Accumulated deficit	(6,201)	(9,109)
Accumulated other comprehensive loss	(81)	(69)
<b>Total Stockholders' Equity</b>	<b>122,792</b>	<b>119,687</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 322,296</b>	<b>\$ 316,672</b>

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales	\$ 91,384	\$ 98,557	\$ 183,112	\$ 200,576
Cost of sales	31,053	35,255	62,462	71,736
Gross profit	60,331	63,302	120,650	128,840
Selling, general and administrative expenses	58,480	55,568	116,516	116,981
Income from operations	1,851	7,734	4,134	11,859
Interest expense, net	(57)	(668)	(223)	(1,466)
Income before income taxes	1,794	7,066	3,911	10,393
Provision for income taxes	(575)	(1,987)	(1,003)	(2,802)
<b>Net income</b>	<b>\$ 1,219</b>	<b>\$ 5,079</b>	<b>\$ 2,908</b>	<b>\$ 7,591</b>
Income per common share:				
Basic	\$ 0.03	\$ 0.12	\$ 0.07	\$ 0.18
Diluted	\$ 0.03	\$ 0.12	\$ 0.07	\$ 0.17
Weighted average shares outstanding:				
Basic	43,688,605	43,363,374	43,629,675	43,300,962
Diluted	43,759,597	43,508,221	43,711,030	43,465,235

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 1,219	\$ 5,079	\$ 2,908	\$ 7,591
Currency translation adjustment	(3)	(36)	(12)	(31)
Other comprehensive loss	(3)	(36)	(12)	(31)
<b>Comprehensive income</b>	<b>\$ 1,216</b>	<b>\$ 5,043</b>	<b>\$ 2,896</b>	<b>\$ 7,560</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 March 31, 2023</b>	44,608,983	\$ 4	\$ 127,975	\$ (16,668)	\$ (47)	\$ 111,264
Issuance of restricted shares	115,752	-	-	-	-	-
Cancellation of restricted shares	(153,752)	-	-	-	-	-
Stock based compensation	-	-	301	-	-	301
Tax withholdings related to net share settlements of stock based compensation awards	(3,928)	-	(19)	-	-	(19)
Foreign currency translation adjustments	-	-	-	-	(36)	(36)
Net income	-	-	-	5,079	-	5,079
<b>Balance at June 30, 2023</b>	44,567,055	\$ 4	\$ 128,257	\$ (11,589)	\$ (83)	\$ 116,589
<b>Balance at March 31, 2024</b>	44,593,602	\$ 4	\$ 128,798	\$ (7,420)	\$ (78)	\$ 121,304
Issuance of restricted shares	127,673	-	-	-	-	-
Cancellation of restricted shares	(67,408)	-	-	-	-	-
Stock based compensation	-	-	280	-	-	280
Tax withholdings related to net share settlements of stock based compensation awards	(1,212)	-	(8)	-	-	(8)
Foreign currency translation adjustments	-	-	-	-	(3)	(3)
Net income	-	-	-	1,219	-	1,219
<b>Balance at June 30, 2024</b>	44,652,655	\$ 4	\$ 129,070	\$ (6,201)	\$ (81)	\$ 122,792

See accompanying Notes to Consolidated Financial Statements.

**Title 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, 2022</b>	44,377,445	\$ 4	\$ 127,997	\$ (19,180)	\$ (52)	\$ 108,769
Issuance of restricted shares	611,154	-	-	-	-	-
Cancellation of restricted shares	(329,536)	-	-	-	-	-
Stock based compensation	-	-	706	-	-	706
Tax withholdings related to net share settlements of stock based compensation awards	(92,008)	-	(446)	-	-	(446)
Foreign currency translation adjustments	-	-	-	-	(31)	(31)
Net income	-	-	-	7,591	-	7,591
<b>Balance at June 30, 2023</b>	44,567,055	\$ 4	\$ 128,257	\$ (11,589)	\$ (83)	\$ 116,589
<b>Balance at December 31, 2023</b>	44,510,779	\$ 4	\$ 128,861	\$ (9,109)	\$ (69)	\$ 119,687
Issuance of restricted shares	486,891	-	-	-	-	-
Cancellation of restricted shares	(275,689)	-	-	-	-	-
Stock based compensation	-	-	672	-	-	672
Tax withholdings related to net share settlements of stock based compensation awards	(69,326)	-	(463)	-	-	(463)
Foreign currency translation adjustments	-	-	-	-	(12)	(12)
Net income	-	-	-	2,908	-	2,908
<b>Balance at June 30, 2024</b>	44,652,655	\$ 4	\$ 129,070	\$ (6,201)	\$ (81)	\$ 122,792

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2024	2023
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 2,908	\$ 7,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,344	11,332
Amortization of debt issuance costs	36	129
Loss on disposals of property, plant and equipment	32	7
Impairment charges	949	618
Non-cash lease expense	13,404	13,016
Stock based compensation	672	706
Deferred income taxes	993	2,006
Changes in operating assets and liabilities:		
Receivables, net	(772)	(460)
Inventories	7,608	14,090
Other current assets, net	1,984	1,142
Accounts payable	(1,119)	984
Income tax receivable / payable	(2,336)	3,066
Accrued expenses and other liabilities	(10,251)	(12,789)
<b>Net cash provided by operating activities</b>	<b>23,452</b>	<b>41,438</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(6,257)	(8,076)
<b>Net cash used in investing activities</b>	<b>(6,257)</b>	<b>(8,076)</b>
<b>Cash Flows From Financing Activities</b>		
Payments of long-term debt	(10,000)	(40,400)
Advances on line of credit	10,000	15,000
Employee taxes paid for shares withheld	(463)	(446)
<b>Net cash used in financing activities</b>	<b>(463)</b>	<b>(25,846)</b>
Effect of exchange rate changes on cash	(11)	(28)
Net change in cash, cash equivalents and restricted cash	16,721	7,488
Cash, cash equivalents and restricted cash beginning of period	8,620	7,759
<b>Cash, cash equivalents and restricted cash end of period</b>	<b>\$ 25,341</b>	<b>\$ 15,247</b>
Cash and cash equivalents	\$ 25,341	\$ 14,592
Restricted cash	-	655
<b>Cash, cash equivalents and restricted cash end of period</b>	<b>\$ 25,341</b>	<b>\$ 15,247</b>
<b>Supplemental disclosure of cash flow information</b>		
Purchases of property, plant and equipment included in accounts payable and accrued expenses	\$ 126	\$ 655
Cash paid for interest	167	1,578
Cash paid (received) for income taxes, net	2,346	(2,271)

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 natural stone, man-made and luxury vinyl tiles, setting and maintenance materials, and related accessories in the United States. The Company manufactures its own setting and maintenance materials, such as thinset, grout, and sealers. The Company’s primary market is retail sales to consumers, contractors, designers and home builders. As of June 30, 2024, the Company had 142 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, New Jersey, Oklahoma, Virginia and Wisconsin. The Company also has a sourcing office located in China.

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 six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024.

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, 2023. 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 29, 2024.

*SEC Developments Relating to Climate Change Disclosures*

On March 6, 2024, the SEC adopted final rules under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, to require public companies (including the Company) to provide detailed climate-related information in their registration statements and periodic reports. Among other things, the final rules require public companies to disclose information about (i) climate-related risks that have had, or are reasonably likely to have, a material impact on the company’s business strategy, results of operations, or financial condition; (ii) the actual and potential material impacts of such risks on the company’s strategy, business model, and outlook; (iii) a company’s activities, if any, to mitigate or adapt to material climate-related risks; (iv) the role of the board of directors in overseeing climate-related risks and management’s role in assessing and managing the company’s material climate-related risks; (v) processes the company uses for identifying, assessing, and managing material climate-related risks; (vi) the company’s Scope 1 Greenhouse Gas (“GHG”) emissions (direct GHG emissions) and Scope 2 GHG emissions (indirect GHG emissions resulting from purchased energy) when such emissions are material and an attestation report covering such disclosures; and (vii) expenditures, costs, and losses incurred as a result of severe weather events and other natural conditions (subject to disclosure thresholds) to be disclosed in notes to the financial statements. Based on the rule as adopted, compliance with these requirements will be phased in over a period of years, with disclosure by large accelerated filers starting in 2026 with respect to information for the 2025 fiscal year and disclosure by smaller reporting companies (such as the Company at this time) starting in 2028 with respect to information for the 2027 fiscal year, if not delayed by the SEC. Certain requirements such as GHG emissions do not apply to smaller reporting companies (such as the Company at this time).

Various organizations have filed lawsuits seeking to invalidate the SEC’s final rules that mandate climate-related disclosures. These lawsuits, which challenge the authority of the SEC to adopt these rules, have been consolidated in the United States Court of Appeals for the Eighth Circuit. On April 4, 2024, the SEC issued an order staying its final climate disclosure rules pending the completion of judicial review of these lawsuits. The Company is currently evaluating the impact of the rules on its disclosures and will monitor the litigation progress for possible impacts on the disclosure requirements under the rules.

**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.

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

The following table presents revenues disaggregated by product category:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Man-made tiles <sup>(1)</sup>	54 %	54 %	54 %	52 %
Natural stone tiles	21	22	21	23
Setting and maintenance materials	15	14	15	15
Accessories	7	8	8	8
Delivery service	3	2	2	2
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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

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 \$12.9 million and \$10.7 million as of June 30, 2024 and December 31, 2023, respectively. Revenues recognized during the six months ended June 30, 2024 that were included in the customer deposit balance as of the beginning of the period were \$10.0 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 \$3.7 million and \$2.9 million at June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023 were as follows:

	(in thousands)	
	June 30, 2024	December 31, 2023
Other current accrued liabilities	\$ 3,327	\$ 3,640
Other current assets	1,072	1,220
Sales returns reserve, net	<u>\$ 2,255</u>	<u>\$ 2,420</u>

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

**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 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 June 30, 2024 and December 31, 2023:

	(in thousands)	
	June 30, 2024	December 31, 2023
Finished goods	\$ 84,275	\$ 92,205
Raw materials	1,796	1,474
Total	\$ 86,071	\$ 93,679

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 \$1.0 million and \$1.3 million as of June 30, 2024 and December 31, 2023, respectively.

**Note 4: Income Taxes**

Effective tax rates for the six months ended June 30, 2024 and 2023 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 32.1% and 28.1% for the three months ended June 30, 2024 and 2023, respectively. The Company's effective tax rate for the six months ended June 30, 2024 and 2023 was 25.6% and 27.0%, respectively. The effective income tax rate was higher than the statutory federal income tax rate of 21.0%, primarily due to state income taxes that were partially offset by discrete items, including the impact of employee award vesting.

The Company records interest and penalties relating to uncertain tax positions in income tax expense. As of both June 30, 2024 and 2023, the Company had not recognized any liabilities for uncertain tax positions, nor had interest and penalties related to uncertain tax positions been accrued.

**Note 5: Earnings Per Share**

Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net 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 earnings per share were calculated as follows:

	(dollars in thousands, except per share data)			
	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Net income	\$ 1,219	\$ 5,079	\$ 2,908	\$ 7,591
Weighted average shares outstanding - basic	43,688,605	43,363,374	43,629,675	43,300,962
Effect of dilutive securities attributable to stock based awards	70,992	144,847	81,355	164,273
Weighted average shares outstanding - diluted	43,759,597	43,508,221	43,711,030	43,465,235
Income per common share:				
Basic	\$ 0.03	\$ 0.12	\$ 0.07	\$ 0.18
Diluted	\$ 0.03	\$ 0.12	\$ 0.07	\$ 0.17
Anti-dilutive securities excluded from earnings per share calculation	128,774	593,178	128,650	582,426

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

**Note 6: Other Accrued Liabilities**

Other accrued liabilities consisted of the following:

	(in thousands)	
	June 30, 2024	December 31, 2023
Customer deposits	\$ 12,937	\$ 10,719
Sales returns reserve	3,327	3,640
Accrued wages and salaries	5,105	5,523
Payroll and sales taxes	2,171	2,129
Other current liabilities	7,795	4,989
Total other accrued liabilities	\$ 31,335	\$ 27,000

**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 June 30, 2024.

The Company had no borrowings outstanding on its line of credit as of June 30, 2024. The Company has standby letters of credit outstanding related to its workers' compensation and medical insurance policies. As of June 30, 2024, standby letters of credit totaled \$1.2 million. As of June 30, 2024, 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	June 30, 2024	December 31, 2023
<b>Assets</b>			
Operating lease assets	Right of use asset	\$ 130,915	\$ 129,092
<b>Total leased assets</b>		<b>\$ 130,915</b>	<b>\$ 129,092</b>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current portion of lease liability	\$ 28,686	\$ 27,265
<b>Noncurrent</b>			
Operating	Long-term lease liability, net	112,828	112,697
<b>Total lease liabilities</b>		<b>\$ 141,514</b>	<b>\$ 139,962</b>

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

Lease cost (in thousands)	Classification	Three Months Ended	
		June 30, 2024	June 30, 2023
Operating lease cost	SG&A expenses	\$ 9,378	\$ 8,946
Variable lease cost <sup>(1)</sup>	SG&A expenses	3,791	3,822
Short term lease cost	SG&A expenses	21	102
Net lease cost		\$ 13,190	\$ 12,870

Lease cost (in thousands)	Classification	Six Months Ended	
		June 30, 2024	June 30, 2023
Operating lease cost	SG&A expenses	\$ 18,915	\$ 17,838
Variable lease cost <sup>(1)</sup>	SG&A expenses	7,549	7,379
Short term lease cost	SG&A expenses	98	180
Net lease cost		\$ 26,562	\$ 25,397

<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)	Six Months Ended	
	June 30, 2024	June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 19,363	\$ 18,994
Lease right-of-use assets obtained or modified in exchange for lease obligations	\$ 15,199	\$ 10,041

**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.

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 June 30, 2024 and December 31, 2023 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	
		June 30, 2024	December 31, 2023
Cash and cash equivalents	Level 1	\$ 25,341	\$ 8,620

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

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 six months ended June 30, 2024, the Company recorded \$0.9 million of impairment charges in selling, general and administrative expenses to write-down property, plant and equipment and right of use assets to their estimated fair values. During the three and six months ended June 30, 2023, the Company recorded \$0.5 million and \$0.6 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.

**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 six months ended June 30, 2024 and 2023 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 stock based compensation expense related to stock options during the three and six months ended June 30, 2024 or during the three months ended June 30, 2023. Total stock based compensation expense related to stock options was less than \$0.1 million for the six months ended June 30, 2023. Stock based compensation expense pertaining to stock options is included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

As of June 30, 2024, 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.

**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 for both the three months ended June 30, 2024 and 2023. Total stock based compensation expense related to restricted stock was \$0.7 million for both the six months ended June 30, 2024 and 2023. Stock based compensation expense pertaining to restricted stock awards is included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

As of June 30, 2024, the Company had 861,580 unvested outstanding restricted common shares.

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

## 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, 2023 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, our anticipated new store openings, remodeling plans, and growth opportunities; 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 rising inflation or interest rates, instability in the global banking system, geopolitical instability or the possibility of an economic downturn or recession or other macroeconomic factors; the impact of ongoing supply chain disruptions 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 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; our expectations with respect to ongoing compliance with the terms of the Credit Agreement (as defined below), including increasing 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 or climate change-related requirements; the impact of corporate citizenship and environmental, social and governance matters; labor shortages and our expectations regarding the effects of employee recruiting, training, mentoring, and retention on our ability to recruit and retain employees; tax-related risks; the potential impact of cybersecurity breaches or disruptions to our management information systems; widespread outages, interruptions or other failures of operational, communication, and 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, which may worsen or increase due to the effects of climate change, and other catastrophic events; risks inherent in operating as a holding company; fluctuations in material and energy costs, including ongoing volatility of oil and gas prices; our ability to remediate the material weakness in our 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, 2023 and in this 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](http://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.*

## Overview and Recent Trends

We are a specialty retailer of natural stone, man-made and luxury vinyl tiles, setting and maintenance materials, and related accessories in the United States. We offer a wide selection of products, attractive prices, and exceptional customer service in an extensive showroom setting. As of June 30, 2024, we operated 142 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 natural stone, man-made and luxury vinyl tiles, setting and maintenance materials, and related accessories in the United States.

Our business continues to be impacted by a number of macroeconomic factors, including rising interest rates, and slowing existing home turnover. We believe this is contributing to a slowdown in demand for home improvement products. Our comparable store sales decreased by 6.9% and 8.6% during the three and six months ended June 30, 2024, respectively, due to lower levels of traffic in our stores.

While our net sales declined in the second quarter of 2024 as compared to the second quarter of 2023, our gross margin rate improved by 180 basis points from the second quarter of 2023 to 66.0% for the three months ended June 30, 2024. The improvement in gross margin rate was primarily due to decreases in product costs.

Selling, general and administrative expenses increased \$2.9 million, or 5.2%, from \$55.6 million in the second quarter of 2023 to \$58.5 million in the second quarter of 2024. The increase was partially due to a \$1.3 million increase in bonus expense which is primarily attributable to a onetime benefit recorded during the second quarter of 2023 to reduce certain bonus and long-term incentive accruals that was not repeated in 2024. Additionally, occupancy costs increased by \$0.7 million due to an increase in rent expense associated with leases that were extended over the last year, information technology expenses increased by \$0.7 million due to an increase in software licensing costs, and marketing expenditures increased by \$0.4 million due to an increase in digital advertising expenditures, during the second quarter of 2024 when compared to the same period in 2023. These factors were partially offset by a \$0.9 million decrease in depreciation expense and a \$0.6 million decrease in variable compensation costs. During the second quarter of 2024, the Company recorded \$0.9 million of asset impairment charges in connection with the write-down of certain store assets.

During the six months ended June 30, 2024, we generated \$23.5 million of operating cash flow, which was used to fund \$6.3 million of capital expenditures. Cash and cash equivalents increased by \$16.7 million from \$8.6 million on December 31, 2023 to \$25.3 million on June 30, 2024. As of June 30, 2024, we had no borrowings outstanding on our line of credit.

## Key Components of our Consolidated Statements of Income

**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 June 30, 2024 to the three months ended June 30, 2023

	(\$ in thousands)			
	2024	% of sales <sup>(1)</sup>	2023	% of sales <sup>(1)</sup>
Net sales	\$ 91,384	100.0 %	\$ 98,557	100.0 %
Cost of sales	31,053	34.0 %	35,255	35.8 %
Gross profit	60,331	66.0 %	63,302	64.2 %
Selling, general and administrative expenses	58,480	64.0 %	55,568	56.4 %
Income from operations	1,851	2.0 %	7,734	7.8 %
Interest expense	(57)	(0.1)%	(668)	(0.7)%
Income before income taxes	1,794	2.0 %	7,066	7.2 %
Provision for income taxes	(575)	(0.6)%	(1,987)	(2.0)%
Net income	\$ 1,219	1.3 %	\$ 5,079	5.2 %

(1) Amounts do not foot due to rounding.

**Net Sales** Net sales for the second quarter of 2024 decreased \$7.2 million, or 7.3%, compared with the second quarter of 2023. Sales decreased at comparable stores by 6.9% during the second quarter of 2024 compared to the second quarter of 2023, due to a decrease in traffic.

**Gross Profit** Gross profit decreased \$3.0 million, or 4.7%, in the second quarter of 2024 compared to the second quarter of 2023. The gross margin rate was 66.0% and 64.2% during the second quarter of 2024 and 2023, respectively. The improvement in gross margin rate was primarily due to decreases in product costs.

**Selling, General, and Administrative Expenses** Selling, general, and administrative expenses increased \$2.9 million, or 5.2%, from \$55.6 million in the second quarter of 2023 to \$58.5 million in the second quarter of 2024. The increase was partially due to a \$1.3 million increase in bonus expense which is primarily attributable to a onetime benefit recorded during the second quarter of 2023 to reduce certain bonus and long-term incentive accruals that was not repeated in 2024. Additionally, occupancy costs increased by \$0.7 million due to an increase in rent expense associated with leases that were extended over the last year, information technology expenses increased by \$0.7 million due to an increase in software licensing costs, and marketing expenditures increased by \$0.4 million due to an increase in digital advertising expenditures, during the second quarter of 2024 when compared to the same period in 2023. These factors were partially offset by a \$0.9 million decrease in depreciation expense and a \$0.6 million decrease in variable compensation costs. During the second quarter of 2024, the Company recorded \$0.9 million of asset impairment charges in connection with the write-down of certain store assets.

**Provision for Income Taxes** The provision for income taxes for the second quarter of 2024 and 2023 was \$0.6 million and \$2.0 million, respectively. The decrease in the provision for income tax was due to a decrease in pretax income. Our effective tax rate was 32.1% and 28.1% in the second quarter of 2024 and 2023, respectively. The increase in the effective tax rate was largely due to a decrease in pre-tax income and the disproportionate impact of certain permanent items.

**Comparison of the six months ended June 30, 2024 to the six months ended June 30, 2023**

	(in thousands)			
	2024	% of sales <sup>(1)</sup>	2023	% of sales
Net sales	\$ 183,112	100.0 %	\$ 200,576	100.0 %
Cost of sales	62,462	34.1 %	71,736	35.8 %
Gross profit	120,650	65.9 %	128,840	64.2 %
Selling, general and administrative expenses	116,516	63.6 %	116,981	58.3 %
Income from operations	4,134	2.3 %	11,859	5.9 %
Interest expense	(223)	(0.1)%	(1,466)	(0.7)%
Income before income taxes	3,911	2.1 %	10,393	5.2 %
Provision for income taxes	(1,003)	(0.5)%	(2,802)	(1.4)%
Net income	\$ 2,908	1.6 %	\$ 7,591	3.8 %

(1) Amounts do not foot due to rounding.

**Net Sales** Net sales for the six months ended June 30, 2024 decreased \$17.5 million, or 8.7%, compared with the six months ended June 30, 2023. Sales decreased at comparable stores by 8.6% during the six months ended June 30, 2024 when compared to the six months ended June 30, 2023, primarily due to a decrease in store traffic.

**Gross Profit** Gross profit for the six months ended June 30, 2024 decreased \$8.2 million, or 6.4%, compared with the six months ended June 30, 2023. The gross margin rate was 65.9% and 64.2% for the six months ended June 30, 2024 and 2023, respectively. The increase in the gross margin rate was primarily due to decreases in product costs.

**Selling, General, and Administrative Expenses** Selling, general, and administrative expenses for the six months ended June 30, 2024, decreased \$0.5 million, or 0.4%, compared with the six months ended June 30, 2023. The decrease was primarily due to reductions of depreciation expense of \$2.0 million and variable compensation costs totaling \$1.8 million, partially offset by an increase in occupancy expenses totaling \$2.1 million due to an increase in rent expense associated with leases that were extended over the last year and a \$0.7 million increase in information technology expenses due to an increase in software licensing costs. During the six months ended June 30, 2024, the Company recorded \$0.9 million of asset impairment charges in connection with the write-down of certain store assets.

**Provision for Income Taxes** The provision for income taxes decreased \$1.8 million for the six months ended June 30, 2024 compared with the six months ended June 30, 2023 due to a decrease in taxable income. Our effective tax rate for the six months ended June 30, 2024 and 2023 was 25.6% and 27.0%, respectively. The decrease in the effective tax rate during the six months ended June 30, 2024 when compared to the six months ended June 30, 2023 was largely due to a decrease in pre-tax income and the impact of the tax benefit associated with employee equity award vesting.

#### Non-GAAP Measures

We calculate Adjusted EBITDA by taking net 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 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

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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 income for the three and six months ended June 30, 2024 and 2023 is as follows:

	(\$ in thousands)			
	Three Months Ended June 30,		June 30,	
	2024	% of sales <sup>(1)</sup>	2023	% of sales
Net income	\$ 1,219	1.3 %	\$ 5,079	5.2 %
Interest expense	57	0.1 %	668	0.7 %
Provision for income taxes	575	0.6 %	1,987	2.0 %
Depreciation and amortization	4,602	5.0 %	5,549	5.6 %
Stock based compensation	280	0.3 %	301	0.3 %
Adjusted EBITDA	\$ 6,733	7.4 %	\$ 13,584	13.8 %

(1) Amounts do not foot due to rounding.

	(\$ in thousands)			
	Six Months Ended June 30,		June 30,	
	2024	% of sales	2023	% of sales
Net income	\$ 2,908	1.6 %	\$ 7,591	3.8 %
Interest expense	223	0.1 %	1,466	0.7 %
Provision for income taxes	1,003	0.5 %	2,802	1.4 %
Depreciation and amortization	9,344	5.1 %	11,332	5.6 %
Stock based compensation	672	0.4 %	706	0.4 %
Adjusted EBITDA	\$ 14,150	7.7 %	\$ 23,897	11.9 %

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

	(\$ in thousands)	
	June 30,	
	2024 <sup>(1)</sup>	2023 <sup>(1)</sup>
Income from Operations (trailing twelve months)	\$ 8,433	\$ 19,954
Total Assets	321,899	341,737
Less: Accounts payable	(23,944)	(26,566)
Less: Income tax payable	(652)	(801)
Less: Other accrued liabilities	(31,288)	(35,798)
Less: Lease liability	(138,118)	(129,254)
Less: Other long-term liabilities	(4,763)	(4,530)
Capital Employed	\$ 123,134	\$ 144,788
Pretax Return on Capital Employed	6.8 %	13.8%

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

## Liquidity and Capital Resources

Our principal liquidity requirements have been for working capital and capital expenditures. Our principal sources of liquidity are \$25.3 million of cash and cash equivalents at June 30, 2024, 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

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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 June 30, 2024.

We had no borrowings outstanding on our line of credit as of June 30, 2024. We have standby letters of credit outstanding related to our workers' compensation and medical insurance policies. As of June 30, 2024, standby letters of credit totaled \$1.2 million. As of June 30, 2024, 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 \$6.3 million and \$8.1 million for the six months ended June 30, 2024 and 2023, respectively. Capital expenditures in 2024 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 six months ended June 30, 2024 and 2023.

	(in thousands)	
	Six Months Ended	
	June 30,	
	2024	2023
Net cash provided by operating activities	\$ 23,452	\$ 41,438
Net cash used in investing activities	(6,257)	(8,076)
Net cash used in financing activities	(463)	(25,846)

#### ***Operating activities***

Net cash provided by operating activities during the six months ended June 30, 2024 was \$23.5 million compared with \$41.4 million during the six months ended June 30, 2023. The decrease was primarily attributable to a decrease in net income, an income tax refund received in the six months ended June 30, 2023, that did not recur in 2024, and other working capital changes.

#### ***Investing activities***

Net cash used in investing activities totaled \$6.3 million for the six months ended June 30, 2024 compared with \$8.1 million for the six months ended June 30, 2023. Cash used in investing activities during the six months ended June 30, 2024 was primarily due to investments in store remodels, merchandising, distribution and information technology assets.

#### ***Financing activities***

Net cash used in financing activities was \$0.5 million for the six months ended June 30, 2024 compared with \$25.8 million for the six months ended June 30, 2023. Cash outflows for financing activities during the six months ended June 30, 2023 were primarily related to payments made against our line of credit. We were able to fully repay our line of credit in 2023. Accordingly, cash outflows to repay balances due on our line of credit decreased between the six months ended June 30, 2023 and June 30, 2024, respectively.

Cash and cash equivalents totaled \$25.3 million at June 30, 2024 compared with \$8.6 million at December 31, 2023. Working capital was \$43.0 million at June 30, 2024 compared with \$35.8 million at December 31, 2023.

### 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, 2023.

### 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 have evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024 and have concluded that our disclosure controls and procedures were not effective as of June 30, 2024 due to the material weakness in our internal control over financial reporting as described below.

#### *Material Weakness in Internal Control over Financial Reporting*

A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, the application of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that compliance with the policies or procedures may deteriorate.

As previously disclosed, during the year ended December 31, 2023, we identified the following two material weaknesses in our internal control over financial reporting:

The ineffective design of the Company’s information technology general controls (“ITGCs”), which stemmed from deficiencies in user access controls, which did not adequately restrict access to the Company’s financial reporting system, did not ensure appropriate segregation of duties, and did not prevent unauthorized individuals from having the ability to create, post and modify journal entries. The material weakness also resulted in the ineffectiveness of automated and manual business process controls throughout the Company’s financial reporting and business transaction cycles that are dependent upon the affected ITGCs.

The breakdown in the operating effectiveness of the Company’s controls designed to identify and ensure timely recognition of new and modified leases, as well as additional deficiencies in the design and operating effectiveness of the Company’s controls to review key inputs underlying certain lease accounting calculations.

Since identifying the weakness associated with our lease controls, we have evaluated, designed and implemented controls and procedures to address such weakness. These measures included (1) executing controls designed to ensure all new leases and lease modifications are identified in a timely manner and (2) performing control procedures designed to ensure all new and modified leases are accounted for appropriately. Management has completed design and implementation and operating effectiveness testing of these lease controls during the six months ended June 30, 2023, and such controls were concluded to be effective. Accordingly, management has concluded that the previously identified material weakness associated with our lease controls was remediated as of June 30, 2024.

While we are working to implement controls and procedures to remediate the ITGC deficiencies, such deficiencies continue to result in an elevated risk that a material misstatement of our annual or interim financial statements would not be prevented or detected by other compensating controls. Notwithstanding the ITGC-related material weakness, we believe the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial condition, results of operations, and cash flows for the periods presented in conformity with GAAP.

#### *Planned Remediation of Material Weakness*

Management has actively engaged in implementing remediation plans to address the material weaknesses outlined above. In addition to the steps taken to remediate the material weakness related to the Company’s lease controls described above, the steps taken to remediate the ITGC material weakness during the six months ended June 30, 2024 included:

Restricting access in our enterprise resource planning (“ERP”) system to process transactions that could trigger a manual journal entry initiated outside of the park and post process for users who are responsible for reviewing account reconciliations.  
Implementing a new monitoring control to identify the population of transactions processed in our ERP system that generate accounting entries that do not go through the park and post process and assessing the compensating controls designed to reduce the risk of misstatement arising from these transactions to an appropriate level.  
Adjusting access profiles in the Company’s ERP system to eliminate the ability for a user to modify and subsequently approve a manual journal entry.  
Reviewing activity occurring during the quarter to identify and assess the appropriateness of any manual journal entries that had been modified and approved by the same user.  
Refining the ruleset applied to identify segregation of duty and sensitive access risks.  
Mapping identified segregation of duty and sensitive access risks to compensating controls that exist within the control environment.

We continue to implement the remediation steps with respect to the ITGC-related material weakness outlined above. The identified material weakness in internal control over financial reporting will not be considered remediated until the applicable controls have been in operation for a sufficient period of time for our management to conclude that such material weakness has been remediated. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluations of internal control over financial reporting. No assurance can be made that our remediation efforts will be completed in a timely manner or that the updated controls and procedures associated with such efforts will be deemed adequate after being subjected to testing.

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

Other than the changes discussed above, 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 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Inherent Limitations on Effectiveness of Controls***

Our management, including our Chief Executive Officer and Chief Financial Officer, intends that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## **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**

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

**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
April 1, 2024 - April 30, 2024	67,408 <sup>(1)</sup>	\$ 0.00	-	\$ -
May 1, 2024 - May 31, 2024	-	-	-	-
June 1, 2024 - June 30, 2024	1,212 <sup>(2)</sup>	6.67	-	-
	<u>68,620</u>	<u>\$ 0.12</u>	<u>-</u>	<u>\$ -</u>

(1) We cancelled 67,408 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 withheld a total of 1,212 shares to satisfy tax withholding obligations due upon the vesting of restricted stock grants as allowed by the 2021 Omnibus Equity Compensation Plan.

**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 June 30, 2024, 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="#">10.1+*</a>	<a href="#">Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, dated July 22, 2024, by and between Cabell Lolmaugh and Tile Shop Holdings, Inc.</a>
<a href="#">10.2+*</a>	<a href="#">Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, dated July 22, 2024, by and between Mark Davis and Tile Shop Holdings, Inc.</a>
<a href="#">10.3+*</a>	<a href="#">Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, dated July 22, 2024, by and between Joseph Kinder and Tile Shop Holdings, Inc.</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>
<a href="#">101*</a>	The following financial statements from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
<a href="#">104*</a>	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: August 8, 2024

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

Dated: August 8, 2024

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

**TILE SHOP HOLDINGS, INC.**  
**NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION**  
**AGREEMENT**

THIS NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT (this “Agreement”) is made this 22nd day of July 2024, by and between Tile Shop Holdings, Inc., a Delaware corporation and its subsidiaries (collectively with any predecessors, successors, and assignees, the “Company”), and Cabell Lolmaugh (“I” or “me”), to be effective on July 22, 2024. This Agreement replaces and supersedes in its entirety that certain Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement between me and the Company that was previously entered into effective as of February 19, 2018. This Agreement hereby is incorporated into the employment agreement between me and the Company as Exhibit A thereto, replacing and superseding in its entirety any such prior Exhibit A.

In consideration of my engagement or continued engagement as an officer, employee, director, advisor, partner, independent contractor or consultant of the Company (an “Associate”), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby agree as follows:

1. DEFINITIONS.

1.1. “Affiliate” means any direct or indirect subsidiary of the Company.

1.2. “Confidential Information” means any and all confidential and/or proprietary knowledge, data or information concerning the business, business relationships and financial affairs of the Company or its Affiliates whether or not in writing and whether or not labeled or identified as confidential or proprietary. By way of illustration, but not limitation, Confidential Information includes: (a) Inventions and (b) research and development activities of the Company or its Affiliates, services and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information and information disclosed to the Company or its Affiliates or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and/or source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, laboratory notebooks, supplier and customer lists, internal financial data and other documents and records of the Company or its Affiliates.

1.3. “Inventions” means all ideas, concepts, discoveries, inventions, developments, improvements, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, or licenses to use (whether or not patentable or registrable under copyright or similar statutes), that are or were made, conceived, devised, invented, developed or reduced to practice or tangible medium by me, either alone or jointly with others (a) during any period that I am an Associate of the Company, whether or not during normal working hours or on the premises of the Company, which relate, directly or indirectly, to the business of the Company or its Affiliates, (b) at the request of or for the benefit of the Company during any period prior to my engagement as an Associate of the Company which

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relate, directly or indirectly, to the business of the Company or its Affiliates, or (c) which arise out of, or are incidental to, my engagement as an Associate of the Company.

1.4. "Prior Inventions" means any inventions made, conceived, devised, invented, developed or first reduced to practice by me, under my direction or jointly with others prior to the date of this Agreement and which do not constitute Inventions within the meaning of Section 1.3 above.

1.5. "Third Party Information" means any confidential or proprietary information received by the Company or its Affiliates from third parties.

## 2. CONFIDENTIALITY.

2.1. Recognition of the Company's Rights. I understand that the Company continually obtains and develops valuable Confidential Information which may or has become known to me in connection with my engagement as an Associate of the Company. I acknowledge that all Confidential Information is and shall remain the exclusive property of the Company or the third party providing such Confidential Information to myself, the Company, or the Company's Affiliates.

2.2. Nondisclosure of Confidential Information. I agree that during the term of my engagement as an Associate of the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon, publish or otherwise make available to any third party (other than personnel of the Company or its Affiliates who need to know such information in connection with their work for the Company), any Confidential Information of the Company, except as such disclosure, use or publication may be required in connection with my work for the Company, or as expressly authorized in writing by an executive officer of the Company. I agree that I shall use such Confidential Information only in the performance of my duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. I agree not to use such Confidential Information for my own benefit or for the benefit of any other person or business entity.

2.3. Third Party Information. In addition, I understand that the Company has received and in the future will receive Third Party Information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my engagement as an Associate of the Company and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Affiliates who need to know such information in connection with the performance of their duties for the Company) or use any Third Party Information, except as such disclosure or use may be required in connection with the performance of my duties for the Company, or as expressly authorized in writing by an executive officer of the Company.

2.4. Exceptions. My obligations under Sections 2.2 and 2.3 hereof shall not apply to the extent that certain Confidential Information: (a) is or becomes generally known within the Company's industry through no fault of mine; (b) was known to me at the time it was disclosed as evidenced by my written records at the time of disclosure; (c) is lawfully and in good faith made available to me by a third party who did not derive it from the Company or the Company's

Affiliates and who imposes no obligation of confidence to me, the Company, or the Company's Affiliates; or (d) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

2.5. Protection and Return of Confidential Information. I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the premises of the Company, except to the extent necessary in the performance of my duties for the Company or unless expressly authorized in writing by an executive officer of the Company. Upon the termination of my engagement as an Associate of the Company, or at any time upon the Company's request, I shall return immediately to the Company any and all notes, memoranda, specifications, devices, formulas and documents, together with copies thereof, and any other material containing or disclosing any Confidential Information of the Company or Third Party Information then in my possession or under my control.

2.6 Protected Activity. Nothing contained in this Agreement, or any other agreement, policy, practice, procedure, directive or instruction maintained by the Company shall prohibit me from reporting possible violations of federal, state or local laws or regulations to any federal, state or local governmental agency or from making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations. I do not need prior authorization of any kind to make any such reports or disclosures to any governmental agency and I am not required to notify the Company that I have made such reports or disclosures. Nothing in this Agreement limits any right I may have to receive a whistleblower award or bounty for information provided to any governmental agency.

### 3. ASSIGNMENT OF INVENTIONS.

3.1. Ownership of Inventions. I acknowledge that all Inventions already existing at the date of this Agreement or which arise after the date of this Agreement, belong to and are the absolute property of the Company and will not be used by me for any purpose other than carrying out my duties as an Associate of the Company.

3.2. Assignment of Inventions; Enforcement of Rights. Subject to Section 3.6, I hereby assign and agree to assign in the future to the Company all of my right, title and interest to any and all Inventions and any and all related patent rights, copyrights and applications and registrations therefore. I also agree to assign all my right, title and interest in and to any particular Inventions to a third party as directed by the Company. During and after my engagement as an Associate of the Company, I shall cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions and I shall execute all documents which the Company shall reasonably request in order to perfect the Company's rights in the Inventions. I hereby appoint the Company my attorney to execute and deliver any such documents on my behalf in the event I should fail or refuse to do so within a reasonable period following the Company's request. I understand that, to the extent this Agreement shall be construed in accordance with the laws of any country or state which limits the assignability to the Company of certain inventions, this

Agreement shall be interpreted not to apply to any such invention which a court rules or the Company agrees is subject to such limitation.

3.3. Works for Hire. I acknowledge that all original works of authorship made by me (solely or jointly with others) within the scope of my engagement as an Associate of the Company or any prior engagement by the Company, which are protectable by copyright are intended to be “works made for hire”, as that term is defined in Section 101 of the United States Copyright Act of 1976 (the “Act”), and shall be the property of the Company and the Company shall be the sole author within the meaning of the Act. If the copyright to any such copyrightable work shall not be the property of the Company by operation of law, I will, without further consideration, assign to the Company all of my right, title and interest in such copyrightable work and will cooperate with the Company and its designees, at the Company’s expense, to secure, maintain and defend for the Company’s benefit copyrights and any extensions and renewals thereof on any and all such work. I hereby waive all claims to moral rights in any Inventions.

3.4. Records. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions made by me during the period of my engagement as an Associate of the Company or any prior engagement by the Company, which records shall be available to and remain the sole property of the Company at all times.

3.5. Obligation to Keep Company Informed. During the period of my engagement as an Associate of the Company, and for six (6) months after termination of my engagement as an Associate of the Company, I agree to promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of my engagement as an Associate of the Company.

3.6. Prior Inventions. I further represent that the attached Schedule A contains a complete list of all Prior Inventions. Such Prior Inventions are considered to be my property or the property of third parties and are not assigned to the Company hereunder. If there is no such Schedule A attached hereto, I represent that there are no such Prior Inventions. If I am claiming any Prior Inventions on Schedule A, I agree that, if in the course of my engagement as an Associate of the Company or any prior engagement by the Company, I incorporate any Prior Invention into a Company product, process or machine, the Company shall automatically be granted and shall have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, world-wide license (with rights to sublicense) to make, have made, modify, use and sell such Prior Invention as part of, or in connection with, such product, process or machine. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

#### 4. OTHER AGREEMENTS.

4.1. No Conflicting Obligations. I hereby represent to the Company that, except as identified on Schedule B, I am not bound by any agreement or any other previous or existing business relationship which conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement

with the Company) during my engagement as an Associate of the Company. I agree I will not enter into, any agreement either written or oral that conflicts with this Agreement.

4.2. No Improper Use of Information of Prior Employers or Others. I understand that the Company does not desire to acquire from me any trade secrets, know-how or confidential business information I may have acquired from others. Therefore, I agree during my engagement as an Associate of the Company, I will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom I have an agreement or to whom I owe a duty to keep such information in confidence. Those persons or entities with whom I have such agreements or to whom I owe such a duty are identified on Schedule B.

5. **NON-COMPETITION.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Company or its Affiliates, (b) conduct a business of the type or character engaged in by the Company or its Affiliates at the time of termination or cessation of my engagement as an Associate of the Company, or (c) develop products or services competitive with those of the Company or its Affiliates.

6. **GENERAL NON-SOLICITATION.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company or its Affiliates which were contacted, solicited or served by me while I was engaged as an Associate of the Company or any Affiliate.

7. **NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not directly or indirectly hire, recruit, or solicit any employee, independent contractor or consultant of the Company or its Affiliates, or induce or attempt to induce any employee independent contractor or consultant of the Company or its Affiliates to discontinue his or her relationship with the Company or its Affiliates.

8. **NOTICE OF SUBSEQUENT EMPLOYMENT OR ENGAGEMENT.** I shall, for a period of one (1) year after the termination or cessation of my engagement as an Associate of the Company, notify the Company of any change of address, and of any subsequent employment or engagement (stating the name and address of the employer and the nature of the position) or any other business activity.

9. **GENERAL.**

9.1. Assignment; Successors and Assigns. This Agreement may not be assigned by either party except that the Company may assign this Agreement to any Affiliate or in connection

with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

9.2. Entire Agreement. The obligations pursuant to Sections 2 and 3 of this Agreement shall apply to any time during which I was previously engaged as an Associate of the Company, or am in the future engaged as an Associate of the Company or any Affiliate if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

9.3. Severability. In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation without violation of such obligation.

9.4. Amendments and Waivers. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion if effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

9.5. Employment. I understand that this Agreement does not constitute a contract of employment or create an obligation on the part of the Company to continue my employment (if any) with the Company. I understand that my employment (if any) is “at will” and that my obligations under this Agreement shall not be affected by any change in my position, title or function with, or compensation, by the Company. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

9.6. Legal and Equitable Remedies. I acknowledge that (a) the business of the Company and its Affiliates is global in scope and its services may be marketed and sold throughout the world; (b) the Company and its Affiliates compete with other businesses that are or could be located in any part of the world; (c) the Company has required that I make the covenants contained in this Agreement as a condition to my engagement as an Associate of the Company; and (d) the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its Affiliates and are reasonable for such purpose. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and its Affiliates and that in the event of such breach, the Company shall be entitled, in addition to monetary damages and to any other remedies available to the Company under this Agreement and at law, to equitable relief, including injunctive relief, and to payment by myself of all costs incurred by the Company in enforcing of the provisions of this Agreement, including reasonable attorneys’ fees. I

agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

9.7. Governing Law. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Delaware without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which I may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within the State of Delaware), and I hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Company.

[Next Page is Signature Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written as an instrument under seal.

ASSOCIATE

/s/ Cabell Lolmaugh  
Cabell Lolmaugh

TILE SHOP HOLDINGS, INC.

By: /s/ Mark Davis  
Name: Mark Davis  
Title: Senior Vice President, Chief Financial Officer & Secretary

## TILE SHOP HOLDINGS, INC.

**NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND  
NONCOMPETITION AGREEMENT**

THIS NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT (this "Agreement") is made this 22nd day of July, 2024, by and between Tile Shop Holdings, Inc., a Delaware corporation (collectively with any predecessors, successors, and assignees, the "Company"), and Mark Davis ("I" or "me"), to be effective on July 22, 2024. This Agreement replaces and supersedes in its entirety that certain Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement between me and the Company that was previously entered into effective as of September 6, 2019. This Agreement hereby is incorporated into the employment agreement between me and the Company as Exhibit A thereto, replacing and superseding in its entirety any such prior Exhibit A.

In consideration of my engagement or continued engagement as an officer, employee, director, advisor, partner, independent contractor or consultant of the Company (an "Associate"), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby agree as follows:

1. DEFINITIONS.

1.1. "Affiliate" means any direct or indirect subsidiary of the Company.

1.2. "Confidential Information" means any and all confidential and/or proprietary knowledge, data or information concerning the business, business relationships and financial affairs of the Company or its Affiliates whether or not in writing and whether or not labeled or identified as confidential or proprietary. By way of illustration, but not limitation, Confidential Information includes (a) Inventions and (b) research and development activities of the Company or its Affiliates, services and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information and information disclosed to the Company or its Affiliates or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and/or source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, laboratory notebooks, supplier and customer lists, internal financial data and other documents and records of the Company or its Affiliates. Notwithstanding the foregoing, nothing in this Agreement is intended to or will be used in any way to prevent disclosure of Confidential Information in accordance with the immunity provisions set forth in the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1833(b)), meaning the disclosure is (1) in confidence to a government official or attorney solely for the purpose of reporting or investigating a suspected legal violation; or (2) under seal in connection with a lawsuit or other proceeding (including an anti-retaliation lawsuit).

1.3. "Inventions" means all ideas, concepts, discoveries, inventions, developments, improvements, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, original works of authorship, software

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programs, software and systems documentation, trade secrets, technical data, or licenses to use (whether or not patentable or registrable under copyright or similar statutes), that are or were made, conceived, devised, invented, developed or reduced to practice or tangible medium by me, either alone or jointly with others (a) during any period that I am an Associate of the Company, whether or not during normal working hours or on the premises of the Company, that relate, directly or indirectly, to the business of the Company or its Affiliates, (b) at the request of or for the benefit of the Company during any period prior to my engagement as an Associate of the Company that relate, directly or indirectly, to the business of the Company or its Affiliates, or (c) that arise out of, or are incidental to, my engagement as an Associate of the Company.

1.4. "Prior Inventions" means any inventions made, conceived, devised, invented, developed or first reduced to practice by me, under my direction or jointly with others prior to the date of this Agreement and that do not constitute Inventions within the meaning of Section 1.3 above. Prior Inventions also means an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (1) which does not relate (a) directly to the business of the Company or (b) to the Company's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the me for the Company.

1.5. "Third Party Information" means any confidential or proprietary information received by the Company or its Affiliates from third parties.

## 2. CONFIDENTIALITY.

2.1 Recognition of the Company's Rights. I understand that the Company continually obtains and develops valuable Confidential Information that may or has become known to me in connection with my engagement as an Associate of the Company. I acknowledge that all Confidential Information is and will remain the exclusive property of the Company or the third party providing such Confidential Information to myself, the Company, or the Company's Affiliates.

2.2 Nondisclosure of Confidential Information. I agree that during the term of my engagement as an Associate of the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon, publish or otherwise make available to any third party (other than personnel of the Company or its Affiliates who need to know such information in connection with their work for the Company), any Confidential Information of the Company, except as such disclosure, use or publication may be required in connection with my work for the Company, or as expressly authorized in writing by an executive officer of the Company. I agree that I will use such Confidential Information only in the performance of my duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. I agree not to use such Confidential Information for my own benefit or for the benefit of any other person or business entity.

2.3 Third Party Information. In addition, I understand that the Company has received and in the future will receive Third Party Information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes.

During the term of my engagement as an Associate of the Company and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Affiliates who need to know such information in connection with the performance of their duties for the Company) or use any Third Party Information, except as such disclosure or use may be required in connection with the performance of my duties for the Company, or as expressly authorized in writing by an executive officer of the Company.

2.4 Exceptions. My obligations under Sections 2.2 and 2.3 hereof will not apply to the extent that certain Confidential Information (a) is or becomes generally known within the Company's industry through no fault of mine; (b) was known to me at the time it was disclosed as evidenced by my written records at the time of disclosure; (c) is lawfully and in good faith made available to me by a third party who did not derive it from the Company or the Company's Affiliates and who imposes no obligation of confidence to me, the Company, or the Company's Affiliates; or (d) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

2.5 Protection and Return of Confidential Information. I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the premises of the Company, except to the extent necessary in the performance of my duties for the Company or unless expressly authorized in writing by an executive officer of the Company. Upon the termination of my engagement as an Associate of the Company, or at any time upon the Company's request, I will return immediately to the Company any and all notes, memoranda, specifications, devices, formulas and documents, together with copies thereof, and any other material containing or disclosing any Confidential Information of the Company or Third Party Information then in my possession or under my control.

2.6 Protected Activity. Nothing contained in this Agreement, or any other agreement, policy, practice, procedure, directive or instruction maintained by the Company shall prohibit me from reporting possible violations of federal, state or local laws or regulations to any federal, state or local governmental agency or from making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations. I do not need prior authorization of any kind to make any such reports or disclosures to any governmental agency and I am not required to notify the Company that I have made such reports or disclosures. Nothing in this Agreement limits any right I may have to receive a whistleblower award or bounty for information provided to any governmental agency.

### 3. ASSIGNMENT OF INVENTIONS.

3.1. Ownership of Inventions. I acknowledge that all Inventions already existing at the date of this Agreement or that arise after the date of this Agreement, belong to and are the absolute property of the Company and will not be used by me for any purpose other than carrying out my duties as an Associate of the Company.

3.2. Assignment of Inventions; Enforcement of Rights. Subject to Section 3.6, I hereby assign and agree to assign in the future to the Company all of my right, title and interest to any and all Inventions and any and all related patent rights, copyrights and applications and registrations therefore. I also agree to assign all my right, title and interest in and to any particular Inventions to a third party as directed by the Company. During and after my engagement as an Associate of the Company, I will cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions and I will execute all documents that the Company reasonably requests in order to perfect the Company's rights in the Inventions. I hereby appoint the Company my attorney to execute and deliver any such documents on my behalf in the event I should fail or refuse to do so within a reasonable period following the Company's request. I understand that, to the extent this Agreement is construed in accordance with the laws of any country or state that limits the assignability to the Company of certain inventions, this Agreement will be interpreted not to apply to any such invention that a court rules or the Company agrees is subject to such limitation.

3.3. Works for Hire. I acknowledge that all original works of authorship made by me (solely or jointly with others) within the scope of my engagement as an Associate of the Company or any prior engagement by the Company, that are protectable by copyright are intended to be "works made for hire", as that term is defined in Section 101 of the United States Copyright Act of 1976 (the "Act"), and will be the property of the Company and the Company will be the sole author within the meaning of the Act. If the copyright to any such copyrightable work is not the property of the Company by operation of law, I will, without further consideration, assign to the Company all of my right, title and interest in such copyrightable work and will cooperate with the Company and its designees, at the Company's expense, to secure, maintain and defend for the Company's benefit copyrights and any extensions and renewals thereof on any and all such work. I hereby waive all claims to moral rights in any Inventions.

3.4. Records. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions made by me during the period of my engagement as an Associate of the Company or any prior engagement by the Company, which records will be available to and remain the sole property of the Company at all times.

3.5. Obligation to Keep Company Informed. During the period of my engagement as an Associate of the Company, and for six months after termination of my engagement as an Associate of the Company, I agree to promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within one year after termination of my engagement as an Associate of the Company.

3.6. Prior Inventions. I further represent that the attached Schedule A contains a complete list of all Prior Inventions. I agree to update and/or amend Schedule A during my employment as may be necessary and to promptly notify the Company of the same. Such Prior Inventions are considered to be my property or the property of third parties and are not assigned to the Company hereunder. If there is no such Schedule A attached hereto, I represent that there are no such Prior Inventions. If I am claiming any Prior Inventions on Schedule A, I agree that, if

in the course of my engagement as an Associate of the Company or any prior engagement by the Company, I incorporate any Prior Invention into a Company product, process or machine, the Company will automatically be granted and will have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, world-wide license (with rights to sublicense) to make, have made, modify, use and sell such Prior Invention as part of, or in connection with, such product, process or machine. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

#### 4. OTHER AGREEMENTS.

4.1. No Conflicting Obligations. I hereby represent to the Company that, except as identified on Schedule B, I am not bound by any agreement or any other previous or existing business relationship that conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my engagement as an Associate of the Company. I agree I will not enter into any agreement, either written or oral, that conflicts with this Agreement.

4.2. No Improper Use of Information of Prior Employers or Others. I understand that the Company does not desire to acquire from me any trade secrets, know-how or confidential business information I may have acquired from others. Therefore, I agree during my engagement as an Associate of the Company, I will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom I have an agreement or to whom I owe a duty to keep such information in confidence. Those persons or entities with whom I have such agreements or to whom I owe such a duty are identified on Schedule B.

5. NON-COMPETITION. I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Company or its Affiliates, (b) conduct a business of the type or character engaged in by the Company or its Affiliates at the time of termination or cessation of my engagement as an Associate of the Company, or (c) develop products or services competitive with those of the Company or its Affiliates.

6. GENERAL NON-SOLICITATION. I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company or its Affiliates that were contacted, solicited or served by me while I was engaged as an Associate of the Company or any Affiliate.

7. **NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS.** I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not directly or indirectly hire, recruit, or solicit any employee, independent contractor or consultant of the Company or its Affiliates, or induce or attempt to induce any employee independent contractor or consultant of the Company or its Affiliates to discontinue his or her relationship with the Company or its Affiliates.

8. **NOTICE OF SUBSEQUENT EMPLOYMENT OR ENGAGEMENT.** I will, for a period of one year after the termination or cessation of my engagement as an Associate of the Company, notify the Company of any change of address, and of any subsequent employment or engagement (stating the name and address of the employer and the nature of the position) or any other business activity.

9. **GENERAL.**

9.1. **Assignment; Successors and Assigns.** This Agreement may not be assigned by either party except that the Company may assign this Agreement to any Affiliate or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

9.2. **Entire Agreement.** The obligations pursuant to Sections 2 and 3 of this Agreement will apply to any time during which I was previously engaged as an Associate of the Company, or am in the future engaged as an Associate of the Company or any Affiliate if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

9.3. **Severability.** In the event that any one or more of the provisions contained herein is, for any reason, held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions of this Agreement, and all other provisions will remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it will be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

9.4. **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

9.5. **Employment.** I understand that this Agreement does not constitute a contract of employment or create an obligation on the part of the Company to continue my employment (if any) with the Company. I understand that my employment (if any) is "at will" and that my

obligations under this Agreement will not be affected by any change in my position, title or function with, or compensation, by the Company. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

9.6. Legal and Equitable Remedies. I acknowledge that (a) the business of the Company and its Affiliates is global in scope and its services may be marketed and sold throughout the world; (b) the Company and its Affiliates compete with other businesses that are or could be located in any part of the world; (c) the Company has required that I make the covenants contained in this Agreement as a condition to my engagement as an Associate of the Company; and (d) the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its Affiliates and are reasonable for such purpose. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and its Affiliates and that in the event of such breach, the Company will be entitled, in addition to monetary damages and to any other remedies available to the Company under this Agreement and at law, to equitable relief, including injunctive relief, and to payment by myself of all costs incurred by the Company in enforcing of the provisions of this Agreement, including reasonable attorneys' fees. I agree that should I violate any obligation imposed on me in this Agreement, I will continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

9.7. Governing Law. This Agreement will be construed as a sealed instrument and will in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Delaware without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding that I may commence to resolve any matter arising under or relating to any provision of this Agreement will be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within the State of Delaware), and I hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Company.

[Next Page is Signature Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ASSOCIATE

/s/ Mark Davis  
Mark Davis

TILE SHOP HOLDINGS, INC.

By: /s/ Cabell Lolmaugh  
Name: Cabell Lolmaugh  
Title: Chief Executive Officer

## TILE SHOP HOLDINGS, INC.

NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND  
NONCOMPETITION AGREEMENT

THIS NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT (this “Agreement”) is made this 22nd day of July, 2024, by and between Tile Shop Holdings, Inc., a Delaware corporation (collectively with any predecessors, successors, and assignees, the “Company”), and Joe Kinder (“I” or “me”), to be effective on July 22, 2024. This Agreement replaces and supersedes in its entirety that certain Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement between me and the Company that was previously entered into effective as of July 31, 2020. This Agreement hereby is incorporated into the employment agreement between me and the Company as Exhibit A thereto, replacing and superseding in its entirety any such prior Exhibit A.

In consideration of my engagement or continued engagement as an officer, employee, director, advisor, partner, independent contractor or consultant of the Company (an “Associate”), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby agree as follows:

## 1. DEFINITIONS.

1.1. “Affiliate” means any direct or indirect subsidiary of the Company.

1.2. “Confidential Information” means any and all confidential and/or proprietary knowledge, data or information concerning the business, business relationships and financial affairs of the Company or its Affiliates whether or not in writing and whether or not labeled or identified as confidential or proprietary. By way of illustration, but not limitation, Confidential Information includes (a) Inventions and (b) research and development activities of the Company or its Affiliates, services and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information and information disclosed to the Company or its Affiliates or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and/or source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, laboratory notebooks, supplier and customer lists, internal financial data and other documents and records of the Company or its Affiliates. Notwithstanding the foregoing, nothing in this Agreement is intended to or will be used in any way to prevent disclosure of Confidential Information in accordance with the immunity provisions set forth in the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1833(b)), meaning the disclosure is (1) in confidence to a government official or attorney solely for the purpose of reporting or investigating a suspected legal violation; or (2) under seal in connection with a lawsuit or other proceeding (including an anti-retaliation lawsuit) .

1.3. “Inventions” means all ideas, concepts, discoveries, inventions, developments, improvements, formulations, products, processes, know-how, designs, formulas, methods,

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developmental or experimental work, clinical data, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, or licenses to use (whether or not patentable or registrable under copyright or similar statutes), that are or were made, conceived, devised, invented, developed or reduced to practice or tangible medium by me, either alone or jointly with others (a) during any period that I am an Associate of the Company, whether or not during normal working hours or on the premises of the Company, that relate, directly or indirectly, to the business of the Company or its Affiliates, (b) at the request of or for the benefit of the Company during any period prior to my engagement as an Associate of the Company that relate, directly or indirectly, to the business of the Company or its Affiliates, or (c) that arise out of, or are incidental to, my engagement as an Associate of the Company.

1.4. “Prior Inventions” means any inventions made, conceived, devised, invented, developed or first reduced to practice by me, under my direction or jointly with others prior to the date of this Agreement and that do not constitute Inventions within the meaning of Section 1.3 above. Prior Inventions also means an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (1) which does not relate (a) directly to the business of the Company or (b) to the Company's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the me for the Company.

1.5. “Third Party Information” means any confidential or proprietary information received by the Company or its Affiliates from third parties.

## 2. CONFIDENTIALITY.

2.1. Recognition of the Company's Rights. I understand that the Company continually obtains and develops valuable Confidential Information that may or has become known to me in connection with my engagement as an Associate of the Company. I acknowledge that all Confidential Information is and will remain the exclusive property of the Company or the third party providing such Confidential Information to myself, the Company, or the Company's Affiliates.

2.2. Nondisclosure of Confidential Information. I agree that during the term of my engagement as an Associate of the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon, publish or otherwise make available to any third party (other than personnel of the Company or its Affiliates who need to know such information in connection with their work for the Company), any Confidential Information of the Company, except as such disclosure, use or publication may be required in connection with my work for the Company, or as expressly authorized in writing by an executive officer of the Company. I agree that I will use such Confidential Information only in the performance of my duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. I agree not to use such Confidential Information for my own benefit or for the benefit of any other person or business entity.

2.3. Third Party Information. In addition, I understand that the Company has received and in the future will receive Third Party Information subject to a duty on the Company's part to

maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my engagement as an Associate of the Company and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Affiliates who need to know such information in connection with the performance of their duties for the Company) or use any Third Party Information, except as such disclosure or use may be required in connection with the performance of my duties for the Company, or as expressly authorized in writing by an executive officer of the Company.

2.4. Exceptions. My obligations under Sections 2.2 and 2.3 hereof will not apply to the extent that certain Confidential Information (a) is or becomes generally known within the Company's industry through no fault of mine; (b) was known to me at the time it was disclosed as evidenced by my written records at the time of disclosure; (c) is lawfully and in good faith made available to me by a third party who did not derive it from the Company or the Company's Affiliates and who imposes no obligation of confidence to me, the Company, or the Company's Affiliates; or (d) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

2.5. Protection and Return of Confidential Information. I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the premises of the Company, except to the extent necessary in the performance of my duties for the Company or unless expressly authorized in writing by an executive officer of the Company. Upon the termination of my engagement as an Associate of the Company, or at any time upon the Company's request, I will return immediately to the Company any and all notes, memoranda, specifications, devices, formulas and documents, together with copies thereof, and any other material containing or disclosing any Confidential Information of the Company or Third Party Information then in my possession or under my control.

2.6 Protected Activity. Nothing contained in this Agreement, or any other agreement, policy, practice, procedure, directive or instruction maintained by the Company shall prohibit me from reporting possible violations of federal, state or local laws or regulations to any federal, state or local governmental agency or from making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations. I do not need prior authorization of any kind to make any such reports or disclosures to any governmental agency and I am not required to notify the Company that I have made such reports or disclosures. Nothing in this Agreement limits any right I may have to receive a whistleblower award or bounty for information provided to any governmental agency.

### 3. ASSIGNMENT OF INVENTIONS.

3.1. Ownership of Inventions. I acknowledge that all Inventions already existing at the date of this Agreement or that arise after the date of this Agreement, belong to and are the absolute

property of the Company and will not be used by me for any purpose other than carrying out my duties as an Associate of the Company.

3.2. Assignment of Inventions; Enforcement of Rights. Subject to Section 3.6, I hereby assign and agree to assign in the future to the Company all of my right, title and interest to any and all Inventions and any and all related patent rights, copyrights and applications and registrations therefore. I also agree to assign all my right, title and interest in and to any particular Inventions to a third party as directed by the Company. During and after my engagement as an Associate of the Company, I will cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions and I will execute all documents that the Company reasonably requests in order to perfect the Company's rights in the Inventions. I hereby appoint the Company my attorney to execute and deliver any such documents on my behalf in the event I should fail or refuse to do so within a reasonable period following the Company's request. I understand that, to the extent this Agreement is construed in accordance with the laws of any country or state that limits the assignability to the Company of certain inventions, this Agreement will be interpreted not to apply to any such invention that a court rules or the Company agrees is subject to such limitation.

3.3. Works for Hire. I acknowledge that all original works of authorship made by me (solely or jointly with others) within the scope of my engagement as an Associate of the Company or any prior engagement by the Company, that are protectable by copyright are intended to be "works made for hire", as that term is defined in Section 101 of the United States Copyright Act of 1976 (the "Act"), and will be the property of the Company and the Company will be the sole author within the meaning of the Act. If the copyright to any such copyrightable work is not the property of the Company by operation of law, I will, without further consideration, assign to the Company all of my right, title and interest in such copyrightable work and will cooperate with the Company and its designees, at the Company's expense, to secure, maintain and defend for the Company's benefit copyrights and any extensions and renewals thereof on any and all such work. I hereby waive all claims to moral rights in any Inventions.

3.4. Records. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions made by me during the period of my engagement as an Associate of the Company or any prior engagement by the Company, which records will be available to and remain the sole property of the Company at all times.

3.5. Obligation to Keep Company Informed. During the period of my engagement as an Associate of the Company, and for six months after termination of my engagement as an Associate of the Company, I agree to promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within one year after termination of my engagement as an Associate of the Company.

3.6. Prior Inventions. I further represent that the attached Schedule A contains a complete list of all Prior Inventions. I agree to update and/or amend Schedule A during my

employment as may be necessary and to promptly notify the Company of the same. Such Prior Inventions are considered to be my property or the property of third parties and are not assigned to the Company hereunder. If there is no such Schedule A attached hereto, I represent that there are no such Prior Inventions. If I am claiming any Prior Inventions on Schedule A, I agree that, if in the course of my engagement as an Associate of the Company or any prior engagement by the Company, I incorporate any Prior Invention into a Company product, process or machine, the Company will automatically be granted and will have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, world-wide license (with rights to sublicense) to make, have made, modify, use and sell such Prior Invention as part of, or in connection with, such product, process or machine. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company' s prior written consent.

#### 4. OTHER AGREEMENTS.

4.1. No Conflicting Obligations. I hereby represent to the Company that, except as identified on Schedule B, I am not bound by any agreement or any other previous or existing business relationship that conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my engagement as an Associate of the Company. I agree I will not enter into any agreement, either written or oral, that conflicts with this Agreement.

4.2. No Improper Use of Information of Prior Employers or Others. I understand that the Company does not desire to acquire from me any trade secrets, know-how or confidential business information I may have acquired from others. Therefore, I agree during my engagement as an Associate of the Company, I will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom I have an agreement or to whom I owe a duty to keep such information in confidence. Those persons or entities with whom I have such agreements or to whom I owe such a duty are identified on Schedule B.

5. NON-COMPETITION. I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Company or its Affiliates, (b) conduct a business of the type or character engaged in by the Company or its Affiliates at the time of termination or cessation of my engagement as an Associate of the Company, or (c) develop products or services competitive with those of the Company or its Affiliates.

6. GENERAL NON-SOLICITATION. I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not solicit, divert or take away, or attempt to divert or take away, the business or

patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company or its Affiliates that were contacted, solicited or served by me while I was engaged as an Associate of the Company or any Affiliate.

7. **NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS.** I agree that while I am engaged as an Associate of the Company and for a period of one year after termination or cessation of such engagement for any reason, I will not directly or indirectly hire, recruit, or solicit any employee, independent contractor or consultant of the Company or its Affiliates, or induce or attempt to induce any employee independent contractor or consultant of the Company or its Affiliates to discontinue his or her relationship with the Company or its Affiliates.

8. **NOTICE OF SUBSEQUENT EMPLOYMENT OR ENGAGEMENT.** I will, for a period of one year after the termination or cessation of my engagement as an Associate of the Company, notify the Company of any change of address, and of any subsequent employment or engagement (stating the name and address of the employer and the nature of the position) or any other business activity.

9. **GENERAL.**

9.1. **Assignment; Successors and Assigns.** This Agreement may not be assigned by either party except that the Company may assign this Agreement to any Affiliate or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

9.2. **Entire Agreement.** The obligations pursuant to Sections 2 and 3 of this Agreement will apply to any time during which I was previously engaged as an Associate of the Company, or am in the future engaged as an Associate of the Company or any Affiliate if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

9.3. **Severability.** In the event that any one or more of the provisions contained herein is, for any reason, held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions of this Agreement, and all other provisions will remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it will be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

9.4. **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

9.5. Employment. I understand that this Agreement does not constitute a contract of employment or create an obligation on the part of the Company to continue my employment (if any) with the Company. I understand that my employment (if any) is “at will” and that my obligations under this Agreement will not be affected by any change in my position, title or function with, or compensation, by the Company. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

9.6. Legal and Equitable Remedies. I acknowledge that (a) the business of the Company and its Affiliates is global in scope and its services may be marketed and sold throughout the world; (b) the Company and its Affiliates compete with other businesses that are or could be located in any part of the world; (c) the Company has required that I make the covenants contained in this Agreement as a condition to my engagement as an Associate of the Company; and (d) the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its Affiliates and are reasonable for such purpose. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and its Affiliates and that in the event of such breach, the Company will be entitled, in addition to monetary damages and to any other remedies available to the Company under this Agreement and at law, to equitable relief, including injunctive relief, and to payment by myself of all costs incurred by the Company in enforcing of the provisions of this Agreement, including reasonable attorneys' fees. I agree that should I violate any obligation imposed on me in this Agreement, I will continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

9.7. Governing Law. This Agreement will be construed as a sealed instrument and will in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Delaware without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding that I may commence to resolve any matter arising under or relating to any provision of this Agreement will be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within the State of Delaware), and I hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Company.

[Next Page is Signature Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

/s/ Joe Kinder  
Joe Kinder

TILE SHOP HOLDINGS, INC.

By: /s/ Cabell Lolmaugh  
Name: Cabell Lolmaugh  
Title: Chief Executive 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: August 8, 2024

/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: August 8, 2024

/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 June 30, 2024 ("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: August 8, 2024

/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 June 30, 2024 ("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: August 8, 2024

/s/ MARK B. DAVIS

Mark B. Davis,  
*Chief Financial Officer*

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