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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the "safe harbor" of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical or current fact included in this Quarterly Report on Form 10-Q are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely" and other words and terms of similar meaning (including their negative counterparts or other various or comparable terminology). For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside our control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements, including:

- changes in consumer spending and general economic conditions;
- the negative impact on interest expense as a result of rising interest rates;
- inflationary pressures with respect to labor and raw materials and global supply chain constraints that could increase our expenses;
- our ability to identify and respond to new and changing product trends, customer preferences and other related factors;
- our dependence on a strong brand image;
- increased competition from other brands and retailers;
- our reliance on third parties to drive traffic to our website;
- the success of the shopping centers in which our stores are located;
- our ability to adapt to consumer shopping preferences and develop and maintain a relevant and reliable omni-channel experience for our customers;
- our dependence upon independent third parties for the manufacture of all of our merchandise;
- availability constraints and price volatility in the raw materials used to manufacture our products;
- interruptions of the flow of our merchandise from international manufacturers causing disruptions in our supply chain;
- our sourcing a significant amount of our products from China;
- shortages of inventory, delayed shipments to our e-Commerce customers and harm to our reputation due to difficulties or shut-down of our distribution facility (including as a result of COVID-19);
- our reliance upon independent third-party transportation providers for substantially all of our product shipments;
- our growth strategy;
- our failure to attract and retain employees that reflect our brand image, embody our culture and possess the appropriate skill set;
- damage to our reputation arising from our use of social media, email and text messages;
- our reliance on third-parties for the provision of certain services, including real estate management;
- our dependence upon key members of our executive management team;
- our reliance on information systems;
- system security risk issues that could disrupt our internal operations or information technology services;
- unauthorized disclosure of sensitive or confidential information, whether through a breach of our computer system or otherwise;
- our failure to comply with federal and state laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection;

- payment-related risks that could increase our operating costs or subject us to potential liability;
- claims made against us resulting in litigation;
- changes in laws and regulations applicable to our business;
- regulatory actions or recalls arising from issues with product safety;
- our inability to protect our trademarks or other intellectual property rights;
- our substantial indebtedness and lease obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- changes in tax laws or regulations or in our operations that may impact our effective tax rate;
- the possibility that we may recognize impairments of long-lived assets;
- our failure to maintain adequate internal control over financial reporting; and
- the threat of war, terrorism or other catastrophes that could negatively impact our business.

The outcome of the events described in any of our forward-looking statements are also subject to risks, uncertainties and other factors described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 28, 2023 and in our other filings with the SEC and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not include all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the outcomes or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise except to the extent required by law. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Investors and others should note that we may announce material information to our investors using our investor relations website (<https://investors.torrid.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our business and other issues. It is possible that the information that we post on social media could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

Part I - Financial Information

Item 1. Financial Statements (Unaudited)

TORRID HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except share and per share data)

	October 28, 2023	January 28, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,596	\$ 13,569
Restricted cash	366	366
Inventory	171,034	180,055
Prepaid expenses and other current assets	24,628	20,050
Prepaid income taxes	4,645	2,081
Total current assets	216,269	216,121
Property and equipment, net	100,746	113,613
Operating lease right-of-use assets	165,789	177,179
Deposits and other noncurrent assets	14,950	8,650
Deferred tax assets	3,301	3,301
Intangible asset	8,400	8,400
Total assets	\$ 509,455	\$ 527,264
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 79,031	\$ 76,207
Accrued and other current liabilities	102,411	108,847
Operating lease liabilities	42,954	45,008
Borrowings under credit facility	5,100	8,380
Current portion of term loan	16,144	16,144
Due to related parties	6,766	12,741
Total current liabilities	252,406	267,327
Noncurrent operating lease liabilities	160,580	172,103
Term loan	292,589	304,697
Deferred compensation	4,753	4,246
Other noncurrent liabilities	8,363	9,115
Total liabilities	718,691	757,488
Commitments and contingencies (Note 15)		
Stockholders' deficit		
Common shares: \$ 0.01 par value; 1,000,000,000 shares authorized; 104,102,356 shares issued and outstanding at October 28, 2023; 103,774,813 shares issued and outstanding at January 28, 2023	1,042	1,038
Additional paid-in capital	133,714	128,205
Accumulated deficit	(343,517)	(359,206)
Accumulated other comprehensive loss	(475)	(261)
Total stockholders' deficit	(209,236)	(230,224)
Total liabilities and stockholders' deficit	\$ 509,455	\$ 527,264

The accompanying notes are an integral part of these condensed consolidated financial statements.

TORRID HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Net sales	\$ 275,408	\$ 300,201	\$ 858,406	\$ 986,916
Cost of goods sold	183,906	198,263	553,585	623,556
Gross profit	91,502	101,938	304,821	363,360
Selling, general and administrative expenses	71,881	69,347	212,700	220,136
Marketing expenses	12,739	12,638	38,988	44,114
Income from operations	6,882	19,953	53,133	99,110
Interest expense	9,757	8,390	28,831	21,351
Interest income, net of other expense	267	147	238	223
(Loss) income before (benefit from) provision for income taxes	(3,142)	11,416	24,064	77,536
(Benefit from) provision for income taxes	(394)	4,139	8,375	23,483
Net (loss) income	<u><u>\$ (2,748)</u></u>	<u><u>\$ 7,277</u></u>	<u><u>\$ 15,689</u></u>	<u><u>\$ 54,053</u></u>
Net (loss) earnings per share:				
Basic	\$ (0.03)	\$ 0.07	\$ 0.15	\$ 0.52
Diluted	\$ (0.03)	\$ 0.07	\$ 0.15	\$ 0.52
Weighted average number of shares:				
Basic	104,081	103,623	103,937	104,560
Diluted	104,081	103,805	104,170	104,695
Comprehensive (loss) income:				
Net (loss) income	\$ (2,748)	\$ 7,277	\$ 15,689	\$ 54,053
Other comprehensive loss:				
Foreign currency translation adjustment	(271)	(465)	(214)	(480)
Total other comprehensive loss	(271)	(465)	(214)	(480)
Comprehensive (loss) income	<u><u>\$ (3,019)</u></u>	<u><u>\$ 6,812</u></u>	<u><u>\$ 15,475</u></u>	<u><u>\$ 53,573</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TORRID HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(UNAUDITED)
(In thousands)

	Nine Months Ended October 28, 2023					
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive (Loss) Income	Total Stockholders' Deficit
	Shares	Amount				
Balance at January 28, 2023	103,775	\$ 1,038	\$ 128,205	\$ (359,206)	\$ (261)	\$ (230,224)
Net income	—	—	—	11,808	—	11,808
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	53	1	(124)	—	—	(123)
Share-based compensation	—	—	2,377	0	—	2,377
Other comprehensive loss	—	—	—	—	(170)	(170)
Balance at April 29, 2023	103,828	1,039	130,458	(347,398)	(431)	(216,332)
Net income	—	—	—	6,629	—	6,629
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	121	1	(64)	—	—	(63)
Issuance of common shares related to employee stock purchase plan	95	1	219	—	—	220
Share-based compensation	—	—	1,662	—	—	1,662
Other comprehensive income	—	—	—	—	227	227
Balance at July 29, 2023	104,044	1,041	132,275	(340,769)	(204)	(207,657)
Net loss	—	—	—	(2,748)	—	(2,748)
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	58	1	(64)	—	—	(63)
Share-based compensation	—	—	1,503	—	—	1,503
Other comprehensive loss	—	—	—	—	(271)	(271)
Balance at October 28, 2023	<u>104,102</u>	<u>\$ 1,042</u>	<u>\$ 133,714</u>	<u>\$ (343,517)</u>	<u>\$ (475)</u>	<u>\$ (209,236)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TORRID HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(UNAUDITED)
(In thousands)

	Nine Months Ended October 29, 2022					
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Shares	Amount				
Balance at January 29, 2022	107,858	\$ 1,078	\$ 118,286	\$ (377,759)	\$ 76	\$ (258,319)
Net income	—	—	—	24,066	—	24,066
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	39	—	(178)	—	—	(178)
Share-based compensation	—	—	2,480	—	—	2,480
Repurchase and retirement of common stock	(2,919)	(29)	—	(22,836)	—	(22,865)
Other comprehensive loss	—	—	—	—	(40)	(40)
Balance at April 30, 2022	104,978	1,049	120,588	(376,529)	36	(254,856)
Net income	—	—	—	22,710	—	22,710
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	74	1	(227)	—	—	(226)
Issuance of common shares related to employee stock purchase plan	95	1	350	—	—	351
Share-based compensation	—	—	2,175	—	—	2,175
Repurchase and retirement of common stock	(1,546)	(15)	—	(8,820)	—	(8,835)
Other comprehensive income	—	—	—	—	25	25
Balance at July 30, 2022	103,601	1,036	122,886	(362,639)	61	(238,656)
Net income	—	—	—	7,277	—	7,277
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	40	—	(153)	—	—	(153)
Share-based compensation	—	—	2,913	—	—	2,913
Other comprehensive loss	—	—	—	—	(465)	(465)
Balance at October 29, 2022	<u>103,641</u>	<u>\$ 1,036</u>	<u>\$ 125,646</u>	<u>\$ (355,362)</u>	<u>\$ (404)</u>	<u>\$ (229,084)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TORRID HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended October 28, 2023	Nine Months Ended October 29, 2022
OPERATING ACTIVITIES		
Net income	\$ 15,689	\$ 54,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Write down of inventory	3,767	1,750
Operating right-of-use assets amortization	30,494	31,209
Depreciation and other amortization	28,242	28,120
Share-based compensation	5,981	7,568
Other	(1,351)	(603)
Changes in operating assets and liabilities:		
Inventory	4,969	(31,341)
Prepaid expenses and other current assets	(4,578)	(8,778)
Prepaid income taxes	(2,564)	5,192
Deposits and other noncurrent assets	(6,433)	(3,255)
Accounts payable	2,969	31,447
Accrued and other current liabilities	(5,954)	(35,824)
Operating lease liabilities	(31,565)	(31,230)
Other noncurrent liabilities	(468)	4,345
Deferred compensation	507	(2,701)
Due to related parties	(5,975)	864
Income taxes payable	—	3,093
Net cash provided by operating activities	<u>33,730</u>	<u>53,909</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(15,228)	(17,087)
Net cash used in investing activities	<u>(15,228)</u>	<u>(17,087)</u>
FINANCING ACTIVITIES		
Proceeds from revolving credit facility	455,110	632,125
Principal payments on revolving credit facility	(458,390)	(629,975)
Repurchase of common stock	—	(31,700)
Principal payments on term loan	(13,125)	(17,500)
Proceeds from issuances under share-based compensation plans	320	613
Withholding tax payments related to vesting of restricted stock units and awards	(249)	(558)
Net cash used in financing activities	<u>(16,334)</u>	<u>(46,995)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(141)	(237)
Increase (decrease) in cash, cash equivalents and restricted cash	2,027	(10,410)
Cash, cash equivalents and restricted cash at beginning of period	<u>13,935</u>	<u>29,287</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 15,962</u>	<u>\$ 18,877</u>
SUPPLEMENTAL INFORMATION		
Cash paid during the period for interest related to the revolving credit facility and term loan	\$ 24,852	\$ 14,158
Cash paid during the period for income taxes	\$ 10,976	\$ 15,219
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases included in accounts payable and accrued liabilities	\$ 3,360	\$ 3,355

The accompanying notes are an integral part of these condensed consolidated financial statements.

TORRID HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation and Description of the Business

Corporate Structure

Torrid Holdings Inc. is a Delaware corporation formed on October 29, 2019 and capitalized on February 20, 2020. Sycamore Partners Management, L.P. ("Sycamore") owns a majority of the voting power of Torrid Holdings Inc.'s outstanding common stock. Torrid Parent Inc. is a Delaware corporation formed on June 4, 2019 and is a wholly owned subsidiary of Torrid Holdings Inc. Torrid Intermediate LLC, formerly known as Torrid Inc., is a Delaware limited liability company formed on June 18, 2019 and a wholly owned subsidiary of Torrid Parent Inc. Torrid LLC is a wholly owned subsidiary of Torrid Intermediate LLC. Substantially all of Torrid Holdings Inc.'s financial position, operations and cash flows are generated through its wholly owned indirect subsidiary, Torrid LLC.

Throughout these financial statements, the terms "Torrid," "we," "us," "our," the "Company" and similar references refer to Torrid Holdings Inc. and its consolidated subsidiaries.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31 and each fiscal year is generally comprised of four 13-week quarters (although in years with 53 weeks, the fourth quarter is comprised of 14 weeks). Fiscal year 2023 is a 53-week year and fiscal year 2022 was a 52-week year. Fiscal years are identified according to the calendar year in which they begin. For example, references to "fiscal year 2023" or similar references refer to the fiscal year ending February 3, 2024. References to the third quarter of fiscal years 2023 and 2022 and to the three- and nine-month periods ended October 28, 2023 and October 29, 2022, respectively, refer to the 13- and 39-week periods then ended.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial information. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. Operating results for the three- and nine-month periods ended October 28, 2023 and October 29, 2022 are not necessarily indicative of the results that may be expected for any future interim periods, the fiscal year ending February 3, 2024, or for any future fiscal year.

The condensed consolidated balance sheet information at January 28, 2023 has been derived from the audited consolidated financial statements at that date, but does not include all of the disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements and related footnotes should be read in conjunction with our audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. The unaudited condensed consolidated financial statements include Torrid and those of our wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Description of Business

We are a direct-to-consumer brand of apparel, intimates and accessories in North America aimed at fashionable women who are curvy and wear sizes 10 to 30. We generate revenues primarily through our e-Commerce platform www.torrid.com and our stores in the United States of America, Puerto Rico and Canada.

Segment Reporting

We have determined that we have one reportable segment, which includes the operation of our e-Commerce platform and stores. The single segment was identified based on how the Chief Operating Decision Maker, who we have determined to be our Chief Executive Officer, manages and evaluates performance and allocates resources. Revenues and long-lived assets related to our operations in Canada and Puerto Rico during the three- and nine-month periods ended October 28, 2023 and October 29, 2022, and as of the end of the same periods, were not material, and therefore are not reported separately from domestic revenues and long-lived assets.

Store Pre-Opening Costs

Costs incurred in connection with the opening of new stores, store remodels or relocations are expensed as incurred in selling, general and administrative expenses in our condensed consolidated statements of operations and comprehensive (loss)income. We incurred \$ 0.5 million and \$ 1.1 million of pre-opening costs during the three- and nine-month periods ended October 28, 2023, respectively. We incurred \$ 0.2 million and \$ 0.7 million of pre-opening costs during the three- and nine-month periods ended October 29, 2022, respectively.

Change in Accounting Principle

In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of royalties, profit-sharing and marketing and promotional funds ("PLCC Funds") we receive pursuant to the Credit Card Agreement (as defined below). Historically, we recorded PLCC Funds as a reduction to selling, general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income. Under the new policy, we record PLCC Funds in net sales in the consolidated statements of operations and comprehensive (loss) income. This reclassification does not have any impact on income from operations, income before provision for income taxes, net income or earnings per share and there was no cumulative effect to stockholders' deficit or net assets. This reclassification has been retrospectively applied to all prior periods presented.

The recognition of PLCC Funds in net sales is preferable because it enhances the comparability of our financial statements with those of many of our industry peers and provides greater transparency into performance metrics relevant to our industry by showing the gross impact of the funds received as net sales instead of as a reduction to selling, general and administrative expenses.

The impact of this change in accounting principle is reflected in the tables below (in thousands):

Three Months Ended October 29, 2022			
	As Previously Reported	Change in Accounting Principle	As Adjusted
Net sales	\$ 290,034	\$ 10,167	\$ 300,201
Cost of goods sold	198,263	—	198,263
Gross profit	91,771	10,167	101,938
Selling, general and administrative expenses	59,180	10,167	69,347
Marketing expenses	12,638	—	12,638
Income from operations	\$ 19,953	\$ —	\$ 19,953

Nine Months Ended October 29, 2022			
	As Previously Reported	Change in Accounting Principle	As Adjusted
Net sales	\$ 959,319	\$ 27,597	\$ 986,916
Cost of goods sold	623,556	—	623,556
Gross profit	335,763	27,597	363,360
Selling, general and administrative expenses	192,539	27,597	220,136
Marketing expenses	44,114	—	44,114
Income from operations	\$ 99,110	\$ —	\$ 99,110

Note 2. Accounting Standards

Recently Adopted Accounting Standards during the Nine-Month Period Ended October 28, 2023

We did not adopt any new accounting standards during the nine-month period ended October 28, 2023 .

Accounting Pronouncements Not Yet Adopted

We have considered all recent accounting pronouncements and have concluded that there are no recent accounting pronouncements not yet adopted that would have a material impact on our consolidated financial statements, based on current information.

Note 3. Inventory

Our inventory is comprised solely of finished goods and is valued at the lower of moving average cost or net realizable value. We make certain assumptions regarding net realizable value in order to assess whether our inventory is recorded properly at the lower of cost or net realizable value. These assumptions are based on historical average selling price experience, current selling price information and estimated future selling price information. Physical inventory counts are conducted at least once during the year to determine actual inventory on hand and shrinkage. We accrue our estimated inventory shrinkage in our stores for the period between the last physical count and current balance sheet date.

Note 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	October 28, 2023	January 28, 2023
Prepaid and other information technology expenses	12,845	9,048
PLCC Funds receivable	2,334	2,721
Prepaid advertising	636	1,068
Prepaid casualty insurance	3,677	2,557
Other	5,136	4,656
Prepaid expenses and other current assets	<hr/> \$ 24,628	<hr/> \$ 20,050

Note 5. Property and Equipment

Property and equipment are summarized as follows (in thousands):

	October 28, 2023	January 28, 2023
Property and equipment, at cost		
Leasehold improvements	\$ 181,207	\$ 176,222
Furniture, fixtures and equipment	117,833	115,618
Software and licenses	14,566	14,140
Construction-in-progress	5,550	2,956
	319,156	308,936
Less: Accumulated depreciation and amortization	(218,410)	(195,323)
Property and equipment, net	<hr/> \$ 100,746	<hr/> \$ 113,613

We recorded depreciation expense related to our property and equipment in the amounts of \$ 8.8 million and \$ 27.1 million during the three- and nine-month periods ended October 28, 2023, respectively. We recorded depreciation expense related to our property and equipment in the amounts of \$ 8.9 million and \$ 27.0 million during the three- and nine-month periods ended October 29, 2022, respectively.

We group and evaluate long-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified. During the three- and nine-month periods ended October 28, 2023 and October 29, 2022, we did not recognize any impairment charges.

Note 6. Implementation Costs Incurred in Cloud Computing Arrangements that are Service Contracts

Our cloud computing arrangements that are service contracts primarily consist of arrangements with third party vendors for our internal use of their software applications that they host. We defer implementation costs incurred in relation to such arrangements, including costs for software application coding, configuration, integration and customization, while associated process reengineering, training, maintenance and data conversion costs are expensed. Subsequent implementation costs are

deferred only to the extent that they constitute major enhancements. The short-term portion of deferred implementation costs are included in prepaid expenses and other current assets in the condensed consolidated balance sheets, while the long-term portion of deferred costs are included in deposits and other noncurrent assets. Amortized implementation costs incurred in cloud computing arrangements that are service contracts are recognized in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive (loss) income.

Deferred implementation costs incurred in cloud computing arrangements that are service contracts are summarized as follows (in thousands):

	October 28, 2023	January 28, 2023
Internal use of third party hosted software, gross	\$ 25,953	\$ 16,612
Less: Accumulated amortization	(9,819)	(6,772)
Internal use of third party hosted software, net	<u><u>\$ 16,134</u></u>	<u><u>\$ 9,840</u></u>

During the three- and nine-month periods ended October 28, 2023, we amortized approximately \$ 1.3 million and \$ 3.0 million, respectively, of implementation costs incurred in cloud computing arrangements that are service contracts. During the three- and nine-month periods ended October 29, 2022, we amortized approximately \$ 0.9 million and \$ 2.0 million, respectively, of implementation costs incurred in cloud computing arrangements that are service contracts.

Note 7. Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	October 28, 2023	January 28, 2023
Accrued inventory-in-transit	\$ 22,389	\$ 20,878
Accrued payroll and related expenses	12,372	20,232
Accrued loyalty program	11,908	13,389
Gift cards	9,404	12,300
Accrued sales return allowance	6,873	6,562
Accrued freight	5,563	5,840
Accrued marketing	5,113	4,103
Accrued sales and use tax	4,254	3,666
Accrued self-insurance liabilities	3,028	2,853
Deferred revenue	2,155	1,471
Accrued purchases of property and equipment	2,370	2,825
Accrued lease costs	3,661	3,593
Term loan interest payable	2,957	188
Other	10,364	10,947
Accrued and other current liabilities	<u><u>\$ 102,411</u></u>	<u><u>\$ 108,847</u></u>

Note 8. Leases

Our lease costs reflected in the tables below include minimum base rents, common area maintenance charges and heating, ventilation and air conditioning charges. We recognize such lease costs in the applicable expense category in either cost of goods sold, or selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive (loss) income.

Our lease costs during the three- and nine-month periods ended October 28, 2023 and October 29, 2022 consist of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Operating (fixed) lease cost	\$ 13,615	\$ 13,413	\$ 39,960	\$ 38,874
Short-term lease cost	38	55	104	150
Variable lease cost	4,727	4,557	15,203	13,411
Total lease cost	\$ 18,380	\$ 18,025	\$ 55,267	\$ 52,435

Other supplementary information related to our leases is reflected in the table below (in thousands, except lease term and discount rate data):

	Nine Months Ended	
	October 28, 2023	October 29, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 45,153	\$ 43,287
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 15,263	\$ 12,458
(Increase) decrease in right-of-use assets resulting from operating lease modifications or remeasurements	\$ (4,461)	\$ 8,243
Weighted average remaining lease term - operating leases	6 years	6 years
Weighted average discount rate - operating leases	7 %	6 %

Note 9. Revenue Recognition

We recognize revenue when our performance obligations under the terms of a contract or an implied arrangement with a customer are satisfied, which is when the merchandise is transferred to the customer and the customer obtains control of it. The amount of revenue we recognize reflects the total consideration we expect to receive for the merchandise, which is the transaction price.

Our revenue, disaggregated by product category, consists of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Apparel	\$ 234,683	\$ 255,404	\$ 748,149	\$ 857,884
Non-apparel	32,052	34,630	85,226	101,435
Other	8,673	10,167	25,031	27,597
Total net sales	\$ 275,408	\$ 300,201	\$ 858,406	\$ 986,916

Amounts within Apparel include revenues earned from the sale of tops, bottoms, dresses, intimates, sleep wear, swim wear and outerwear. Amounts within Non-apparel include revenues earned from the sale of accessories, footwear and beauty. Amounts within Other represent PLCC Funds received.

We have an agreement with a third party, which is amended from time to time, to provide customers with private label credit cards ("Credit Card Agreement"). Each private label credit card ("PLCC") bears the logo of the Torrid brand and can only be used at our store locations and on www.torrid.com. A third-party financing company is the sole owner of the accounts issued under the PLCC program and absorbs the losses associated with non-payment by the PLCC holders and a portion of any fraudulent usage of the accounts. Pursuant to the Credit Card Agreement, we receive royalties, profit-sharing and marketing and promotional funds from the third-party financing company based on usage of the PLCCs. These PLCC Funds are recorded as a component of net sales in the condensed consolidated statements of operations and comprehensive (loss) income.

We recognize a contract liability when we receive consideration from a customer before our performance obligations under the terms of a contract or an implied arrangement with the customer are satisfied. During the nine-month period ended October 28, 2023, we recognized revenue of approximately \$ 9.6 million and \$ 5.4 million related to our accrued loyalty program and gift cards, respectively, that existed at the beginning of fiscal year 2023. During the nine-month period ended

October 29, 2022, we recognized revenue of approximately \$ 10.8 million and \$ 7.1 million related to our accrued loyalty program and gift cards, respectively, that existed at the beginning of fiscal year 2022.

Note 10. Loyalty Program

We operate our loyalty program, Torrid Rewards, in all our stores and on www.torrid.com. Under this program, customers accumulate points based on purchase activity and qualifying non-purchase activity. Upon reaching a certain point level, customers can earn awards that may only be redeemed for merchandise. Unredeemed points typically expire after 13 months without additional purchase and qualifying non-purchase activity and unredeemed awards typically expire 45 days after issuance. We use historical redemption rates to estimate the value of future award redemptions and we recognize the estimated value of these future awards as a reduction of revenue in the condensed consolidated statements of operations and comprehensive (loss) income in the period the points are earned by the customer. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, we had \$ 11.9 million and \$ 13.4 million, respectively, in deferred revenue related to our loyalty program included in accrued and other current liabilities in the condensed consolidated balance sheets. During the three- and nine-month periods ended October 28, 2023, we recorded \$ 1.0 million and \$ 1.5 million, respectively, as a benefit to net sales. During the three- and nine-month periods ended October 29, 2022, we recorded \$ 0.4 million and \$ 0.3 million, respectively, as a benefit to net sales. Actual results may differ from our estimates, resulting in changes to net sales.

Note 11. Related Party Transactions

Services Agreements with Hot Topic

Hot Topic Inc. ("Hot Topic") is an entity indirectly controlled by affiliates of Sycamore. From June 2, 2017 until its termination on March 21, 2019, we had a services agreement ("Third Party Services Agreement") with Hot Topic, pursuant to which Hot Topic provided us (or caused applicable third parties to provide) certain services, including information technology, distribution and logistics management, real estate leasing and construction management and other services as may have been specified. On March 21, 2019, we entered into an amended and restated services agreement ("Amended and Restated Services Agreement") with Hot Topic under which Hot Topic provided us (or caused applicable third parties to provide) substantially similar services to those provided under the Third Party Services Agreement. The term of the Amended and Restated Services Agreement was three years , unless we or Hot Topic extended the agreement, or we terminated the agreement (or certain services under the agreement). In connection with the Reverse Services Agreement (as defined below), we entered into an amendment to the Amended and Restated Services Agreement ("Amendment to Amended and Restated Services Agreement") with Hot Topic on August 1, 2019, pursuant to which sections pertaining to Hot Topic's provision of information technology services to Torrid were removed. Effective April 30, 2023, we entered into a second amendment to the Amended and Restated Services Agreement ("Second Amendment to Amended and Restated Services Agreement") with Hot Topic, under which Hot Topic will continue to provide us (or cause applicable third parties to provide) real estate leasing and construction management services. The Second Amendment to Amended and Restated Services Agreement will terminate on April 6, 2024. We record payments made to Hot Topic under these service agreements in the applicable expense category in either cost of goods sold, or selling, general and administrative expenses.

During the three- and nine-month periods ended October 28, 2023, Hot Topic charged us \$ 0.4 million and \$ 1.5 million, respectively, for various services under the applicable services agreements, all of which were recorded as a component of selling, general and administrative expenses. During the three- and nine-month periods ended October 29, 2022, Hot Topic charged us \$ 0.6 million and \$ 1.8 million, respectively, for various services under the applicable services agreements, all of which were recorded as a component of selling, general and administrative expenses. As of the end of the third quarter of fiscal year 2023, and as of the end of fiscal year 2022, we owed \$ 0.1 million and \$ 0.2 million, respectively, to Hot Topic for these services which is included in due to related parties in our condensed consolidated balance sheets.

On August 1, 2019, we entered into a services agreement ("Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services. The term of the Reverse Services Agreement was three years , unless we or Hot Topic extended the agreement, or Hot Topic terminated the agreement. Torrid provided Hot Topic with the specified information technology services at no cost for the first three years of the Reverse Services Agreement, however Hot Topic bore certain capital and operating expenses that it incurred. Costs incurred in connection with providing the specified information technology services to Hot Topic were expensed as incurred in our condensed consolidated statements of operations and comprehensive (loss) income. During the three- and nine-month periods ended October 29, 2022, we incurred costs of \$ 0.5 million and \$ 2.1 million, respectively, in connection with providing these information technology services to Hot Topic. On July 31, 2022, we entered into a first amendment to the Reverse Services Agreement ("Amended Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services for a fixed fee. The term of the Amended Reverse Services Agreement was two months while both parties negotiated a longer-term amendment to the Reverse Services Agreement with modified terms and conditions. On September 30, 2022, we entered into a second amendment to the Reverse Services Agreement ("Second Amended Reverse Services Agreement") with Hot Topic,

under which Torrid provides Hot Topic with certain information technology services for a fixed fee. The term of the Second Amended Reverse Services Agreement was five months while both parties negotiated a longer-term amendment to the Reverse Services Agreement with modified terms and conditions. Effective December 1, 2022, we entered into a third amendment to the Reverse Services Agreement ("Third Amended Reverse Services Agreement") with Hot Topic, under which Torrid provides Hot Topic with certain information technology services for a fixed fee. The term of the Third Amended Reverse Services Agreement ends on May 4, 2024, unless we and Hot Topic mutually agree to extend the agreement, or we or Hot Topic terminate the agreement (or certain services under the agreement), upon written notice. During the three- and nine-month periods ended October 28, 2023, we charged Hot Topic \$ 0.4 million and \$ 1.3 million, respectively, for these services. As of the end of the third quarter of fiscal year 2023, and as of the end of fiscal year 2022, Hot Topic owed us \$ 0.1 million for these services.

Hot Topic incurs certain direct expenses on our behalf, such as payments to our non-merchandise vendors and each month, we pay Hot Topic for these pass-through expenses. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, the net amount we owed Hot Topic for these expenses was \$ 0.1 million and \$ 1.1 million, respectively, which is included in due to related parties in our condensed consolidated balance sheets.

Sponsor Advisory Services Agreement

On May 1, 2015, we entered into an advisory services agreement with Sycamore, pursuant to which Sycamore agreed to provide strategic planning and other related services to us. We are obligated to reimburse Sycamore for its expenses incurred in connection with providing such advisory services to us. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, there were no amounts due, and during the three- and nine-month periods ended October 28, 2023 and October 29, 2022, no amounts were paid under this agreement.

From time to time, we reimburse Sycamore for certain management expenses it pays on our behalf. During the three-month period ended October 28, 2023, we did not make any reimbursements to Sycamore. During the nine-month period ended October 28, 2023, the amount paid to Sycamore for these expenses was not material. During the three- and nine-month periods ended October 29, 2022, we did not make any reimbursements to Sycamore. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, there was no amount due.

Other Related Party Transactions

MGF Sourcing US, LLC, an entity indirectly controlled by affiliates of Sycamore, is one of our suppliers. During the three- and nine-month periods ended October 28, 2023, cost of goods sold included \$ 14.6 million and \$ 45.5 million, respectively, related to the sale of merchandise purchased from this supplier. During the three- and nine-month periods ended October 29, 2022, cost of goods sold included \$ 16.8 million and \$ 52.9 million, respectively, related to the sale of merchandise purchased from this supplier. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, the net amounts we owed MGF Sourcing US, LLC for these purchases were \$ 6.7 million and \$ 11.6 million, respectively. This liability is included in due to related parties in our condensed consolidated balance sheets.

HU Merchandising, LLC, a subsidiary of Hot Topic, is one of our suppliers. During the three- and nine-month periods ended October 28, 2023, cost of goods sold related to the sale of merchandise purchased from this supplier included \$ 0.1 million and \$ 0.3 million, respectively, related to the sale of merchandise purchased from this supplier. During the three- and nine-month periods ended October 29, 2022, cost of goods sold included \$ 0.1 million and \$ 0.3 million, respectively, related to the sale of merchandise purchased from this supplier. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, there were no amounts due to HU Merchandising, LLC.

Staples, Inc., an entity indirectly controlled by affiliates of Sycamore, is one of our suppliers. During the three- and nine-month periods ended October 28, 2023 and October 29, 2022, purchases from this supplier were not material. As of the end of the third quarter of fiscal year 2023, there was no amount due and as of the end of fiscal year 2022, the amount due to Staples, Inc. was not material.

Note 12. Debt Financing Arrangements

Our debt financing arrangements consist of the following (in thousands):

	October 28, 2023	January 28, 2023
Existing ABL Facility, as amended	\$ 5,100	\$ 8,380
Term loan		
New Term Loan Credit Agreement	315,000	328,125
Less: current portion of unamortized original issue discount and debt financing costs	(1,356)	(1,356)
Less: noncurrent portion of unamortized original issue discount and debt financing costs	(4,911)	(5,928)
Total term loan outstanding, net of unamortized original issue discount and debt financing costs	308,733	320,841
Less: current portion of term loan, net of unamortized original issue discount and debt financing costs	(16,144)	(16,144)
Total term loan, net of current portion and unamortized original issue discount and debt financing costs	<u>\$ 292,589</u>	<u>\$ 304,697</u>

Fixed mandatory principal repayments due on the outstanding term loan are as follows as of the end of the third quarter of fiscal year 2023 (in thousands):

2023	4,375
2024	17,500
2025	17,500
2026	17,500
2027	17,500
2028	<u>240,625</u>
	<u>\$ 315,000</u>

New Term Loan Credit Agreement

On June 14, 2021, we entered into a term loan credit agreement ("New Term Loan Credit Agreement") among Bank of America, N.A., as agent, and the lenders party thereto. On May 24, 2023, we entered into an amendment to the New Term Loan Credit Agreement (the "1st Amendment to the New Term Loan Credit Agreement"). The 1st Amendment to the New Term Loan Credit Agreement replaced the London Interbank Offered Rate ("LIBOR") interest rate benchmark with the Secured Overnight Financing Rate ("SOFR") benchmark. All other material terms of the New Term Loan Credit Agreement remained substantially the same after giving effect to the 1st Amendment to the New Term Loan Credit Agreement. In March 2020 and January 2021, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Updates ("ASU") 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") and 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"), respectively. ASU 2020-04 and ASU 2021-01 include practical expedients which provide entities the option to account for qualifying amendments as if the modification was not substantial in accordance with Accounting Standards Codification ("ASC") 470, *Debt*. We elected this option, accordingly, the 1st Amendment to the New Term Loan Credit Agreement did not have a material impact on our condensed consolidated financial statements.

The New Term Loan Credit Agreement provides for term loans in an initial aggregate amount of \$ 350.0 million, which is recorded net of an original issue discount ("OID") of \$ 3.5 million and has a maturity date of June 14, 2028. In connection with the New Term Loan Credit Agreement, we paid financing costs of approximately \$ 6.0 million.

The elected interest rate on October 28, 2023 was approximately 11 %.

As of the end of the third quarter of fiscal year 2023, we were compliant with our debt covenants under the New Term Loan Credit Agreement.

As of October 28, 2023, the fair value of the New Term Loan Credit Agreement was approximately \$ 259.9 million. As of the end of fiscal year 2022, the fair value of the New Term Loan Credit Agreement was approximately \$ 267.4 million. The fair

value of the New Term Loan Credit Agreement is determined using current applicable rates for similar instruments as of the balance sheet date, a Level 2 measurement (as defined in "Note 19—Fair Value Measurements").

As of the end of the third quarter of fiscal year 2023, total borrowings, net of OID and financing costs, of \$ 308.7 million remain outstanding under the New Term Loan Credit Agreement. During the three- and nine-month periods ended October 28, 2023, we recognized \$ 9.1 million and \$ 26.5 million, respectively, of interest expense related to the New Term Loan Credit Agreement. During the three- and nine-month periods ended October 29, 2022, we recognized \$ 7.5 million and \$ 18.8 million, respectively, of interest expense related to the New Term Loan Credit Agreement. During the three- and nine-month periods ended October 28, 2023, we recognized \$ 0.3 million and \$ 0.9 million, respectively, of OID and financing costs related to the New Term Loan Credit Agreement. During the three- and nine-month periods ended October 29, 2022, we recognized \$ 0.3 million and \$ 0.9 million, respectively, of OID and financing costs related to the New Term Loan Credit Agreement. The OID and financing costs are amortized over the New Term Loan Credit Agreement's seven-year term and are reflected as a direct deduction of the face amount of the term loan in our condensed consolidated balance sheets. We recognize interest payments, together with amortization of the OID and financing costs, in interest expense in our condensed consolidated statements of operations and comprehensive (loss) income.

Senior Secured Asset-Based Revolving Credit Facility

In May 2015, we entered into a credit agreement for a senior secured asset-based revolving credit facility ("Original ABL Facility") of \$ 50.0 million (subject to a borrowing base), with Bank of America, N.A. On October 23, 2017, we entered into an amended and restated credit agreement ("Existing ABL Facility"), which amended our Original ABL Facility. The Existing ABL Facility increased the aggregate commitments available under the Original ABL Facility from \$ 50.0 million to \$ 100.0 million (subject to a borrowing base); and increased our right to request additional commitments from up to \$ 30.0 million to up to \$ 30.0 million plus the aggregate principal amount of any permanent principal reductions we may take (subject to customary conditions precedent). On June 14, 2019, we entered into an amendment to the Existing ABL Facility (the "1st Amendment"). The 1st Amendment decreased the aggregate commitments available under the Existing ABL Facility from \$ 100.0 million to \$ 70.0 million (subject to a borrowing base), permitted indebtedness incurred pursuant to the Term Loan Credit Agreement and made certain other modifications. On September 4, 2019, we entered into another amendment to the Existing ABL Facility (the "2nd Amendment"). The 2nd Amendment permitted parent company financial statements to be used to satisfy reporting requirements and made certain other modifications. On June 14, 2021, in conjunction with the New Term Loan Credit Agreement, we entered into a third amendment to the Existing ABL Facility (the "3rd Amendment"), which amended our Existing ABL Facility, as amended. The 3rd Amendment increased the aggregate commitments available under the Existing ABL facility, as amended, from \$ 70.0 million to \$ 150.0 million (subject to a borrowing base) and extended the date upon which the principal amount outstanding of the loans would be due and payable in full from October 23, 2022 to June 14, 2026. On April 21, 2023, we entered into a fourth amendment to the Existing ABL Facility (the "4th Amendment"). The 4th Amendment replaced the LIBOR interest rate benchmark with the SOFR benchmark. All other material terms of the Existing ABL Facility, as amended, remained substantially the same after giving effect to the 4th Amendment. We elected to apply the practical expedients included in ASU 2020-04 and 2021-01, accordingly, the 4th Amendment did not have a material impact on our condensed consolidated financial statements.

As of the end of the third quarter of fiscal year 2023, the applicable interest rate for borrowings under the Existing ABL Facility, as amended, was approximately 9 % per annum.

As of the end of the third quarter of fiscal year 2023, we were compliant with our debt covenants under the Existing ABL Facility, as amended.

As of the end of the third quarter of fiscal year 2023, the maximum restricted payment utilizing the Existing ABL Facility, as amended, that our subsidiaries could make from its net assets was \$ 127.5 million.

We consider the carrying amounts of the Existing ABL Facility, as amended, to approximate fair value because of the variable interest rate of this facility, a Level 2 measurement (as defined in "Note 19—Fair Value Measurements").

Availability under the Existing ABL Facility, as amended, as of the end of the third quarter of fiscal year 2023 was \$ 137.5 million, which reflects borrowings of \$ 5.1 million. Availability under the Existing ABL Facility, as amended, at the end of fiscal year 2022 was \$ 134.2 million, which reflects borrowings of \$ 8.4 million. Standby letters of credit issued and outstanding were \$ 7.4 million as of the end of the third quarter of fiscal year 2023 and \$ 7.4 million as of the end of fiscal year 2022. During the third quarter of fiscal year 2017, we incurred \$ 0.5 million of financing costs for the Existing ABL Facility, which were reduced in fiscal year 2019 by \$ 0.1 million written off to account for the impact of our entry into the 1st Amendment. During the second quarter of fiscal year 2021, we incurred an additional \$ 0.7 million of financing costs in

connection with our entry into the 3rd Amendment. These financing costs, together with the unamortized financing costs of \$ 0.1 million associated with the Original ABL Facility, are amortized over the five-year term of the Existing ABL Facility, as amended, and are reflected in prepaid expenses and other current assets and deposits and other noncurrent assets in our condensed consolidated balance sheets. During the three-month periods ended October 28, 2023 and October 29, 2022, amortization of financing costs for the Existing ABL Facility, as amended, was not material. During the nine-month periods ended October 28, 2023 and October 29, 2022, amortization of financing costs for the Existing ABL Facility, as amended, was \$ 0.1 million and \$ 0.1 million, respectively. During the three- and nine-month periods ended October 28, 2023, interest payments were \$ 0.3 million and \$ 1.2 million, respectively. During the three- and nine-month periods ended October 29, 2022, interest payments were \$ 0.5 million and \$ 1.3 million, respectively. We recognize amortization of financing costs and interest payments for the revolving credit facility in interest expense in our condensed consolidated statements of operations and comprehensive (loss) income.

Note 13. Income Taxes

Effective Tax Rate

During the three-month period ended October 28, 2023, the benefit from income taxes was \$ 0.4 million and during the nine-month period ended October 28, 2023, the provision for income taxes was \$ 8.4 million. During the three- and nine-month periods ended October 29, 2022, the provision for income taxes was \$ 4.1 million and \$ 23.5 million, respectively. The effective tax rates for the three- and nine-month periods ended October 28, 2023 were 12.5 % and 34.8 %, respectively. The effective tax rates for the three- and nine-month periods ended October 29, 2022 were 36.3 % and 30.3 %, respectively. The decrease in the effective tax rate for the three months ended October 28, 2023 as compared to the three months ended October 29, 2022 was primarily due to a decrease in income before provision for income taxes during the three months ended October 28, 2023 as compared to the three months ended October 29, 2022 and an increase in state income taxes relative to loss before benefit from income taxes for the three months ended October 28, 2023, partially offset by a decrease in the amount of non-deductible compensation for covered employees and state income taxes relative to loss before benefit from income taxes for the three months ended October 28, 2023. The increase in the effective tax rate for the nine months ended October 28, 2023 as compared to the nine months ended October 29, 2022 was primarily due to an increase in the amount of non-deductible compensation for covered employees and state income taxes relative to income before provision for income taxes for the nine months ended October 28, 2023.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was enacted to reduce inflation and promote clean energy in the United States. Among other things, the IR Act introduced a 15% alternative minimum tax based on the adjusted financial statement income of corporations or their predecessors with a three-year taxable year average annual adjusted financial statement income in excess of \$1 billion and imposes a 1% excise tax on the fair market value of stock repurchases made by covered corporations after December 31, 2022. In addition, the current administration has announced a proposal to increase such excise tax to 4%. The IR Act also includes provisions intended to mitigate climate change by, among others, providing tax credit incentives for reductions in greenhouse gas emissions. We have considered the applicable IR Act tax law changes in our tax provision for the three- and nine-month periods ended October 28, 2023, and continue to evaluate the impact of these tax law changes on future periods.

Uncertain Tax Positions

The amount of income taxes we pay is subject to ongoing audits by taxing authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of the relevant risks, facts and circumstances existing at the time. We believe that we have adequately provided for reasonably foreseeable outcomes related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate. As of the end of the third quarter of fiscal year 2023, the total liability for income tax associated with unrecognized tax benefits, including interest and penalties, was \$ 3.8 million (\$ 3.3 million, net of federal benefit). As of the end of fiscal year 2022, the total liability for income tax associated with unrecognized tax benefits, including interest and penalties, was \$ 3.8 million (\$ 3.3 million, net of federal benefit). Our effective tax rate will be affected by any portion of this liability we may recognize.

We believe that it is reasonably possible that \$ 1.7 million (\$ 1.6 million net of federal benefit) of our liability for unrecognized tax benefits, of which the associated interest and penalties are not material, may be recognized in the next 12 months due to the expiration of statutes of limitations.

Note 14. Share-Based Compensation

Our share-based compensation expense, by award type, consists of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Restricted stock units	\$ 599	\$ 644	\$ 1,730	\$ 1,398
Restricted stock awards	279	1,610	1,979	4,900
Performance stock units	156	192	543	302
Stock options	389	351	1,104	714
Restricted cash units	82	—	439	—
Employee stock purchase plan	80	116	186	254
Share-based compensation before income taxes	1,585	2,913	5,981	7,568
Income tax detriment (benefit)	299	(153)	(123)	(120)
Net share-based compensation expense	\$ 1,884	\$ 2,760	\$ 5,858	\$ 7,448

RSUs

Restricted stock unit ("RSU") activity, including Performance stock units ("PSUs"), consists of the following (in thousands, except per share amounts):

	Shares	Weighted average grant date fair value per share
Nonvested, January 28, 2023	1,386	\$ 6.55
Granted	1,204	\$ 2.88
Vested	(219)	\$ 9.23
Forfeited	(488)	\$ 5.90
Nonvested, October 28, 2023	<u>1,883</u>	<u>\$ 4.06</u>

As of the end of the third quarter of fiscal year 2023, unrecognized compensation expense related to unvested RSUs, including PSUs, was \$ 5.8 million, which is expected to be recognized over a weighted average period of approximately 2.6 years.

Restricted Stock Awards

Restricted stock award activity consists of the following (in thousands, except per share amounts):

	Shares	Weighted average grant date fair value per share
Nonvested, January 28, 2023	211	\$ 27.00
Granted	—	—
Vested	(100)	\$ 27.00
Forfeited	(104)	\$ 27.00
Nonvested, October 28, 2023	<u>7</u>	<u>\$ 27.00</u>

As of the end of the third quarter of fiscal year 2023, unrecognized compensation expense related to unvested restricted stock awards was \$ 0.2 million, which is expected to be recognized over a weighted average period of approximately 1.2 years.

Stock Options

Stock option activity consists of the following (in thousands, except per share and contractual life amounts):

	Shares	Weighted average exercise price per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding, January 28, 2023	1,444	\$ 7.38	9.4	\$ 115
Granted	1,500	\$ 3.16		
Exercised	—			
Forfeited	(582)	\$ 6.09		
Outstanding, October 28, 2023	<u>2,362</u>	<u>\$ 5.02</u>	9.1	\$ —
Exercisable, October 28, 2023	266	\$ 9.63	8.3	\$ —

As of the end of the third quarter of fiscal year 2023, unrecognized compensation expense related to unvested stock options was \$ 4.7 million, which is expected to be recognized over a weighted average period of approximately 3.2 years.

RCUs

Restricted cash units ("RCUs") are awarded to certain employees, non-employee directors and consultants and represent the right to receive a cash payment at the end of a vesting period, subject to the employee's continued employment or service as a director or consultant. In general, RCUs vest in equal installments each year over 4 years. RCUs are cash-settled with the value of each vested RCU equal to the lower of the closing price per share of our common stock on the vesting date or a specified per share price cap. We determined that RCUs are in-substance liabilities accounted for as liability instruments in accordance with ASC 718, *Compensation—Stock Compensation*, due to this cash settlement feature. RCUs are remeasured based on the closing price per share of our common stock at the end of each reporting period. As of the end of the third quarter of fiscal year 2023, the liability associated with unvested RCUs was \$ 0.4 million, which is included in accrued and other current liabilities in the condensed consolidated balance sheet.

Note 15. Commitments and Contingencies

Litigation

In November 2022, a class action complaint was filed against us in the U.S. District Court for the Central District of California ("the Court"), captioned Sandra Waswick v. Torrid Holdings Inc., et al. An amended complaint was filed in May 2023. The amended complaint alleges that certain statements in our registration statement on Form S-1 related to our IPO and in subsequent SEC filings and earnings calls were allegedly false and misleading. Two shareholder derivative complaints were filed in September and October 2023 in the U.S. District Court for the District of Delaware against the Company (as a nominal defendant) and certain officers and directors, captioned Allegra Morgado v. Lisa Harper, et al. and Nicole Long v. Lisa Harper, et al. The derivative complaints similarly allege that certain statements were allegedly false and misleading and that the individual defendants breached their fiduciary duties. We believe that these allegations are without merit and intend to vigorously defend ourselves against these claims. We are currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any.

From time to time, we are involved in other matters of litigation that arise in the ordinary course of business. Though significant litigation or awards against us could seriously harm our business and financial results, we do not at this time expect any of our pending matters of litigation to have a material adverse effect on our overall financial condition.

Indemnities, Commitments and Guarantees

During the ordinary course of business, we have made certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities include those given to various lessors in connection with facility leases for certain claims arising from such facility or lease and indemnities to our board of directors and officers to the maximum extent permitted. Commitments include those given to various merchandise vendors and suppliers. From time to time, we have issued guarantees in the form of standby letters of credit as security for workers' compensation claims (our letters of credit are discussed in more detail in "Note 12—Debt Financing Arrangements"). The durations of these indemnities, commitments and guarantees vary. Some of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make. We have not recorded any liability for

these indemnities, commitments and guarantees in the accompanying condensed consolidated financial statements as no demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our condensed consolidated financial statements.

Note 16. Stockholders' Deficit

Torrid is authorized to issue 1.0 billion shares of common stock at \$ 0.01 par value, and 5.0 million shares of preferred stock at \$ 0.01 par value. Torrid had 104,102,356 shares of common stock and no shares of preferred stock issued and outstanding as of October 28, 2023.

Note 17. Share Repurchases

On December 6, 2021, the Board authorized a share repurchase program under which we may purchase up to \$ 100.0 million of our outstanding common stock. Repurchases may be made from time to time, depending upon a variety of factors, including share price, corporate and regulatory requirements, and other market and business conditions, as determined by us. We may purchase shares of our common stock in the open market at current market prices at the time of purchase, in privately negotiated transactions, or by other means. The authorization does not, however, obligate us to acquire any particular amount of shares, and the share repurchase program may be suspended or terminated at any time at our discretion. As of October 28, 2023, we had approximately \$ 44.9 million remaining under the share repurchase program.

Share repurchase activity consists of the following (in thousands, except share and per share amounts):

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Number of shares repurchased	—	—	—	4,464,367
Total cost	\$ —	\$ —	\$ —	\$ 31,700
Average per share cost including commissions				\$ 7.10

We have elected to retire shares repurchased to date. Shares retired become part of the pool of authorized but unissued shares. We have elected to record the purchase price of the retired shares in excess of par value, including transaction costs, directly as an increase in accumulated deficit.

Note 18. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is applicable only in periods of net income and is computed by dividing net income by the weighted average number of common shares outstanding for the period, inclusive of potentially dilutive common share equivalents outstanding for the period. During the nine-month period ended October 28, 2023, there were approximately 0.2 million potentially dilutive common share equivalents outstanding that were included in the computation of diluted earnings per share. During the three-month period ended October 28, 2023, there were approximately 1.5 million restricted stock awards and RSUs, including PSUs, and approximately 2.3 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved. During the nine-month period ended October 28, 2023, there were approximately 1.3 million restricted stock awards and RSUs, including PSUs, and approximately 2.3 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved. During the three- and nine-month periods ended October 29, 2022, there were approximately 0.1 million potentially dilutive common share equivalents outstanding that were included in the computation of diluted earnings per share. During the three-month period ended October 29, 2022, there were approximately 1.0 million restricted stock awards and RSUs, including PSUs, and approximately 1.2 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved. During the nine-month period ended October 29, 2022, there were approximately 0.7 million restricted stock awards and RSUs, including PSUs, and approximately 0.8 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved.

Note 19. Fair Value Measurements

We carry certain of our assets and liabilities at fair value in accordance with GAAP. Fair value is defined as the exchange price that would be received for 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.

Valuation techniques used to measure fair value require us to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs other than quoted prices that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, including interest rates and yield curves, and market corroborated inputs.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These are valued based on our estimates and assumptions that market participants would use in pricing the asset or liability.

Financial assets and liabilities measured at fair value on a recurring basis as of the end of the third quarter of fiscal year 2023 consisted of the following (in thousands):

	October 28, 2023	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (cash equivalent)	\$ 56	\$ 56	\$ —	\$ —
Total assets	\$ 56	\$ 56	\$ —	\$ —
Liabilities:				
Deferred compensation plan liability (noncurrent)	\$ 4,753	\$ —	\$ 4,753	\$ —
Total liabilities	\$ 4,753	\$ —	\$ 4,753	\$ —

Financial assets and liabilities measured at fair value on a recurring basis as of the end of fiscal year 2022 consisted of the following (in thousands):

	January 28, 2023	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (cash equivalent)	\$ 29	\$ 29	\$ —	\$ —
Total assets	\$ 29	\$ 29	\$ —	\$ —
Liabilities:				
Deferred compensation plan liability (noncurrent)	\$ 4,246	\$ —	\$ 4,246	\$ —
Total liabilities	\$ 4,246	\$ —	\$ 4,246	\$ —

The fair value of our money market funds is based on quoted prices in active markets. The deferred compensation plan liability represents the amount that would be earned by participants if the funds were invested in securities traded in active

markets. The fair value of the deferred compensation plan liability is determined based on quoted prices of similar assets that are traded in observable markets, or represents the cash withheld by participants prior to any investment activity.

Note 20. Deferred Compensation Plan

On August 1, 2015, we established the Torrid LLC Management Deferred Compensation Plan ("Deferred Compensation Plan") for the purpose of providing highly compensated employees a program to meet their financial planning needs. The Deferred Compensation Plan provides participants with the opportunity to defer up to 80 % of their base salary and up to 100 % of their annual earned bonus, all of which, together with the associated investment returns, are 100 % vested from the outset. The Deferred Compensation Plan is designed to be exempt from most provisions of the Employee Retirement Security Act of 1974, as amended. All deferrals and associated earnings are our general unsecured obligations. We may at our discretion contribute certain amounts to eligible employees' accounts. To the extent participants are ineligible to receive contributions from participation in our 401(k) Plan (as defined in "Note 21—Employee Benefit Plan"), we may contribute 50 % of the first 4 % of participants' eligible contributions into their Deferred Compensation Plan accounts. As of the end of the third quarter of fiscal year 2023 and as of the end of fiscal year 2022, we did not have any assets of the Deferred Compensation Plan and the associated liabilities were \$ 5.0 million and \$ 5.6 million, respectively, included in our condensed consolidated balance sheets. As of the end of the third quarter of fiscal year 2023, \$ 0.2 million of the \$ 5.0 million Deferred Compensation Plan liabilities were included in accrued and other current liabilities in our condensed consolidated balance sheets. As of the end of fiscal year 2022, \$ 1.4 million of the \$ 5.6 million Deferred Compensation Plan Liabilities were included in accrued and other current liabilities in our condensed consolidated balance sheets.

Note 21. Employee Benefit Plan

On August 1, 2015, we adopted the Torrid 401(k) Plan ("401(k) Plan"). All employees who have been employed by us for at least 200 hours and are at least 21 years of age are eligible to participate. Employees may contribute up to 80 % of their eligible compensation to the 401(k) Plan, subject to a statutorily prescribed annual limit. We may at our discretion contribute certain amounts to eligible employees' accounts. We may contribute 50 % of the first 4 % of participants' eligible contributions into their 401(k) Plan accounts. During the three- and nine-month periods ended October 28, 2023, we contributed \$ 0.2 million and \$ 0.6 million, respectively, to eligible employees' 401(k) Plan accounts. During the three- and nine-month periods ended October 29, 2022, we contributed \$ 0.2 million and \$ 0.6 million, respectively, to eligible employees' 401(k) Plan accounts.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in the section entitled "Risk Factors."

Overview

Torrid is a direct-to-consumer brand of apparel, intimates and accessories in North America aimed at fashionable women who are curvy and wear sizes 10 to 30. Torrid is focused on fit and offers high quality products across a broad assortment that includes tops, bottoms, denim, dresses, intimates, activewear, footwear and accessories. Our proprietary product offering delivers a superior fit for the curvy woman that makes her love the way she looks and feels. Our style is unapologetically youthful and sexy and we are maniacally focused on fit. We believe our customer values the appeal and versatility of our curated product assortment that helps her look her best for any occasion, including weekend, casual, work and dressy, all at accessible price points. Through our product and brand experience we connect with customers in a way that other brands, many of which treat plus-size customers as an after-thought, have not.

Key Financial and Operating Metrics

We use the following metrics to assess the progress of our business, inform how we allocate our time and capital, and assess the near-term and longer-term performance of our business.

	October 28, 2023	October 29, 2022		
Number of stores (as of end of period)	643	629		
	Three Months Ended	Nine Months Ended		
	(in thousands, except percentages)			
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Comparable sales	(8)%	(8)%	(16)%	(3)%
Net (loss) income	\$ (2,748)	\$ 7,277	\$ 15,689	\$ 54,053
Adjusted EBITDA ^(A)	\$ 19,379	\$ 32,110	\$ 89,791	\$ 135,977

(A) Please refer to "Results of Operations" for a reconciliation of net income (loss) to Adjusted EBITDA.

Comparable Sales. We define comparable sales for any given period as the sales of our e-Commerce operations and stores that we have included in our comparable sales base during that period. We include a store in our comparable sales base after it has been open for 15 full fiscal months. If a store is closed during a fiscal year, it is only included in the computation of comparable sales for the full fiscal months in which it was open. Partial fiscal months are excluded from the computation of comparable sales. Comparable sales allow us to evaluate how our unified commerce business is performing exclusive of the effects of new store openings. We apply current year foreign currency exchange rates to both current year and prior year comparable sales to remove the impact of foreign currency fluctuation and achieve a consistent basis for comparison. Comparable sales allow us to evaluate how our unified commerce business is performing exclusive of the effects of non-comparable sales.

Number of Stores. Store count reflects all stores open at the end of a reporting period. In connection with opening new stores, we incur pre-opening costs, which primarily consist of payroll, travel, training, marketing, initial opening supplies, costs of transporting initial inventory and fixtures to store locations, and occupancy costs incurred from the time of possession of a store site to the opening of that store. These pre-opening costs are included in our selling, general and administrative expenses and are expensed as incurred.

Adjusted EBITDA. Adjusted EBITDA is a supplemental measure of our operating performance that is neither required by, nor presented in accordance with GAAP and our calculation thereof may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA represents GAAP net income (loss) plus interest expense less interest income, net of other expense (income), plus provision for less (benefit from) income taxes, depreciation and amortization ("EBITDA").

and share-based compensation, noncash deductions and charges and other expenses. We believe Adjusted EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to ongoing operating performance. We also use Adjusted EBITDA as one of the primary methods for planning and forecasting the overall expected performance of our business and for evaluating on a quarterly and annual basis actual results against such expectations. Further, we recognize Adjusted EBITDA as a commonly used measure in determining business value and, as such, use it internally to report and analyze our results and as a benchmark to determine certain non-equity incentive payments made to executives.

Adjusted EBITDA has limitations as an analytical tool. This measure is not a measurement of our financial performance under GAAP and should not be considered in isolation or as an alternative to or substitute for net income (loss), income (loss) from operations or any other performance measures determined in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Among other limitations, Adjusted EBITDA does not reflect:

- interest expense;
- interest income, net of other expense (income);
- provision for income taxes;
- depreciation and amortization;
- share-based compensation;
- non-cash deductions and charges; and
- other expenses.

Factors Affecting Our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q in the section titled "Risk Factors."

Customer Acquisition and Retention. Our success is impacted not only by efficient and profitable customer acquisition, but also by our ability to retain customers and encourage repeat purchases. It is important to maintain reasonable costs for these marketing efforts relative to the net sales and profit we expect to derive from customers. Failure to effectively attract customers on a cost-efficient basis would adversely impact our profitability and operating results. New requirements for consumer disclosures regarding privacy practices, and new application tracking transparency framework that requires opt-in consent for certain types of tracking were implemented by third party providers in 2021, which has increased the difficulty and cost of acquiring and retaining customers. These changes may adversely affect our results of operations.

Customer Migration from Single to Omni-channel. We have a history of converting customers from single-channel customers to omni-channel customers, defined as active customers who shopped both online and in-store within the last twelve months. Customers that shop across multiple channels purchase from us more frequently and spent approximately 3.4 times more per year than our single-channel customer during fiscal year 2022.

Overall Economic Trends. Our results of operations during any given period are often affected by the overall economic conditions in the markets in which we operate. Consumer purchases of clothing generally remain constant or may increase during stable economic periods and decline during recessionary periods, inflationary periods and other periods when disposable income is adversely affected. Recent historic high rates of inflation have led to a softening of consumer demand. We have encountered inflation on our wages, transportation and product costs, and a material increase in these costs without any meaningful offsetting price increases may reduce our future profits.

Demographic Changes. Our business has experienced growth over recent periods due, in part, to an increase in the plus-size population. Slower or negative growth in this demographic, specific to certain geographic markets, income levels or overall, could adversely affect our results of operations.

Growth in Brand Awareness. We intend to continue investing in our brand, with a specific focus on growing brand awareness, customer engagement, and conversion through targeted investments in performance and brand marketing. We have made significant historical investments to strengthen the Torrid brand through our marketing efforts, brand partnerships, events

and expansion of our social media presence. If we fail to cost-effectively promote our brand or convert impressions into new customers, our net sales growth and profitability may be adversely affected.

Inventory Management. Our strategy is built around a base of core products that provide our customer with year-round style. At the same time, we introduce new lines of merchandise approximately 16 times per year, thus providing a consistent flow of fresh merchandise to keep our customer engaged, encourage repeat business and attract new customers. We employ a data-driven approach to design and product development, proactively and quickly incorporating sales and operational performance information alongside customer feedback from thousands of product reviews. We engage in ongoing dialogue with customers through social media and customer surveys. Shifts in inventory levels may result in fluctuations in the amount of regular price sales, markdowns, and merchandise mix, as well as gross margin.

Impact of COVID-19. The COVID-19 pandemic has caused general business disruption worldwide. The full extent to which the COVID-19 pandemic will directly or indirectly affect our business, results of operations, cash flows, and financial condition will depend on future developments that are uncertain. A resurgence in the pandemic or the emergence of new variants of the coronavirus could have a negative impact on our business including, but not limited to, new closure requirements with respect to some or all of our physical locations, changes in consumer behavior, difficulties attracting and retaining employees and supply chain disruptions.

Investments. We have invested significantly to strengthen our business, including augmenting leadership across our organization and enhancing our infrastructure and technology. We anticipate that our operating expenses will grow as we continue to increase our spending on advertising and marketing, product design and development, merchandising, technology, operations, customer service and general and administrative functions. We will also continue to selectively expand our store footprint and make investments to improve the customer experience both in-store and online. We believe that such investments will increase the number and loyalty of our customers and, as a result, yield positive financial performance in the long term.

Seasonality. While seasonality frequently impacts businesses in the retail sector, our business is generally not seasonal. Accordingly, our net sales do not fluctuate as significantly as those of other brands and retailers from quarter to quarter and any modest seasonal effect does not significantly change the underlying trends in our business. Additionally, we do not generate an outsized share of our net sales or Adjusted EBITDA during the holiday season. Typically, our Adjusted EBITDA generation is strongest in the first half of the year as we benefit from more favorable merchandise margins, lower advertising and lower shipping expenses relative to the second half of the year. The lack of net sales seasonality provides structural cost advantages relative to peers, including reduced staffing cyclical and seasonal distribution capacity needs.

Components of Our Results of Operations

In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of PLCC Funds (as defined in "Note 1—Basis of Presentation and Description of the Business") we receive pursuant to the Credit Card Agreement (as defined in "Note 9—Revenue Recognition"). Historically, we recorded PLCC Funds as a reduction to selling, general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income. Under the new policy, we record PLCC Funds in net sales in the consolidated statements of operations and comprehensive (loss) income. This reclassification does not have any impact on income from operations, income before provision for income taxes, net income or earnings per share and there was no cumulative effect to stockholders' deficit or net assets. The recognition of PLCC Funds in net sales is preferable because it will enhance the comparability of our financial statements with those of many of our industry peers and provide greater transparency into performance metrics relevant to our industry by showing the gross impact of the funds received as net sales instead of as a reduction to selling, general and administrative expenses.

Net Sales. Net sales reflects our revenues from the sale of our merchandise, shipping and handling revenue received from e-Commerce sales, PLCC Funds and gift card breakage income, less returns, discounts and loyalty points/awards. Revenue from our stores is recognized at the time of sale and revenue from our e-Commerce channel is recognized upon shipment of the merchandise to the home of the customer; except in cases where the merchandise is shipped to a store and revenue is recognized when the customer retrieves the merchandise from the store. Net sales are impacted by the size of our active customer base, product assortment and availability, marketing and promotional activities and the spending habits of our customers. Net sales are also impacted by the migration of single-channel customers (i.e., customers shopping only in-store or online) to omni-channel customers (i.e., customers shopping both in-store and online), who on average spend significantly more than single-channel customers in a given year.

Gross Profit. Gross profit is equal to our net sales less cost of goods sold. Our cost of goods sold includes merchandise costs, freight, inventory shrinkage, payroll expenses associated with the merchandising department, distribution center expenses and store occupancy expenses, including rent, common area maintenance charges, real estate taxes and depreciation.

Merchandising payroll costs and store occupancy costs included within cost of goods sold are largely fixed and do not necessarily increase as volume increases. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise and generally use markdowns to clear that merchandise. The timing and level of markdowns are driven primarily by customer acceptance of our merchandise. The primary drivers of our merchandise costs include the raw materials, labor in the countries where we source our merchandise, customs duties, and logistics costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include all operating costs not included in cost of goods sold or marketing expenses.

Marketing Expenses. We continue to make investments in marketing in an effort to grow and retain our active customer base and increase our brand awareness. Marketing expenses consist primarily of (i) targeted online performance marketing costs, such as retargeting, paid search/product listing advertising, and social media advertisements, (ii) store and brand marketing, public relations and photographic production designed to acquire, retain and remain connected to customers and (iii) payroll and benefits expenses associated with our marketing team.

Interest Expense. Interest expense consists primarily of interest expense and other fees associated with our Existing ABL Facility, as amended, and New Term Loan Credit Agreement, as amended.

Provision for Income Taxes. Our provision for income taxes consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for allowable credits, deductions and uncertain tax positions.

Results of Operations

Three Months Ended October 28, 2023 Compared to Three Months Ended October 29, 2022

The following table summarizes our consolidated results of operations for the periods indicated (in thousands):

	Three Months Ended			
	October 28, 2023	% of Net Sales	October 29, 2022	% of Net Sales
Net sales ^(A)	\$ 275,408	100.0 %	\$ 300,201	100.0 %
Cost of goods sold	183,906	66.8 %	198,263	66.0 %
Gross profit	91,502	33.2 %	101,938	34.0 %
Selling, general and administrative expenses ^(A)	71,881	26.1 %	69,347	23.2 %
Marketing expenses	12,739	4.6 %	12,638	4.2 %
Income from operations	6,882	2.5 %	19,953	6.6 %
Interest expense	9,757	3.5 %	8,390	2.8 %
Interest income, net of other expense	267	0.1 %	147	0.0 %
(Loss) income before (benefit from) provision for income taxes	(3,142)	(1.1) %	11,416	3.8 %
(Benefit from) provision for income taxes	(394)	(0.1) %	4,139	1.4 %
Net (loss) income	\$ (2,748)	(1.0) %	\$ 7,277	2.4 %

(A) In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of PLCC Funds in the consolidated statements of operations and comprehensive (loss) income. The reclassification is applied retrospectively to all prior periods presented. See "Note 1—Basis of Presentation and Description of the Business" for further information.

The following table provides a reconciliation of net (loss) income to Adjusted EBITDA for the periods presented (in thousands):

	Three Months Ended	
	October 28, 2023	October 29, 2022
Net (loss) income	\$ (2,748)	\$ 7,277
Interest expense	9,757	8,390
Interest income, net of other expense	267	147
(Benefit from) provision for income taxes	(394)	4,139
Depreciation and amortization ^(A)	8,785	8,849
Share-based compensation ^(B)	1,585	2,913
Non-cash deductions and charges ^(C)	409	375
Other expenses ^(D)	1,718	20
Adjusted EBITDA	\$ 19,379	\$ 32,110

(A) Depreciation and amortization excludes amortization of debt issuance costs and original issue discount that are reflected in interest expense.
 (B) During the three months ended October 28, 2023, share-based compensation includes \$0.1 million for awards that will be settled in cash as they are accounted for as share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*, similar to awards settled in shares.
 (C) Non-cash deductions and charges includes non-cash losses on property and equipment disposals and the net impact of non-cash rent expense.
 (D) Other expenses include severance costs for certain key management positions and certain litigation fees.

Net Sales

Net sales decreased \$24.8 million, or 8.3%, to \$275.4 million for the three months ended October 28, 2023, from \$300.2 million for the three months ended October 29, 2022. This decrease was primarily driven by a decrease in sales transactions and a decrease in PLCC Funds, partially offset by improved pricing strategies. The total number of stores we operate increased by 14 stores, or 2.2%, to 643 stores as of October 28, 2023, from 629 stores as of October 29, 2022.

Gross Profit

Gross profit for the three months ended October 28, 2023 decreased \$10.4 million, or 10.2%, to \$91.5 million, from \$101.9 million for the three months ended October 29, 2022. This decrease was primarily due to a decrease in sales transactions and a decrease in PLCC Funds, partially offset by decreased e-Commerce shipping costs as a result of fewer packages shipped. Gross profit as a percentage of net sales decreased 0.8% to 33.2% for the three months ended October 28, 2023 from 34.0% for the three months ended October 29, 2022. This decrease was primarily driven by a decrease in PLCC Funds, an increase in distribution costs and deleverage of store occupancy costs as a result of lower net sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended October 28, 2023 increased \$2.5 million, or 3.7%, to \$71.9 million, from \$69.3 million for the three months ended October 29, 2022. The increase was primarily due to a \$1.8 million increase in headquarters general and administrative expenses, a \$1.6 million increase in performance bonuses and a \$1.0 million increase in other store operating costs, partially offset by a \$1.3 million decrease in share-based compensation expense. Selling, general and administrative expenses as a percentage of net sales increased 2.9% to 26.1% for the three months ended October 28, 2023 from 23.2% for the three months ended October 29, 2022. This increase was primarily driven by increased headquarters general and administrative expenses, increased other store operating costs and deleverage of store payroll costs as a result of lower net sales.

Marketing Expenses

Marketing expenses for the three months ended October 28, 2023 increased \$0.1 million, or 0.8%, to \$12.7 million, from \$12.6 million for the three months ended October 29, 2022. Marketing expenses as a percentage of net sales increased 0.4% to 4.6% during the three months ended October 28, 2023 from 4.2% during the three months ended October 29, 2022. This increase was primarily driven by an increase in digital marketing and deleverage of our marketing expenses as a result of lower net sales.

Interest Expense

Interest expense was \$9.8 million for the three months ended October 28, 2023, compared to \$8.4 million for the three months ended October 29, 2022. The increase was primarily due to an increase in the variable interest rate associated with the New Term Loan Credit Agreement, as amended, during the three months ended October 28, 2023 compared to the three months ended October 29, 2022.

(Benefit from) Provision for Income Taxes

The benefit from income taxes was \$0.4 million for the three months ended October 28, 2023, compared to a provision for income taxes of \$4.1 million for the three months ended October 29, 2022. Our effective tax rate was 12.5% for the three months ended October 28, 2023 and 36.3% for the three months ended October 29, 2022. The decrease in the effective tax rate for the three months ended October 28, 2023 as compared to the three months ended October 29, 2022 was primarily due to a decrease in income before provision for income taxes during the three months ended October 28, 2023 as compared to the three months ended October 29, 2022 and an increase in state income taxes relative to loss before benefit from income taxes for the three months ended October 28, 2023, partially offset by a decrease in the amount of non-deductible compensation for covered employees and state income taxes relative to loss before benefit from income taxes for the three months ended October 28, 2023.

Nine Months Ended October 28, 2023 Compared to Nine Months Ended October 29, 2022

The following table summarizes our consolidated results of operations for the periods indicated (in thousands):

	Nine Months Ended			
	October 28, 2023	% of Net Sales	October 29, 2022	% of Net Sales
Net sales ^(A)	\$ 858,406	100.0 %	\$ 986,916	100.0 %
Cost of goods sold	553,585	64.5 %	623,556	63.2 %
Gross profit	304,821	35.5 %	363,360	36.8 %
Selling, general and administrative expenses ^(A)	212,700	24.8 %	220,136	22.3 %
Marketing expenses	38,988	4.5 %	44,114	4.5 %
Income from operations	53,133	6.2 %	99,110	10.0 %
Interest expense	28,831	3.4 %	21,351	2.2 %
Interest income, net of other expense	238	0.0 %	223	0.0 %
Income before provision for income taxes	24,064	2.8 %	77,536	7.8 %
Provision for income taxes	8,375	1.0 %	23,483	2.4 %
Net income	\$ 15,689	1.8 %	\$ 54,053	5.4 %

(A) In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of PLCC Funds in the consolidated statements of operations and comprehensive (loss) income. The reclassification is applied retrospectively to all prior periods presented. See "Note 1—Basis of Presentation and Description of the Business" for further information.

The following table provides a reconciliation of net income to Adjusted EBITDA for the periods presented (in thousands):

	Nine Months Ended	
	October 28, 2023	October 29, 2022
Net income	\$ 15,689	\$ 54,053
Interest expense	28,831	21,351
Interest income, net of other expense	238	223
Provision for income taxes	8,375	23,483
Depreciation and amortization ^(A)	27,103	26,981
Share-based compensation ^(B)	5,981	7,568
Non-cash deductions and charges ^(C)	354	2,310
Other expenses ^(D)	3,220	8
Adjusted EBITDA	\$ 89,791	\$ 135,977

(A) Depreciation and amortization excludes amortization of debt issuance costs and original issue discount that are reflected in interest expense.
 (B) During the nine months ended October 28, 2023, share-based compensation includes \$0.4 million for awards that will be settled in cash as they are accounted for as share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*, similar to awards settled in shares.
 (C) Non-cash deductions and charges includes non-cash losses on property and equipment disposals and the net impact of non-cash rent expense.
 (D) Other expenses include severance costs for certain key management positions and certain litigation fees.

Net Sales

Net sales decreased \$128.5 million, or 13.0%, to \$858.4 million for the nine months ended October 28, 2023, from \$986.9 million for the nine months ended October 29, 2022. This decrease was primarily driven by a decrease in sales transactions, partially offset by improved pricing strategies. The total number of stores we operate increased by 14 stores, or 2.2%, to 643 stores as of October 28, 2023, from 629 stores as of October 29, 2022.

Gross Profit

Gross profit for the nine months ended October 28, 2023 decreased \$58.5 million, or 16.1%, to \$304.8 million, from \$363.4 million for the nine months ended October 29, 2022. This decrease was primarily due to a decrease in sales transactions, a decrease in PLCC Funds and increases in store occupancy costs and merchandising payroll costs, partially offset by decreases in distribution costs and e-Commerce shipping costs as a result of fewer packages shipped. Gross profit as a percentage of net sales decreased 1.3% to 35.5% for the nine months ended October 28, 2023 from 36.8% for the nine months ended October 29, 2022. This decrease was primarily driven by increases in store occupancy costs and merchandising payroll costs and deleverage of store depreciation expense as a result of lower net sales, partially offset by improved pricing strategies and a decrease in e-Commerce shipping costs as a result of fewer packages shipped.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended October 28, 2023 decreased \$7.4 million, or 3.4%, to \$212.7 million, from \$220.1 million for the nine months ended October 29, 2022. The decrease was primarily due to a \$4.3 million decrease in store payroll costs, a \$2.8 million decrease in performance bonuses, a \$1.6 million decrease in share-based compensation expense, a \$1.5 million decrease in losses on property and equipment disposals and a \$1.4 million decrease in other store operating costs, partially offset by a \$4.3 million increase in headquarters general and administrative expenses. Selling, general and administrative expenses as a percentage of net sales increased by 2.5% to 24.8% for the nine months ended October 28, 2023 from 22.3% for the nine months ended October 29, 2022. This increase was primarily driven by increased headquarters general and administrative expenses and deleverage of store payroll costs and other store operating costs as a result of lower net sales, partially offset by decreased performance bonuses.

Marketing Expenses

Marketing expenses for the nine months ended October 28, 2023 decreased \$5.1 million, or 11.6%, to \$39.0 million, from \$44.1 million for the nine months ended October 29, 2022. This decrease was primarily due to decreased television marketing and regional marketing events, partially offset by an increase in digital marketing. Marketing expenses as a percentage of net sales was 4.5% during the nine months ended October 28, 2023 and October 29, 2022. Marketing expenses as a percentage of net sales decreased 11.6% during the nine months ended October 28, 2023 and October 29, 2022.

net sales decreased during the nine months ended October 28, 2023 as a result of decreased television marketing and regional marketing events, and these decreases were offset by an increase in digital marketing and deleverage of marketing expenses as a result of lower net sales.

Interest Expense

Interest expense was \$28.8 million for the nine months ended October 28, 2023, compared to \$21.4 million for the nine months ended October 29, 2022. The increase was primarily due to an increase in the variable interest rate associated with the New Term Loan Credit Agreement, as amended, during the nine months ended October 28, 2023 compared to the nine months ended October 29, 2022.

Provision for Income Taxes

The provision for income taxes was \$8.4 million for the nine months ended October 28, 2023, compared to a provision for income taxes of \$23.5 million for the nine months ended October 29, 2022. Our effective tax rate was 34.8% for the nine months ended October 28, 2023 and 30.3% for the nine months ended October 29, 2022. The increase in the effective tax rate for the nine months ended October 28, 2023 as compared to the nine months ended October 29, 2022 was primarily due to increases in the amount of non-deductible compensation for covered employees and state income taxes relative to income before provision for income taxes for the nine months ended October 28, 2023.

Liquidity and Capital Resources

General

Our business relies on cash flows from operations as our primary source of liquidity. We do, however, have access to additional liquidity, if needed, through borrowings under our Existing ABL Facility, as amended. Availability under the Existing ABL Facility, as amended, as of the end of the third quarter of fiscal year 2023, was \$137.5 million, which reflects borrowings of \$5.1 million. Our primary cash needs are for merchandise inventories, payroll, rent for our stores, headquarters and distribution center, capital expenditures associated with opening new stores and updating existing stores, logistics and information technology. We also need cash to fund our interest and principal payments on the New Term Loan Credit Agreement, as amended, and make discretionary repurchases of our common stock. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, prepaid expenses and other current assets, accounts payable, accrued and other current liabilities and operating lease liabilities. We believe that cash generated from operations and the availability of borrowings under our Existing ABL Facility, as amended, or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our Existing ABL Facility, as amended, or otherwise to enable us to service our indebtedness, or to make capital expenditures in the future. Our future operating performance and our ability to service or extend our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

July 2023 Reduction in Workforce

In July 2023, we implemented a strategic reduction of approximately 5% of our workforce employed in our headquarters in City of Industry, California. We estimate that we will incur between approximately \$1.0 million and \$2.0 million in costs to implement the workforce reduction, comprised primarily of severance payments and continuing health care coverage over the severance period. The costs associated with the workforce reduction are expected to be incurred during fiscal year 2023. During the three- and nine-month periods ended October 28, 2023, we recognized \$1.2 million and \$1.5 million, respectively, of expense related to the workforce reduction in selling, general and administrative expenses in our condensed consolidated statements of operations and comprehensive (loss) income.

Cash Flow Analysis

A summary of operating, investing and financing activities are shown in the following table (in thousands):

	Nine Months Ended	
	October 28, 2023	October 29, 2022
Net cash provided by operating activities	\$ 33,730	\$ 53,909
Net cash used in investing activities	(15,228)	(17,087)
Net cash used in financing activities	(16,334)	(46,995)

Net Cash Provided By Operating Activities

Operating activities consist primarily of net income adjusted for non-cash items, including depreciation and amortization and share-based compensation, the effect of working capital changes and taxes paid.

Net cash provided by operating activities during the nine months ended October 28, 2023 was \$33.7 million compared to \$53.9 million during the nine months ended October 29, 2022. The decrease in cash provided by operating activities during the nine months ended October 28, 2023 was primarily as a result of a decrease in net income, a lower increase in accounts payable, an increase in prepaid income taxes, a decrease in amounts due to related parties and a decrease in other noncurrent liabilities. These decreases were partially offset by a decrease in inventory purchases and a lower decrease in accrued expenses and other current liabilities.

Net Cash Used In Investing Activities

Typical investing activities consist primarily of capital expenditures for growth (new store openings, relocations and major remodels), store maintenance (minor store remodels and investments in store fixtures), and infrastructure to support the business related primarily to information technology, our headquarters facility and our West Jefferson, Ohio distribution center.

Net cash flows used in investing activities during the nine months ended October 28, 2023 was \$15.2 million, compared to \$17.1 million during the nine months ended October 29, 2022. The decrease in cash used in investing activities was primarily as a result of a decrease in capital expenditures related to our West Jefferson, Ohio distribution center, partially offset by increased capital expenditures related to the opening of new stores and store relocations during the nine months ended October 28, 2023, compared to the nine months ended October 29, 2022.

Net Cash Used In Financing Activities

Financing activities consist primarily of (i) borrowings and repayments related to our Existing ABL Facility, as amended, (ii) borrowings and repayments related to the New Term Loan Credit Agreement and (iii) repurchases and retirement of our common stock.

Net cash used in financing activities during the nine months ended October 28, 2023 was \$16.3 million compared to \$47.0 million during the nine months ended October 29, 2022. The decrease in net cash used in financing activities is primarily as a result of a \$31.7 million decrease in share repurchases and a \$4.4 million decrease in principal payments on the New Term Loan Credit Agreement, as amended, due to the timing of payments relative to the end of our fiscal quarter, partially offset by a \$5.4 million decrease in net borrowing from the Existing ABL Facility, as amended.

Debt Financing Arrangements

As of October 28, 2023, we had \$308.7 million of outstanding indebtedness, net of unamortized original issue discount and debt financing costs, consisting of term loans under the New Term Loan Credit Agreement, as amended. As of October 28, 2023, we had borrowings of \$5.1 million under the Existing ABL Facility, as amended. Please refer to "Note 12—Debt Financing Arrangements" for further discussion regarding our indebtedness.

Critical Accounting Policies and Significant Estimates

There have been no material changes to our critical accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risk profile as of January 28, 2023 is disclosed in our Annual Report on Form 10-K and has not materially changed. Please refer to "Note 12—Debt Financing Arrangements" for further discussion regarding our indebtedness.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

We, under the supervision of and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures are effective as of October 28, 2023, to ensure that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes during the three months ended October 28, 2023 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 6, 2021, the Board authorized a share repurchase program under which we may purchase up to \$100.0 million of our outstanding common stock. Repurchases may be made from time to time, depending upon a variety of factors, including share price, corporate and regulatory requirements, and other market and business conditions, as determined by us. We may purchase shares of our common stock in the open market at current market prices at the time of purchase, in privately negotiated transactions, or by other means. The authorization does not, however, obligate us to acquire any particular amount of shares, and the share repurchase program may be suspended or terminated at any time at our discretion. During the three months ended October 28, 2023 we did not repurchase any shares of our common stock. As of October 28, 2023, we had approximately \$44.9 million remaining under the share repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits**EXHIBIT INDEX**

Exhibit Number	Description	Form	Filing Date	Incorporated by Reference Exhibit
3.1	Amended and Restated Certificate of Incorporation of Torrid Holdings Inc., dated July 6, 2021.	8-K	July 6, 2021	3.1
3.2	Amended and Restated Bylaws of Torrid Holdings Inc.	10-K	March 28, 2023	3.2
10.1*	Second Amendment to the Amended and Restated Services Agreement, dated August 1, 2023, between Torrid LLC and Hot Topic Inc.			
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101*	Interactive Data Files (formatted in Inline XBRL)			
104*	Cover Page Interactive Data Files (Embedded within the Inline XBRL document and included in Exhibit 101)			

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith

** Furnished herewith

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, in City of Industry, California on December 7, 2023.

Torrid Holdings Inc.

By: /s/ Lisa Harper

Name: Lisa Harper

Title: Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Paula Dempsey

Name: Paula Dempsey

Title: Chief Financial Officer
(Principal Financial Officer)

SECOND AMENDMENT TO THE AMENDED AND RESTATED SERVICES AGREEMENT

This Second Amendment (“Second Amendment”), effective as of April 30, 2023 (“Effective Date”), is made by and between Hot Topic, Inc., a California corporation (“Hot Topic”), and Torrid LLC, a California limited liability company (“Torrid”). This Second Amendment is made pursuant to the Amended & Restated Services Agreement, dated March 21, 2019, as amended (the “Amended & Restated Services Agreement”), executed by and between Hot Topic and Torrid. Hot Topic and Torrid may referred to individually as a “Party” or collectively as the “Parties.”

RECITALS

WHEREAS, pursuant to the Amended & Restated Services Agreement, Hot Topic agreed to provide, among other things, certain real estate lease administration and construction services to Torrid;

WHEREAS, the Parties wish to amend the Amended & Restated Services Agreement to change the real estate lease administration and construction services provided by Hot Topic to Torrid, as well as the fee charged by Hot Topic in connection with such services, effective the Effective Date;

NOW THEREFORE, Hot Topic and Torrid agree that the Amended & Restated Services Agreement is hereby amended as follows:

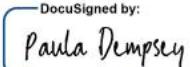
1. Schedule 3 of the Amended & Restated Services Agreement, titled “Real Estate and Construction,” shall be deleted in its entirety and replaced with Schedule set forth Exhibit A. For clarity, the services, fees, and all other obligations liabilities related to Schedule 3 shall be effective as of the Effective Date. The Parties acknowledge and agree that the amended terms to Schedule 3 of the Amended & Restated Services Agreement do not apply retroactively.
2. This Second Amendment may be executed in counterparts, each of which shall be deemed an original, and said counterparts together shall constitute one and the same instrument binding the Parties hereto. This Second Amendment may be executed by providing an electronic signature under the terms of the UETA and/or E-SIGN Act. Each Party agrees that any electronic signatures of the Parties included in this Second Amendment are intended to authenticate this writing and to have the same force and effect as handwritten signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a Party with the intent to sign such record.
3. Except as modified herein, all other covenants and provisions of the Amended & Restated Services Agreement shall remain unmodified and in full force and effect.

[signatures on following page]

By signing in the space provided below, the Parties hereto have accepted and agreed to all of the terms and conditions hereof.

TORRID LLC

HOT TOPIC, INC.

DocuSigned by:
By: 
295F3FB98BF443B..
Name: Paula Dempsey
Title: Interim CFO

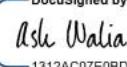
DocuSigned by:
By: 
1312AC07E0BD44A
Name: Ash Walia
Title: CFO

EXHIBIT A
SCHEDULE 3
REAL ESTATE AND CONSTRUCTION

Fees

The Fees for the Services on this Schedule 1 shall be as set forth below:

Service Type	Fees
1. Fixed Fee	\$152,000 per month.

Services

Real Estate Lease Administration Services:

Hot Topic will provide Torrid with the following:

- 1) Lease negotiation and management services, including the negotiation and management of lease kick-outs, lease expirations and modifications (including rent reductions) and negotiation and management of leases for new stores, relocations and remodels, with Hot Topic using commercially reasonable efforts on behalf of Torrid in connection therewith; provided that (i) the lease negotiation services described above shall not include, nor shall Hot Topic or its agents be deemed to have offered at any time, legal advice or opinions with respect to any documents or agreements generated in connection with such negotiations, and Torrid, at Torrid's election and sole cost and expense, shall provide its own legal counsel and other advisors as to the suitability of such documents and agreements and the overall lease transaction; but relying on HT for appropriate lease language in line with industry practice (ii) all final decisions whether to accept or reject a deal shall be made by Torrid, and Hot Topic shall have no liability to Torrid in connection with the consummation of, or the failure to consummate, any lease transaction contemplated herein; and (iii) under no circumstances shall Hot Topic be required to execute or deliver any guaranty or other security with respect to the effectuation, renewal, extension or replacement of any such leases or to secure alternate leased space for Torrid.
- 2) Maintain existing leasing files, consisting of leases, correspondence and leasing plans for all existing Torrid locations.
- 3) Handle negotiations for store storage agreements, temporary store location agreements and processing Estoppels and SNDA's.
- 4) Lease abstraction services for changes related to details of executed lease modifications (new lease and remodel/relocation abstracts will be paid by Torrid).

- 5) Upon request by Torrid, Hot Topic will provide migration assistance for Torrid stores data in the lease administration, lease payables and/or information management systems applications. Such migration assistance will include consultation and access to appropriate electronic database information that will be extracted from the databases associated with the systems identified above; *provided, that* it will not include any integration support for the loading of such data into the systems of Torrid. Additionally, such migration assistance will include provision of readily-available contact information and communications facilitation with the related Torrid stores' outside software providers. The database extracts from the payables system will include, to the extent available, all current payment information and payment history for Torrid stores.
- 6) Maintain and provide originals of all Torrid leases.
- 7) Maintain and provide names and readily-available contact information of landlords that supply significant services to Torrid stores.
- 8) Provide available real estate strategy information and research data, if any, pertaining exclusively to Torrid stores real estate analysis and decision making used to determine new leases and/or renewals for years during the Term of the Agreement.
- 9) Manage lease system data, including reasonably prompt entry of lease data into Torrid's then-current lease management system.
- 10) Manage real estate store proforma model and other data points used to evaluate new store openings, as well as utilize applicable information provided by Torrid in its evaluation of new store openings.
- 11) Maintain communications with landlords on behalf of Torrid regarding lease issues.
- 12) Assistance, as necessary, in securing marketing related activities, including but not limited to complimentary in-mall marketing for grand openings and/or other events, signage locations, emails, and social influencer accommodations with selected landlords.
- 13) Review, analyze, and compose all kickout letters, co-tenancy letters, default notices to Landlord, and all ad-hoc letters needed by Torrid.
- 14) Correspond with Landlord on behalf of Torrid on rent related issues including YE adjustment disputes, default notices, and operational issues involving the store premises or operational covenants.
- 15) Negotiate all legal demands or lawsuits pertaining to the stores rents and operations.
- 16) Partner with Torrid risk management and General Counsel on any insurance issues, security issues, legal (non lease) issues and certificate of occupancies and licenses.

Construction Services (for both new stores and remodels of existing stores and fixture roll-outs) and Repairs and Maintenance Management for Stores and HQ to be provided through April 6, 2024:

Hot Topic will provide Torrid with the following Services:

- 1) Purchasing for repairs and maintenance coordination (as agent for Torrid); vendor selection; pricing negotiation and vendor management for Torrid's headquarters and stores).

- 2) Reasonable access to any documents or other information in Hot Topic's possession pertaining to construction, repairs or maintenance of Torrid's headquarters or stores that predate the Effective Date of this Second Amendment. To the extent any documents or information are in the possession of third-parties, Hot Topic will provide reasonable assistance to Torrid to obtain such documents or information, but only to the extent Hot Topic's assistance is necessary in order for Torrid to obtain such information from third-parties.

Obligations of Torrid

Within ninety (90) days of Torrid's fiscal year end, Torrid shall provide Hot Topic with a 12-month forecast (in a form agreed by the Parties), setting forth Torrid's good faith estimate of the number of stores to be opened and/or remodeled, leases to be negotiated and stores to be closed during such period in connection with the Services described in this Schedule 1.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lisa Harper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Torrid 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: December 7, 2023 By: /s/ Lisa Harper

Lisa Harper
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paula Dempsey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Torrid 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: December 7, 2023 By: /s/ Paula Dempsey

Paula Dempsey
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Torrid Holdings Inc. (the "Company") on Form 10-Q for the period ended July 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa Harper, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2023 By: /s/ Lisa Harper

Lisa Harper
Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Torrid Holdings Inc. (the "Company") on Form 10-Q for the period ended July 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paula Dempsey, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2023 By: /s/ Paula Dempsey

Paula Dempsey
Chief Financial Officer
(Principal Financial Officer)