REFINITIV

DELTA REPORT

10-Q

RH - RH

10-Q - MAY 04, 2024 COMPARED TO 10-Q - OCTOBER 28, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1915
CHANGES	272
DELETIONS	853
ADDITIONS	790

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 28, 2023 May 4, 2024

or

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

For the transition period from to

Commission file number: 001-35720

Graphic

(Exact name of registrant as specified in its charter)

Delaware	**45-3052669**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
15 Koch Road	
Corte Madera, CA	**94925**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (415) 924-1005

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

Common Stock, $0.0001 par value	**RH**	**New York Stock Exchange, Inc.**
(Title of each class)	**(Trading symbol)**	**(Name of each exchange on which registered)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 1, 2023 June 7, 2024, 18,219,414 18,445,222 shares of the registrant's common stock were outstanding.

Table of Contents

RH

INDEX TO FORM 10-Q

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

RH

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	OCTOBER 28, 2023	JANUARY 28, 2023	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)		*(in thousands)*	
ASSETS				
Cash and cash equivalents	$ 380,695	$ 1,508,101	$ 101,787	$ 123,688
Restricted cash	1,960	3,662		
Accounts receivable—net	56,053	59,763	62,800	55,058
Merchandise inventories	718,959	801,841	802,209	754,126
Prepaid expense and other current assets	129,213	139,297	149,230	169,030
Total current assets	1,286,880	2,512,664	1,116,026	1,101,902
Property and equipment—net	1,665,483	1,635,984	1,693,190	1,685,858
Operating lease right-of-use assets	616,571	527,246	605,664	625,801
Goodwill	140,997	141,048	141,013	141,033
Tradenames, trademarks and other intangible assets	75,746	74,633	76,053	75,927
Deferred tax assets	126,094	167,039	143,980	143,986
Equity method investments	128,112	101,468	128,908	128,668
Other non-current assets	200,736	149,207	281,705	240,722
Total assets	$ 4,240,619	$ 5,309,289	$4,186,539	$ 4,143,897
LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT)				
LIABILITIES AND STOCKHOLDERS’ DEFICIT				
Accounts payable and accrued expenses	$ 399,727	$ 374,949	$ 407,494	$ 366,585
Deferred revenue and customer deposits	302,976	325,754	315,647	282,812
Convertible senior notes due 2023	—	1,696		
Convertible senior notes due 2024—net	41,807	—	41,862	41,835
Operating lease liabilities	89,492	80,384	85,875	85,523
Other current liabilities	100,972	103,190	85,613	96,113

Total current liabilities	934,974	885,973	936,491	872,868
Asset based credit facility	—	—	—	—
Term loan B—net	1,924,002	1,936,529	1,915,703	1,919,885
Term loan B-2—net	468,775	469,245	468,531	468,696
Real estate loans	17,844	17,909		
Convertible senior notes due 2024—net	—	41,724		
Real estate loans—net			17,679	17,766
Non-current operating lease liabilities	570,073	505,809	555,651	576,166
Non-current finance lease liabilities	642,726	653,050	562,804	566,829
Deferred tax liabilities	6,139	6,315	8,419	8,442
Other non-current obligations	9,300	8,074	11,182	10,639
Total liabilities	4,573,833	4,524,628	4,476,460	4,441,291
Commitments and contingencies (Note 16)				
Stockholders' equity (deficit):				
Preferred stock—$0.0001 par value per share, 10,000,000 shares authorized, no shares issued or outstanding as of October 28, 2023 and January 28, 2023	—	—		
Common stock—$0.0001 par value per share, 180,000,000 shares authorized, 18,218,397 shares issued and outstanding as of October 28, 2023; 22,045,385 shares issued and outstanding as of January 28, 2023	2	2		
Stockholders' deficit:				
Preferred stock—$0.0001 par value per share, 10,000,000 shares authorized, no shares issued or outstanding as of May 4, 2024 and February 3, 2024			—	—
Common stock—$0.0001 par value per share, 180,000,000 shares authorized, 18,342,797 shares issued and outstanding as of May 4, 2024; 18,315,613 shares issued and outstanding as of February 3, 2024			2	2
Additional paid-in capital	270,928	247,076	300,189	287,806
Accumulated other comprehensive income (loss)	(8,996)	(2,403)		
Retained earnings (accumulated deficit)	(595,148)	539,986		
Total stockholders' equity (deficit)	(333,214)	784,661		
Total liabilities and stockholders' equity (deficit)	$ 4,240,619	$ 5,309,289		
Accumulated other comprehensive loss			(3,223)	(1,938)
Accumulated deficit			(586,889)	(583,264)
Total stockholders' deficit			(289,921)	(297,394)
Total liabilities and stockholders' deficit			$4,186,539	$ 4,143,897

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands, except share and per share amounts)				*(in thousands, except share and per share amounts)*	
Net revenues	$ 751,225	$ 869,066	$ 2,290,866	$ 2,817,978	$ 726,960	$ 739,162
Cost of goods sold	410,775	448,288	1,222,798	1,375,399	410,922	391,617
Gross profit	340,450	420,778	1,068,068	1,442,579	316,038	347,545
Selling, general and administrative expenses	289,214	250,528	766,252	832,627	261,375	248,305
Income from operations	51,236	170,250	301,816	609,952	54,663	99,240
Other expenses						
Interest expense—net	54,640	31,417	138,878	78,536	56,772	39,816
Loss on extinguishment of debt	—	—	—	169,578		
Other expense—net	5,305	1,989	4,466	4,841		
Other (income) expense—net					1,165	(653)
Total other expenses	59,945	33,406	143,344	252,955	57,937	39,163
Income (loss) before income taxes and equity method investments	(8,709)	136,844	158,472	356,997	(3,274)	60,077
Income tax expense (benefit)	(9,215)	36,162	34,615	(70,867)	(2,091)	16,585
Income before equity method investments	506	100,682	123,857	427,864		
Share of equity method investments loss	2,693	1,922	7,677	6,118		
Income (loss) before equity method investments					(1,183)	43,492
Share of equity method investments loss—net					2,442	1,602
Net income (loss)	$ (2,187)	$ 98,760	$ 116,180	$ 421,746	$ (3,625)	$ 41,890
Weighted-average shares used in computing basic net income (loss) per share	18,371,545	23,681,482	20,459,241	23,588,464	18,324,454	22,047,029
Basic net income (loss) per share	$ (0.12)	$ 4.17	$ 5.68	$ 17.88	$ (0.20)	$ 1.90
Weighted-average shares used in computing diluted net income (loss) per share	18,371,545	26,098,265	22,207,813	26,947,087	18,324,454	23,758,788
Diluted net income (loss) per share	$ (0.12)	$ 3.78	$ 5.23	$ 15.65	$ (0.20)	$ 1.76

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				(in thousands)	
Net income (loss)	$ (2,187)	$ 98,760	$ 116,180	$ 421,746	$ (3,625)	$ 41,890
Net loss from foreign currency translation	(12,268)	(4,890)	(6,593)	(11,275)		
Net gain (loss) from foreign currency translation					(1,285)	2,295
Comprehensive income (loss)	$ (14,455)	$ 93,870	$ 109,587	$ 410,471	$ (4,910)	$ 44,185

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)

(Unaudited)

	THREE MONTHS ENDED								THREE MONTHS ENDED					
	COMMON STOCK					TREASURY STOCK			COMMON STOCK					
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	SHARES	AMOUNT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	STO EQU
	(in thousands, except share amounts)								(in thousands, except share amounts)					
Balances—July 29, 2023	18,397,853	$ 2	$ 261,803	$ 3,272	$ (549,659)	—	$ —	$ (284,582)						
Balances—February 3, 2024									18,315,613	$ 2	$ 287,806	$ (1,938)	$ (583,264)	$
Stock-based compensation	—	—	9,820	—	—	—	—	9,820	—	—	10,544	—	—	
Issuance of restricted stock									4,000	—	—	—	—	
Vested and delivered restricted stock units	196	—	(30)	—	—	—	—	(30)	817	—	(151)	—	—	
Exercise of stock options	9,426	—	1,088	—	—	—	—	1,088	22,367	—	1,990	—	—	
Repurchase of common stock—including excise tax	(189,078)	—	—	—	—	189,078	(45,055)	(45,055)						

Retirement of treasury stock	—	—	(1,753)	—	(43,302)	(189,078)	45,055	—						
Net loss	—	—	—	—	(2,187)	—	—	(2,187)	—	—	—	—	(3,625)	
Net loss from foreign currency translation	—	—	—	(12,268)	—	—	—	(12,268)	—	—	—	(1,285)	—	
Balances—October 28, 2023	18,218,397	$ 2	$ 270,928	$ (8,996)	$ (595,148)	—	$ —	$ (333,214)						
Balances—May 4, 2024									18,342,797	$ 2	$ 300,189	$ (3,223)	$ (586,889)	$
Balances—July 30, 2022	23,715,191	$ 2	$ 334,054	$ (7,795)	$ 893,983	—	$ —	$ 1,220,244						
Balances—January 28, 2023									22,045,385	$ 2	$ 247,076	$ (2,403)	$ 539,986	$
Stock-based compensation	—	—	10,187	—	—	—	—	10,187	—	—	10,180	—	—	
Vested and delivered restricted stock units	1,119	—	(171)	—	—	—	—	(171)	847	—	(96)	—	—	
Exercise of stock options	20,777	—	1,527	—	—	—	—	1,527	5,017	—	456	—	—	
Settlement of convertible senior notes	6	—	—	—	—	—	—	—	2	—	—	—	—	
Repurchase of common stock	(127,557)	—	—	—	—	127,557	(31,710)	(31,710)						
Retirement of treasury stock	—	—	(31,710)	—	—	(127,557)	31,710	—						
Net income	—	—	—	—	98,760	—	—	98,760	—	—	—	—	41,890	
Net loss from foreign currency translation	—	—	—	(4,890)	—	—	—	(4,890)						
Balances—October 29, 2022	23,609,536	$ 2	$ 313,887	$ (12,685)	$ 992,743	—	$ —	$ 1,293,947						
Net gain from foreign currency translation									—	—	—	2,295	—	
Balances—April 29, 2023									22,051,251	$ 2	$ 257,616	$ (108)	$ 581,876	$

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (continued)

(Unaudited)

	NINE MONTHS ENDED							
	COMMON STOCK					TREASURY STOCK		
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	SHARES	AMOUNT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	(in thousands, except share amounts)							
Balances—January 28, 2023	22,045,385	$ 2	$ 247,076	$ (2,403)	$ 539,986	—	$ —	$ 784,661
Stock-based compensation	—	—	28,538	—	—	—	—	28,538
Issuance of restricted stock	2,961	—	—	—	—	—	—	—
Vested and delivered restricted stock units	1,043	—	(126)	—	—	—	—	(126)
Exercise of stock options	55,042	—	5,816	—	—	—	—	5,816
Settlement of convertible senior notes	1,931	—	—	—	—	—	—	—
Repurchase of common stock—including excise tax	(3,887,965)	—	—	—	—	3,887,965	(1,261,690)	(1,261,690)
Retirement of treasury stock	—	—	(10,376)	—	(1,251,314)	(3,887,965)	1,261,690	—
Net income	—	—	—	—	116,180	—	—	116,180
Net loss from foreign currency translation	—	—	—	(6,593)	—	—	—	(6,593)
Balances—October 28, 2023	18,218,397	$ 2	$ 270,928	$ (8,996)	$ (595,148)	—	$ —	$ (333,214)
Balances—January 29, 2022	21,506,967	$ 2	$ 620,577	$ (1,410)	$ 551,108	—	$ —	$ 1,170,277
Stock-based compensation	—	—	33,725	—	—	—	—	33,725
Issuance of restricted stock	3,577	—	—	—	—	—	—	—
Vested and delivered restricted stock units	2,985	—	(494)	—	—	—	—	(494)
Exercise of stock options	3,223,552	—	153,568	—	—	—	—	153,568
Repurchase of common stock	(1,127,557)	—	—	—	—	1,127,557	(286,441)	(286,441)
Retirement of treasury stock	—	—	(286,441)	—	—	(1,127,557)	286,441	—
Exercise of call option under bond hedge upon settlement of convertible senior notes	(36,968)	—	14,705	—	—	36,968	(14,705)	—
Settlement of convertible senior notes	36,980	—	(14,705)	—	—	(36,968)	14,705	—
Termination of common stock warrants	—	—	(386,708)	—	—	—	—	(386,708)
Termination of convertible note hedge	—	—	236,050	—	—	—	—	236,050
Impact of ASU 2020-06 adoption	—	—	(56,390)	—	19,889	—	—	(36,501)
Net income	—	—	—	—	421,746	—	—	421,746
Net loss from foreign currency translation	—	—	—	(11,275)	—	—	—	(11,275)
Balances—October 29, 2022	23,609,536	$ 2	$ 313,887	$ (12,685)	$ 992,743	—	$ —	$ 1,293,947

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

RH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 116,180	$ 421,746		
Adjustments to reconcile net income to net cash provided by operating activities:				
Net income (loss)			$ (3,625)	$ 41,890
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	84,360	79,760	30,827	27,770
Non-cash operating lease cost	62,938	55,912	23,842	19,865
Stock-based compensation expense			10,544	10,180
Asset impairments	7,165	19,080	575	2,475
Gain on sale of building and land	—	(775)		
Stock-based compensation expense	28,538	33,725		
Non-cash finance lease interest expense	25,920	23,526	7,407	8,486
Product recalls	(1,576)	560		
Deferred income taxes	40,884	5,627	—	16,527
Loss on extinguishment of debt	—	169,578		
Gain on derivative instruments—net	—	(1,724)		
Share of equity method investments loss	7,677	6,118		
Share of equity method investments loss—net			2,442	1,602
Other non-cash items	6,601	5,542	2,184	2,215
Change in assets and liabilities:				
Accounts receivable	3,676	(675)	(7,750)	(462)
Merchandise inventories	81,166	(96,598)	(48,324)	35,915
Prepaid expense and other assets	(12,788)	(152,892)	15,404	(4,311)
Landlord assets under construction—net of tenant allowances	(18,617)	(43,380)	(8,782)	(9,583)
Accounts payable and accrued expenses	(2,859)	(44,999)	40,520	(54,354)
Deferred revenue and customer deposits	(22,735)	(26,604)	32,873	19,160
Other current liabilities	(541)	(36,596)	(11,143)	(556)
Current and non-current operating lease liabilities	(65,021)	(56,936)	(24,009)	(21,543)
Other non-current obligations	(24,796)	(23,974)	(6,855)	(8,538)
Net cash provided by operating activities	316,172	336,021	56,130	86,738
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures			(66,261)	(34,190)
Equity method investments			(2,682)	(33,131)
Net cash used in investing activities			(68,943)	(67,321)

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(Unaudited)

	NINE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022
	(in thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(131,840)	(109,675)
Equity method investments	(34,321)	(2,313)
Proceeds from sale of asset	—	5,287
Net cash used in investing activities	(166,161)	(106,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term loans	—	500,000
Repayments under term loans	(18,750)	(15,000)
Borrowings under real estate loans	—	16,000
Repayments under real estate loans	(20)	(4)
Repayments under promissory and equipment security notes	(1,160)	(13,157)
Repayments of convertible senior notes	(1,696)	(13,053)
Repayment under convertible senior notes repurchase obligation	—	(395,372)
Debt extinguishment costs	—	(8,059)
Debt issuance costs	—	(27,733)
Principal payments under finance lease agreements—net of tenant allowances	(9,551)	(6,798)
Proceeds from termination of convertible senior note hedges	—	231,796
Payments for termination of common stock warrants	—	(390,934)
Repurchases of common stock—inclusive of excise taxes paid	(1,252,899)	(286,441)
Proceeds from exercise of stock options	5,816	153,568
Tax withholdings related to issuance of stock-based awards	(126)	(494)
Net cash used in financing activities	(1,278,386)	(255,681)
Effects of foreign currency exchange rate translation	(733)	(1,155)

Net decrease in cash and cash equivalents, restricted cash and restricted cash equivalents	(1,129,108)	(27,516)

Table of Contents

RH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(Unaudited)

[redacted]	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)		(in thousands)	
Cash and cash equivalents, restricted cash and restricted cash equivalents				
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments under term loans			(6,250)	(6,250)
Repayments under real estate loans			(9)	(6)
Repayments under promissory and equipment security notes			—	(1,160)
Repayments of convertible senior notes			—	(2)
Principal payments under finance lease agreements			(4,496)	(3,877)
Proceeds from exercise of stock options			1,990	456
Tax withholdings related to issuance of stock-based awards			(151)	(96)
Net cash used in financing activities			(8,916)	(10,935)
Effects of foreign currency exchange rate translation on cash			(172)	(18)
Net increase (decrease) in cash and cash equivalents and restricted cash			(21,901)	8,464
Cash and cash equivalents and restricted cash				
Beginning of period—cash and cash equivalents	1,508,101	2,177,889	123,688	1,508,101
Beginning of period—restricted cash	3,662	—	—	3,662
Beginning of period—restricted cash equivalents (acquisition related escrow deposits)	—	3,975		
Beginning of period—cash and cash equivalents, restricted cash and restricted cash equivalents	$ 1,511,763	$ 2,181,864		
Beginning of period—cash and cash equivalents and restricted cash			$123,688	$1,511,763
End of period—cash and cash equivalents	380,695	2,150,466	101,787	1,516,689
End of period—restricted cash	1,960	3,882	—	3,538
End of period—cash and cash equivalents and restricted cash	$ 382,655	$ 2,154,348	$101,787	$1,520,227
Non-cash transactions:				
Property and equipment additions in accounts payable and accrued expenses at period-end	$ 38,031	$ 18,915	$ 38,504	$ 20,441
Landlord asset additions in accounts payable and accrued expenses at period-end	3,621	6,924	6,434	2,564
Property and equipment additions acquired under real estate loans	—	2,000		
Excise tax from share repurchases in accounts payable and accrued expenses at period-end	12,491	—	11,988	3,700
Reclassification of assets from landlord assets under construction to finance lease right-of-use assets	—	221,886		
Extinguishment of convertible senior notes related to repurchase obligation	—	(261,988)		
Financing liability and embedded derivative arising from convertible senior notes repurchase	—	405,577		
Shares issued on settlement of convertible senior notes	—	(14,705)		
Shares received on exercise of call option under bond hedge upon settlement of convertible senior notes	—	14,705		
Conversion of loan receivables into equity of consolidated variable interest entities	—	300		

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents

RH

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—THE COMPANY

Nature of Business

RH, a Delaware corporation, together with its subsidiaries (collectively, “we,” “us,” “our” or the “Company”), is a leading retailer and luxury lifestyle brand operating primarily in the home furnishings market. Our curated and fully integrated assortments are presented consistently across our sales channels, including our retail locations, websites and Sourcebooks. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and baby, child and teen furnishings.

As of October 28, 2023 May 4, 2024, we operated a total of 68 71 RH Galleries and 42 41 RH Outlet stores, one RH Guesthouse as well as and 14 Waterworks Showrooms throughout the United States and Canada and as well as in the United Kingdom. Kingdom, Germany and Belgium. We also have sourcing operations in Shanghai and Hong Kong.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared from our records and, in our senior leadership team’s opinion, include all adjustments, consisting of normal recurring adjustments, necessary to fairly state our financial position as of October 28, 2023 May 4, 2024, and the results of operations for the three and nine months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023. Our current fiscal year, which consists of 53 52 weeks, ends on February 3, 2024 February 1, 2025 (“fiscal 2023” 2024”).

The condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, as well as the financial information of variable interest entities (“VIEs”) where we represent the primary beneficiary and have the power to direct the activities that most significantly impact the entity's performance. Accordingly, all intercompany balances and transactions have been eliminated through the consolidation process.

Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted for purposes of these interim condensed consolidated financial statements.

The preparation of our condensed consolidated financial statements, in conformity with GAAP, requires our senior leadership team to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material to the condensed consolidated financial statements.

We have assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, using information that is reasonably available to us at this time. The accounting estimates and other matters we have assessed include, but were not limited to, sales return reserve, inventory reserve, allowance for doubtful accounts, goodwill, and intangible and other long-lived assets. Our current assessment of these estimates is included in our condensed consolidated financial statements as of and for the three and nine months ended October 28, 2023 May 4, 2024. As additional information becomes available to us, our future assessment of these estimates, as well as other factors, could change and the results of any such change could materially and adversely impact our condensed consolidated financial statements in future reporting periods.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 February 3, 2024 (the "2022 "2023 Form 10-K").

The results of operations for the three and nine months ended October 28, 2023 May 4, 2024, presented herein, are not necessarily indicative of the results to be expected for the full fiscal year. Our business, like the businesses of retailers generally, is subject to uncertainty surrounding the financial impact of the factors as discussed in *Business Conditions* below.

Table of Contents

NOTE 2—RECENTLY ISSUED ACCOUNTING STANDARDS

New Accounting Standards or Updates Not Yet Adopted

Segment Reporting: Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update* ("*ASU") 2023-07—Improvements to Reportable Segment Disclosures*. This new guidance is designed to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. We are currently assessing the impact that adopting this new accounting standard will have on our condensed consolidated financial statements.

Income Taxes: Improvements to Income Tax Disclosures

In December 2023, the FASB issued *ASU 2023-09—Improvements to Income Tax Disclosures*. This new guidance is designed to enhance the transparency and decision usefulness of income tax disclosures. The amendments of this update are related to the rate reconciliation and income taxes paid, requiring consistent categories and greater disaggregation of information in the rate reconciliation as well as income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently assessing the impact that adopting this new accounting standard will have on our condensed consolidated financial statements.

NOTE 3—PREPAID EXPENSE AND OTHER ASSETS

Prepaid expense and other current assets consist of the following:

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Prepaid expenses	$ 38,668	$ 42,089
Capitalized catalog costs	33,348	27,856
Vendor deposits	19,297	26,409
Tenant allowance receivable	8,717	8,220
Federal and state tax receivable(1)	7,901	20,441
Value added tax (VAT) receivable	7,447	6,532
Right of return asset for merchandise	5,432	5,011
Promissory notes receivable, including interest(2)	3,217	3,292
Other current assets	25,203	29,180
Total prepaid expense and other current assets	$ 149,230	$ 169,030

(1) Refer to Note 12—*Income Taxes.*

(2) Represents promissory notes, including principal and accrued interest, due from an affiliate of the managing member of the Aspen LLCs (as defined below). Refer to Note 5—*Variable Interest Entities*.

Table of Contents

Other non-current assets consist of the following:

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Landlord assets under construction—net of tenant allowances	$ 154,302	$ 118,897
Initial direct costs prior to lease commencement	72,061	66,333
Capitalized cloud computing costs—net(1)	23,312	22,646
Vendor deposits—non-current	8,554	8,862
Other deposits	7,729	7,913
Deferred financing fees	2,268	2,520
Other non-current assets	13,479	13,551
Total other non-current assets	$ 281,705	$ 240,722

(1) Presented net of accumulated amortization of $21 million and $19 million as of May 4, 2024 and February 3, 2024, respectively.

NOTE 4—GOODWILL, TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS

Goodwill, tradenames, trademarks and other intangible assets activity for the RH Segment and Waterworks consists of the following:

	RH SEGMENT		WATERWORKS	
	GOODWILL	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS	GOODWILL(1)	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS(2)
	(in thousands)			
February 3, 2024	$ 141,033	$ 58,927	$ —	$ 17,000
Additions	—	126	—	—
Foreign currency translation	(20)	—	—	—
May 4, 2024	$ 141,013	$ 59,053	$ —	$ 17,000

(1) Waterworks reporting unit goodwill of $51 million recognized upon acquisition in fiscal 2016 was fully impaired as of fiscal 2018.

(2) Presented net of an impairment charge of $35 million recognized in previous fiscal years.

There are no goodwill, tradenames, trademarks and other intangible assets for the Real Estate segment.

Table of Contents

Business Conditions

There are a number of macroeconomic factors and uncertainties affecting the overall business climate as well as our business, including substantially higher interest and mortgage rates, increased inflation and volatility in the global financial markets related to the foregoing as well as, among other things, the conflict in the Middle East and the recent failures of several financial institutions. We experienced increased demand for our products during the pandemic, and there have been significant shifts in consumer consumption patterns with the easing of the pandemic including increases in travel and services rather than spending on home furnishings. These and other macroeconomic factors may have a number of adverse effects on macroeconomic conditions and markets in which we operate, including the housing market, with the potential for an economic recession and a sustained downturn in the housing market. Factors such as a slowdown in the housing market or negative trends in stock market prices could have an adverse impact on demand for our products. We believe that these macroeconomic and other factors have contributed to the slowdown in demand that we have experienced in our business over the last several fiscal quarters.

Our decisions regarding the sources and uses of capital will continue to reflect and adapt to changes in market conditions and our business, including further developments with respect to macroeconomic factors.

For more information, refer to the section entitled “Risk Factors” in our 2022 Form 10-K.

NOTE 2—RECENTLY ISSUED ACCOUNTING STANDARDS5—VARIABLE INTEREST ENTITIES

New Accounting Standards or Updates Adopted

Disclosure of Supplier Finance Program Obligations*Consolidated Variable Interest Entities and Noncontrolling Interests*

In September fiscal 2022, we formed eight privately-held limited liability companies (each, a “Member LLC” and collectively, the Financial Accounting Standards Board (“FASB” “Member LLCs” or the “consolidated variable interest entities”) issued *Accounting Standards Update (“ASU”) 2022-04—Disclosure of Supplier Finance Program Obligations* (“ASU 2022-04”). ASU 2022-04 requires entities for real estate development activities related to disclose a program’s nature, activity during the period, changes from period to period our Gallery transformation and potential magnitude. Under ASU 2022-04, the buyer in a supplier finance program is required to disclose information about the key terms global expansion strategies.

The carrying amounts and classification of the program, outstanding confirmed amounts Member LLCs’ assets and liabilities included in the condensed consolidated balance sheets were as follows:

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 9,324	$ 8,918
Prepaid expense and other current assets	1,401	1,876
Total current assets	10,725	10,794
Property and equipment—net(1)	263,798	256,523
Other non-current assets	6	6
Total assets	$ 274,529	$ 267,323
LIABILITIES		
Accounts payable and accrued expenses	$ 4,950	$ 8,735
Other current liabilities	232	1,041
Total current liabilities	5,182	9,776
Real estate loans—net(2)	17,679	17,766
Other non-current obligations	941	947
Total liabilities	$ 23,802	$ 28,489

(1) Includes$49 million and $77 million of construction in progress as of May 4, 2024 and February 3, 2024, respectively.

(2) Real estate loans are secured by the assets of each respective Member LLC and the associated creditors do not have recourse against RH's general assets. Excludes $0.2 million and $0.1 million of current obligations related to such loans that are included in *other current liabilities* on the condensed consolidated balance sheets as of May 4, 2024 and February 3, 2024, respectively.

On August 3, 2022, a Member LLC as the borrower executed a Secured Promissory Note (the "Secured Promissory Note") with a third-party in an aggregate principal amount equal to $2.0 million with a maturity date of August 1, 2032. The Secured Promissory Note bears interest at a fixed rate per annum equal to 6.00%.

On September 9, 2022, a Member LLC as the borrower executed a Promissory Note (the "Promissory Note") with a third-party bank in an aggregate principal amount equal to $16 million with a maturity date of September 9, 2032. The Promissory Note bears interest at a fixed rate per annum equal to 5.37% until September 15, 2027, on which date the interest rate will reset based on the five-year treasury rate plus 2.00%, subject to a total interest rate floor of 3.00%.

Equity Method Investments

Equity method investments primarily represent our membership interests in three privately-held limited liability companies in Aspen, Colorado (each, an "Aspen LLC" and collectively, the "Aspen LLCs") that were formed for the purpose of acquiring, developing, operating and selling certain real estate projects in Aspen, Colorado. As of May 4, 2024, we have made capital contributions of approximately $140 million to the Aspen LLCs. Additionally, Waterworks has membership interests in two European entities that are equity method investments.

Table of Contents

Our maximum exposure to loss is the carrying value of each of the equity method investments as of May 4, 2024. During the end three months ended May 4, 2024 and April 29, 2023, we did not receive any distributions or have any undistributed earnings of equity method investments.

NOTE 6—ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the period, following:

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Accounts payable	$ 208,608	$ 192,345
Accrued compensation	56,039	43,840
Accrued sales and use tax	28,211	26,823
Accrued occupancy	28,010	29,144
Accrued freight and duty	17,180	14,333
Accrued legal settlements(1)	16,504	16,704
Excise tax payable on share repurchases	11,988	11,988
Accrued professional fees	6,140	5,754
Accrued legal contingencies(1)	2,433	2,795
Accrued interest	1,897	1,343
Other accrued expenses	30,484	21,516
Total accounts payable and accrued expenses	$ 407,494	$ 366,585

(1) Refer to Note 16—*Commitments and Contingencies.*

Reorganization

We implemented a rollforward restructuring on March 24, 2023 that included workforce and expense reductions in order to improve and simplify our organizational structure, streamline certain aspects of such amounts our business operations and better position us for further growth. The workforce reduction associated with the initiative included the elimination of numerous leadership and other positions throughout the organization, which affected approximately 440 roles. The reorganization was completed during each annual period, and a description of where in the financial statements outstanding amounts are presented. With the exception of the disclosure of rollforward information, the guidance is effective for fiscal years beginning after December 15, 2022, and is required to be applied retrospectively to all periods for which a balance sheet is presented. The rollforward requirement is effective for fiscal years beginning after December 15, 2023, and is required to be applied prospectively. We adopted ASU 2022-04 in the first quarter of fiscal 2023. During the three months ended April 29, 2023, we incurred total charges relating to the reorganization of $7.6 million consisting primarily of severance costs and related taxes. As of February 3, 2024, we had an immaterial amount accrued within *accounts payable and accrued expenses* on the condensed consolidated balance sheets related to the reorganization, all of which was paid during the first quarter of fiscal 2024.

Table of Contents

Other current liabilities consist of the following:

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Current portion of term loans	$ 25,000	$ 25,000
Allowance for sales returns	20,953	19,588
Unredeemed gift card and merchandise credit liability	20,588	24,720
Finance lease liabilities	15,209	14,668
Federal tax payable	—	5,561

Other current liabilities	3,863	6,576
Total other current liabilities	$ 85,613	$ 96,113

Contract Liabilities

We defer revenue associated with merchandise delivered via the home-delivery channel. We expect that substantially all of the deferred revenue and customer deposits as of May 4, 2024 will be recognized within the next six months as the performance obligations are satisfied. In addition, we defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards. During both the three months ended May 4, 2024 and April 29, 2023, we recognized $6.1 million of revenue related to previous deferrals related to our gift cards. We expect that approximately 75 percent of the remaining gift card liabilities will be recognized when the gift cards are redeemed by customers.

Supplier Finance Program

Equity Method Investments

We facilitate a voluntary supply chain financing program (the “Financing Program” Equity method investments primarily represent our membership interests in three privately-held limited liability companies in Aspen, Colorado (each, an “Aspen LLC” and collectively, the “Aspen LLCs”) with a third-party financial institution (the “Bank”) to provide participating suppliers with that were formed for the opportunity to receive early payment on invoices, net purpose of a discount charged acquiring, developing, operating and selling certain real estate projects in Aspen, Colorado. As of May 4, 2024, we have made capital contributions of approximately $140 million to the supplier by the Bank. We Aspen LLCs. Additionally, Waterworks has membership interests in two European entities that are not a party to the supplier agreements with the Bank, and the terms of our payment obligations to suppliers are not impacted by a supplier’s participation in the Financing Program. Our responsibility is limited to making payments to the Bank on the terms originally negotiated with our suppliers, which are typically between 30 days and 60 days. There are no assets pledged as security or other forms of guarantees provided under the Financing Program.

The Financing Program is not indicative of a borrowing arrangement and the liabilities under the Financing Program are included in *accounts payableand accrued expenses* on the condensed consolidated balance sheets and associated payments are included within operating activities on the condensed consolidated statements of cash flows. As of October 28, 2023 and January 28, 2023, supplier invoices that have been confirmed as valid under the Financing Program included in *accounts payableand accrued expenses* were $30 million and $26 million, respectively. equity method investments.

Table of Contents

New Accounting Standards *Our maximum exposure to loss is the carrying value of each of the equity method investments as of May 4, 2024. During the three months ended May 4, 2024 and April 29, 2023, we did not receive any distributions* or *Updates Not Yet Adopted*

Joint Venture Formations: Recognition and Initial Measurement

In August 2023, the FASB issued *ASU 2023-05—Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement* ("ASU 2023-05"). ASU 2023-05 applies to the formation have any undistributed earnings of a "joint venture" or a "corporate joint venture" and requires a joint venture to initially measure all contributions received upon its formation at fair value. The guidance does not impact accounting by the venturers. The new guidance is applicable to joint venture entities with a formation date on or after January 1, 2025 on a prospective basis. While ASU 2023-05 is not currently applicable to us because our existing arrangements in variable interest entities do not meet the definition of joint ventures as described in the updated standard, we will apply this guidance in future reporting periods after the guidance is effective to any future arrangements we enter into that meet the definition of a joint venture. equity method investments.

NOTE 3—PREPAID EXPENSE 6—ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER ASSETS CURRENT LIABILITIES

Prepaid expense Accounts payable and other current assets accrued expenses consist of the following:

	OCTOBER 28, 2023	JANUARY 28, 2023
	(in thousands)	
Federal and state tax receivable	$ 25,649	$ 12,322
Vendor deposits	17,537	21,201
Prepaid expenses	17,442	24,352
Capitalized catalog costs	13,539	26,522
Value added tax (VAT) receivable	8,560	7,465
Tenant allowance receivable	5,898	8,336
Promissory notes receivable, including interest(1)	5,725	2,991
Right of return asset for merchandise	5,207	4,983
Interest income receivable	1,023	4,878
Other current assets	28,633	26,247
Total prepaid expense and other current assets	$ 129,213	$ 139,297

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Accounts payable	$ 208,608	$ 192,345
Accrued compensation	56,039	43,840
Accrued sales and use tax	28,211	26,823
Accrued occupancy	28,010	29,144
Accrued freight and duty	17,180	14,333
Accrued legal settlements(1)	16,504	16,704
Excise tax payable on share repurchases	11,988	11,988
Accrued professional fees	6,140	5,754
Accrued legal contingencies(1)	2,433	2,795
Accrued interest	1,897	1,343
Other accrued expenses	30,484	21,516
Total accounts payable and accrued expenses	$ 407,494	$ 366,585

(1) Represents promissory notes, including principal and accrued interest, due from an affiliate of the managing member of the Aspen LLCs (refer Refer to Note 5— 16 —*Variable Interest Entities* *Commitments and Contingencies.*).

Reorganization

We implemented a restructuring on March 24, 2023 that included workforce and expense reductions in order to improve and simplify our organizational structure, streamline certain aspects of our business operations and better position us for further growth. The workforce reduction associated with the initiative included the elimination of numerous leadership and other positions throughout the organization, which affected approximately 440 roles. The reorganization was completed during the first quarter of fiscal 2023. During the three months ended April 29, 2023, we incurred total charges relating to the reorganization of $7.6 million consisting primarily of severance costs and related taxes. As of February 3, 2024, we had an immaterial amount accrued within *accounts payable and accrued expenses* on the condensed consolidated balance sheets related to the reorganization, all of which was paid during the first quarter of fiscal 2024.

Table of Contents

Other non-current assets current liabilities consist of the following:

	OCTOBER 28, 2023	JANUARY 28, 2023
	(in thousands)	
Landlord assets under construction—net of tenant allowances	$ 93,536	$ 45,511
Initial direct costs prior to lease commencement	54,021	51,249
Capitalized cloud computing costs—net(1)	22,315	21,529
Vendor deposits—non-current	9,432	10,593
Other deposits	7,560	7,143
Deferred financing fees	2,772	3,528
Other non-current assets	11,100	9,654
Total other non-current assets	$ 200,736	$ 149,207

(1) Presented net of accumulated amortization of $16 million and $11 million as of October 28, 2023 and January 28, 2023, respectively.

NOTE 4—GOODWILL, TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS

The following sets forth the goodwill, tradenames, trademarks and other intangible assets activity for the RH Segment and Waterworks (refer to Note 17—*Segment Reporting*):

	RH SEGMENT		WATERWORKS	
	GOODWILL	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS	GOODWILL(1)	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS(2)
	(in thousands)			
January 28, 2023	$ 141,048	$ 57,633	$ —	$ 17,000
Additions	—	1,113	—	—
Foreign currency translation	(51)	—	—	—
October 28, 2023	$ 140,997	$ 58,746	$ —	$ 17,000

(1) Waterworks reporting unit goodwill of $51 million recognized upon acquisition in fiscal 2016 was fully impaired as of fiscal 2018.

(2) Presented net of an impairment charge of $35 million recognized in prior fiscal years.

There are no goodwill, tradenames, trademarks and other intangible assets for the Real Estate segment.

	MAY 4, 2024	FEBRUARY 3, 2024

	(in thousands)	
Current portion of term loans	$ 25,000	$ 25,000
Allowance for sales returns	20,953	19,588
Unredeemed gift card and merchandise credit liability	20,588	24,720
Finance lease liabilities	15,209	14,668
Federal tax payable	—	5,561
Other current liabilities	3,863	6,576
Total other current liabilities	$ 85,613	$ 96,113

Contract Liabilities

Table We defer revenue associated with merchandise delivered via the home-delivery channel. We expect that substantially all of Contents

NOTE 5—VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities (“VIE”) the deferred revenue and Noncontrolling Interests

customer deposits as of May 4, 2024 will be recognized within the next six months as the performance obligations are satisfied. In fiscal 2022, addition, we formed eight privately-held limited liability companies (each, a “Member LLC” and collectively, the “Member LLCs” or the “consolidated variable interest entities”) defer revenue when cash payments are received in advance of performance for real estate development activities unsatisfied obligations related to our Gallery transformation gift cards. During both the three months ended May 4, 2024 and global expansion strategies. April 29, 2023, we recognized $6.1 million of revenue related to previous deferrals related to our gift cards. We hold a 50 percent membership interest in seven of the Member LLCs, and the remaining noncontrolling interest of 50 percent in each Member LLC is held by a third-party real estate development partner affiliated with the managing member of the Aspen LLCs (as defined in “Equity Method Investments” below). In one Member LLC we hold expect that approximately 75 percent membership interest with of the remaining noncontrolling interest of approximately 25 percent held in gift card liabilities will be recognized when the same way gift cards are redeemed by a real estate development partner affiliated with the managing member of the Aspen LLCs.

The Member LLCs are qualitatively determined to be VIEs due to their having insufficient equity investment at risk to finance their activities without additional subordinated financial support. Upon the formation of each Member LLC we determined that the power to direct the most significant activities of each Member LLC is either controlled by us or shared between the members of the Member LLCs. In the instances where there is shared power among related parties as defined in the consolidation accounting guidance, we evaluated the related-party tiebreaker guidance and determined that we are most closely associated with each Member LLC. Accordingly, we are the primary beneficiary of the Member LLCs and we consolidate the results of operations, financial condition and cash flows of the Member LLCs in our consolidated financial statements.

We measure the noncontrolling interests in the consolidated variable interest entities using the distribution provisions set out in the operating agreements of each Member LLC. As of October 28, 2023 and January 28, 2023, the noncontrolling interest holders had no claim to the net assets of each Member LLC based upon such distribution provisions. Accordingly, we did not recognize any noncontrolling interests as of October 28, 2023 and January 28, 2023. customers.

Table of Contents

The carrying amounts and classification of the VIEs' assets and liabilities included in the condensed consolidated balance sheets were as follows:

	OCTOBER 28, 2023		JANUARY 28, 2023	
	(in thousands)			
ASSETS				
Cash and cash equivalents	$	9,029	$	6,653
Restricted cash(1)		1,960		3,662
Prepaid expense and other current assets		1,714		3,670
Total current assets		12,703		13,985
Property and equipment—net(2)		238,034		187,093
Other non-current assets		12		122
Total assets	$	250,749	$	201,200
LIABILITIES				
Accounts payable and accrued expenses	$	8,365	$	6,685
Other current liabilities		930		—
Total current liabilities		9,295		6,685
Real estate loans(3)		17,844		17,909
Other non-current obligations		909		929
Total liabilities	$	28,048	$	25,523

(1) Restricted cash deposits are held in escrow for one Member LLC and represent a portion of the proceeds from the issuance of the Promissory Note (defined below) that are required to be used for tenant allowances specified in a lease agreement between us and the Member LLC.

(2) Includes$63 million and $125 million of construction in progress as of October 28, 2023 and January 28, 2023, respectively.

(3) Real estate loans are secured by the assets of each respective Member LLC and the associated creditors do not have recourse against RH's general assets.

On August 3, 2022, a Member LLC as the borrower executed a Secured Promissory Note (the "Secured Promissory Note") with a third-party in an aggregate principal amount equal to $2.0 million with a maturity date of August 1, 2032. The Secured Promissory Note bears interest at a fixed rate per annum equal to 6.00%.

On September 9, 2022, a Member LLC as the borrower executed a Promissory Note (the "Promissory Note") with a third-party bank in an aggregate principal amount equal to $16 million with a maturity date of September 9, 2032. The Promissory Note bears interest at a fixed rate per annum equal to 5.37% until September 15, 2027, on which date the interest rate will reset based on the five-year treasury rate plus 2.00%, subject to a total interest rate floor of 3.00%.

Equity Method Investments

Equity method investments primarily represent our membership interests in three privately-held limited liability companies in Aspen, Colorado (each, an "Aspen LLC" and collectively, the "Aspen LLCs" or the "equity method investments") that were formed for the purpose of acquiring, developing, operating and selling certain real estate projects in Aspen, Colorado. We hold a 50 percent As of May 4, 2024, we have made capital contributions of approximately $140 million to the Aspen LLCs. Additionally, Waterworks has membership interest interests in two of the Aspen LLCs and a 70 percent membership interest in the third Aspen LLC. The Aspen LLCs European entities that are VIEs, however, we are not the primary beneficiary of these VIEs because we do not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Accordingly, we account for these investments using the equity method of accounting. investments.

Table of Contents

We have previously made contractually required contributions to the Aspen LLCs in an aggregate amount of $105 million in prior periods. In February 2023, we elected to make equity contributions to two of the Aspen LLCs totaling $31 million whereby such funding was used to repay a portion of third-party debt secured by certain real estate assets held by the Aspen LLCs. In April 2023, we made an additional equity contribution to one Aspen LLC of $1.8 million whereby such funding was used in connection with the acquisition of additional real estate assets. Inclusive of the equity contributions made during the nine months ended October 28, 2023, we have made in excess of $135 million in capital contributions to the Aspen LLCs. Our maximum exposure to loss with respect to these equity method investments is the carrying value of each of the equity method investments as of October 28, 2023 May 4, 2024.

During the nine three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, we did not receive any distributions or have any undistributed earnings of equity method investments.

NOTE 6—ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

	OCTOBER 28, 2023	JANUARY 28, 2023
	(in thousands)	
Accounts payable	$ 179,539	$ 166,082
Accrued compensation	43,403	76,650
Accrued occupancy	31,346	28,830
Accrued sales and use tax(1)	25,426	21,950
Accrued legal settlements(1)(2)	17,804	47
Accrued interest	15,640	14,456
Accrued freight and duty	13,285	17,497
Excise tax payable on share repurchases(1)	12,491	3,700
Accrued catalog costs(1)	11,107	1,546
Accrued professional fees	5,793	7,447
Accrued legal contingencies(1)(2)	4,583	8,874
Other accrued expenses(1)	39,310	27,870
Total accounts payable and accrued expenses	$ 399,727	$ 374,949

	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)	
Accounts payable	$ 208,608	$ 192,345
Accrued compensation	56,039	43,840
Accrued sales and use tax	28,211	26,823
Accrued occupancy	28,010	29,144
Accrued freight and duty	17,180	14,333
Accrued legal settlements(1)	16,504	16,704
Excise tax payable on share repurchases	11,988	11,988
Accrued professional fees	6,140	5,754
Accrued legal contingencies(1)	2,433	2,795
Accrued interest	1,897	1,343
Other accrued expenses	30,484	21,516
Total accounts payable and accrued expenses	$ 407,494	$ 366,585

(1) Prior year amounts have been adjusted to conform to the current period presentation.

(2) Refer to Note 16¾ 16—*Commitments and Contingencies Contingencies.*.

Reorganization

As reported in our 2022 Form 10-K, we We implemented a restructuring on March 24, 2023 that included workforce and expense reductions in order to improve and simplify our organizational structure, streamline certain aspects of our business operations and better position us for further growth. The workforce reduction associated with the initiative included the elimination of numerous leadership and other positions throughout the organization, which affected approximately 440 roles. The reorganization was completed during the first quarter of fiscal 2023. During the nine three months ended October 28, 2023 April 29, 2023, we incurred total charges relating to the reorganization of $7.6 million $7.6 million consisting primarily of severance costs and related taxes. As of October 28, 2023 February 3, 2024, we had accruals of $1.3 million included in an immaterial amount accrued within *accounts payable and accrued expenses* on the condensed consolidated balance sheets related to the reorganization. reorganization, all of which was paid during the first quarter of fiscal 2024.

Table of Contents

Other current liabilities consist of the following:

	OCTOBER 28, 2023	JANUARY 28, 2023	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)		(in thousands)	
Unredeemed gift card and merchandise credit liability	$ 27,328	$ 26,733		
Current portion of term loans	25,000	25,000	$25,000	$ 25,000

Allowance for sales returns	19,729	20,747	20,953	19,588
Unredeemed gift card and merchandise credit liability			20,588	24,720
Finance lease liabilities	18,151	17,007	15,209	14,668
Foreign tax payable	4,232	4,365		
Federal tax payable			—	5,561
Other current liabilities	6,532	9,338	3,863	6,576
Total other current liabilities	$ 100,972	$ 103,190	$85,613	$ 96,113

Contract Liabilities

We defer revenue associated with merchandise delivered via the home-delivery channel. We expect that substantially all of the deferred revenue and customer deposits as of October 28, 2023 May 4, 2024 will be recognized within the next six months as the performance obligations are satisfied. In addition, we defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards. During both the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, we recognized $7.5 million and $5.0 million, respectively, of revenue related to previous deferrals related to our gift cards. During the nine months ended October 28, 2023 and October 29, 2022, we recognized $19 million and $16 million, respectively, $6.1 million of revenue related to previous deferrals related to our gift cards. We expect that approximately 70 75 percent of the remaining gift card liabilities will be recognized when the gift cards are redeemed by customers.

Supplier Finance Program

We facilitate a voluntary supply chain financing program (the “Financing Program”) with a third-party financial institution (the “Bank”) to provide participating suppliers with the opportunity to receive early payment on invoices, net of a discount charged to the supplier by the Bank. As of May 4, 2024 and February 3, 2024, supplier invoices that have been confirmed as valid under the Financing Program included in *accounts payableand accrued expenses* on the condensed consolidated balance sheets were $41 million and $28 million, respectively.

NOTE 7—OTHER NON-CURRENT OBLIGATIONS

Other non-current obligations consist of the following:

	OCTOBER 28, 2023	JANUARY 28, 2023	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)		(in thousands)	
Unrecognized tax benefits	$ 3,016	$ 2,962	$ 3,683	$ 3,633
Other non-current obligations	6,284	5,112	7,499	7,006
Total other non-current obligations	$ 9,300	$ 8,074	$11,182	$ 10,639

[Table of Contents](#)

NOTE 8—LEASES

Lease costs—net consist of the following:

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				*(in thousands)*	
Operating lease cost(1)	$ 31,159	$ 25,153	$ 84,913	$ 75,190	$ 32,881	$ 26,300
Finance lease costs						
Amortization of leased assets(1)	13,724	13,964	41,069	38,334	12,405	13,704
Interest on lease liabilities(2)	8,640	8,564	25,920	23,526	7,407	8,486
Variable lease costs(3)	5,463	5,681	17,628	22,015	6,643	6,168
Sublease income(4)	(1,400)	(1,085)	(4,366)	(3,298)	(1,154)	(1,546)
Total lease costs—net	$ 57,586	$ 52,277	$ 165,164	$ 155,767	$ 58,182	$ 53,112

(1) Operating lease costs and amortization of finance lease right-of-use assets are included in *cost of goodssold* or*selling, general and administrative expenses* on the condensed consolidated statements of income (loss) based on our accounting policy. Refer to Note 3—*Significant Accounting Policies* in our 2022 Form 10-K.

(2) Included in *interest expense—net* on the condensed consolidated statements of income (loss).

(3) Represents variable lease payments under operating and finance lease agreements, primarily associated with contingent rent based on a percentage of retail sales over contractual levels of $3.2 million and $3.4 million $3.9 million for both the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively, and $11 million and $15 million for the nine months ended October 28, 2023 and October 29, 2022, respectively, as well as charges associated with common area maintenance of $2.2 million $2.7 million and $2.3 million for the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively, and $6.8 million and $6.9 million for the nine months ended October 28, 2023 and October 29, 2022 respectively. Other variable costs, which include single lease cost related to variable lease payments based on an index or rate that were not included in the measurement of the initial lease liability and right-of-use asset, were not material in any either period presented.

(4) Included in *selling, general and administrative expenses* on the condensed consolidated statements of income (loss).

Table of Contents

Lease right-of-use assets and lease liabilities consist of the following:

		OCTOBER 28, 2023	JANUARY 28, 2023		MAY 4, 2024	FEBRUARY 3, 2024
		(in thousands)			*(in thousands)*	
	Balance Sheet Classification			**Balance Sheet Classification**		
Assets						
Operating leases	*Operating lease right-of-use assets*	$ 616,571	$ 527,246	*Operating lease right-of-use assets*	$ 605,664	$ 625,801
Finance leases(1)(2)(3)	*Property and equipment—net*	1,037,441	1,078,979	*Property and equipment—net*	825,191	836,814
Total lease right-of-use assets		$ 1,654,012	$ 1,606,225		$1,430,855	$ 1,462,615
Liabilities						
Current(4)						
Operating leases	*Operating lease liabilities*	$ 89,492	$ 80,384	*Operating lease liabilities*	$ 85,875	$ 85,523
Finance leases	*Other current liabilities*	18,151	17,007	*Other current liabilities*	15,209	14,668
Total lease liabilities—current		107,643	97,391		101,084	100,191
Non-current						
Operating leases	*Non-current operating lease liabilities*	570,073	505,809	*Non-current operating lease liabilities*	555,651	576,166
Finance leases	*Non-current finance lease liabilities*	642,726	653,050	*Non-current finance lease liabilities*	562,804	566,829
Total lease liabilities—non-current		1,212,799	1,158,859		1,118,455	1,142,995
Total lease liabilities		$ 1,320,442	$ 1,256,250		$1,219,539	$ 1,243,186

(1) Includes capitalized amounts related to our completed construction activities to design and build leased assets, which are reclassified from *othernon-current assets* upon lease commencement.

(2) Recorded net of accumulated amortization of $263 million $281 million and $224 million $268 million as of October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024, respectively.

(3) Includes $38 million and $39 million $37 million as of October 28, 2023 both May 4, 2024 and January 28, 2023, respectively, February 3, 2024 related to an RH Design Gallery lease with a landlord that is an affiliate of the managing member of the Aspen LLCs (refer LLCs. Refer to Note 5—*Variable Interest Entities*).

(4) Current portion of lease liabilities represents the reduction of the related lease liability over the next 12 months.

Table of Contents

The maturities of lease liabilities are as follows as of October 28, 2023 May 4, 2024:

FISCAL YEAR	OPERATING LEASES	FINANCE LEASES	TOTAL
		(in thousands)	
Remainder of fiscal 2023	$ 28,849	$ 12,559	$ 41,408
2024	118,065	50,342	168,407
2025	112,241	51,757	163,998
2026	105,853	52,524	158,377
2027	98,820	53,665	152,485
2028	65,310	52,727	118,037
Thereafter	310,293	914,073	1,224,366
Total lease payments(1)(2)	839,431	1,187,647	2,027,078
Less—imputed interest(3)	(179,866)	(526,770)	(706,636)
Present value of lease liabilities	$ 659,565	$ 660,877	$ 1,320,442

FISCAL YEAR	OPERATING LEASES	FINANCE LEASES	TOTAL
		(in thousands)	
Remainder of fiscal 2024	$ 84,491	$ 31,390	$ 115,881
2025	119,557	48,203	167,760
2026	111,737	48,971	160,708

2027	104,148	49,777	153,925
2028	70,137	48,812	118,949
2029	57,387	48,488	105,875
Thereafter	272,752	679,451	952,203
Total lease payments(1)(2)	820,209	955,092	1,775,301
Less—imputed interest(3)	(178,683)	(377,079)	(555,762)
Present value of lease liabilities	$ 641,526	$ 578,013	$ 1,219,539

(1) Total lease payments include future obligations for renewal options that are reasonably certain to be exercised and are included in the measurement of the lease liability. Total lease payments exclude $694 million $681 million of legally binding payments under the non-cancellable term for leases signed but not yet commenced under our accounting policy as of October 28, 2023 May 4, 2024, of which $8.0 million $21 million, $27 million $41 million, $42 million $38 million, $39 million $40 million, $41 million and $41 million will be paid in the remainder of fiscal 2023, fiscal 2024, fiscal 2025, fiscal 2026, fiscal 2027, fiscal 2028 and fiscal 2028, 2029, respectively, and $496 million $459 million will be paid subsequent to fiscal 2028. 2029.

(2) Excludes an immaterial amount of future commitments under short-term lease agreements.

(3) Calculated using the discount rate for each lease at lease commencement.

Supplemental information related to leases consists of the following:

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
Weighted-average remaining lease term (years)				
Operating leases	8.7	8.5	8.5	8.2
Finance leases	21.3	22.1	19.4	21.7
Weighted-average discount rate				
Operating leases	5.02%	4.04%	5.2%	4.2%
Finance leases	5.33%	5.32%	5.1%	5.3%

Table of Contents

Other information related to leases consists of the following:

	NINE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (82,975)	$ (75,570)
Operating cash flows from finance leases	(26,049)	(23,526)
Financing cash flows from finance leases—net(1)	(9,551)	(6,798)
Total cash outflows from leases	$ (118,575)	$ (105,894)
Lease right-of-use assets obtained in exchange for lease obligations—net of lease terminations (non-cash)		
Operating leases	$ 138,180	$ 42,883

Finance leases	1,301	108,547

(1) Represents the principal portion of lease payments, partially offset by tenant allowances received under finance leases subsequent to lease commencement of $2.4 million and $4.2 million for the nine months ended October 28, 2023 and October 29, 2022, respectively.

	THREE MONTHS ENDED	
	MAY 4, 2024	APRIL 29, 2023
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (31,920)	$ (27,612)
Operating cash flows from finance leases	(7,407)	(8,615)
Financing cash flows from finance leases	(4,496)	(3,877)
Total cash outflows from leases	$ (43,823)	$ (40,104)
Non-cash transactions:		
Lease right-of-use assets obtained in exchange for lease obligations—net of lease terminations		
Operating leases	$ 3,915	$ 20,861
Finance leases	2,446	—

NOTE 9—CONVERTIBLE SENIOR NOTES

In June 2018, we issued in a private offering $300 million principal amount of 0.00% convertible senior notes due 2023 and issued an additional $35 million principal amount in connection with the overallotment option granted to the initial purchasers as part of the offering (collectively, the “2023 Notes”). In September 2019, we issued in a private offering $350 million principal amount of 0.00% convertible senior notes due 2024 (the “2024 Notes” and, together with the 2023 Notes, , the “Convertible Senior Notes” or the “Notes”). The outstanding balances under the 2023 Notes and 2024 Notes were as follows:

	OCTOBER 28, 2023			JANUARY 28, 2023		
	PRINCIPAL AMOUNT	UNAMORTIZED DEBT ISSUANCE COST	NET CARRYING AMOUNT	PRINCIPAL AMOUNT	UNAMORTIZED DEBT ISSUANCE COST	NET CARRYING AMOUNT
			(in thousands)			
Convertible senior notes due 2023(1)	$ —	$ —	$ —	$ 1,696	$ —	$ 1,696
Convertible senior notes due 2024(2)	41,904	(97)	41,807	41,904	(180)	41,724
Total convertible senior notes	$ 41,904	$ (97)	$ 41,807	$ 43,600	$ (180)	$ 43,420

(1) As of January 28, 2023, the 2023 Notes outstanding were classified as *convertible senior notes due 2023* within current liabilities. The 2023 Notes matured and were repaid June 2023 and, as of October 28, 2023, the 2023 Notes are no longer outstanding.

(2) As of October 28, 2023, the 2024 Notes outstanding were classified as *convertible seniors notes due 2024—net* within current liabilities. As of January 28, 2023, the 2024 Notes outstanding were classified as *convertible senior notes due 2024—net* within non-current liabilities.

	MAY 4, 2024			FEBRUARY 3, 2024		
	PRINCIPAL AMOUNT	UNAMORTIZED DEBT ISSUANCE COST	NET CARRYING AMOUNT	PRINCIPAL AMOUNT	UNAMORTIZED DEBT ISSUANCE COST	NET CARRYING AMOUNT
			(in thousands)			
Convertible senior notes due 2024	$ 41,904	$ (42)	$ 41,862	$ 41,904	$ (69)	$ 41,835

Table of Contents

2023 Notes and 2024 Notes—Bond Hedge and Warrant Terminations and Notes Repurchase

Bond Hedge and Warrant Terminations

During the first quarter of fiscal 2022, we entered into agreements with certain financial institutions (collectively, the “Counterparties”) to repurchase all of the warrants issued in connection with the 2023 Notes and 2024 Notes at an aggregate purchase price of $184 million and $203 million, respectively, subject to adjustment for a settlement feature based on pricing formulations linked to the trading price of our common stock over a volume weighted-average price measurement period of two or three days. Upon entering into these agreements, the warrants were reclassified from stockholders’ equity to current liabilities on the condensed consolidated balance sheets, and accordingly, we recognized a corresponding net loss on the fair value adjustment of the warrants of $4.2 million, which is classified within *other expense—net* on the condensed consolidated statements of income (loss). Upon settlement of these agreements in April 2022, we paid an aggregate of $391 million in cash to terminate the warrants.

During the first quarter of fiscal 2022, we entered into agreements with the Counterparties to terminate all of the convertible note bond hedges issued in connection with the 2023 Notes and 2024 Notes to receive an aggregate closing price of $56 million and $180 million, respectively, subject to adjustment for a settlement feature based on pricing formulations linked to the trading price of our common stock over a three day volume weighted-average price measurement period. Upon entering into these agreements, the bond hedges were reclassified from stockholders’ equity to current assets on the condensed consolidated balance sheets, and accordingly, we recognized a corresponding loss on the fair value adjustment of the settlement feature of $4.3 million, which is classified within *other expense—net* on the condensed consolidated statements of income (loss). Upon settlement of these agreements in April 2022, we received an aggregate of $232 million in cash for the termination of the bond hedges.

Notes Repurchase

During the first quarter of fiscal 2022, we entered into individual privately negotiated transactions with a limited number of sophisticated investors that were holders of the 2023 Notes and/or the 2024 Notes to repurchase in cash $45 million and $135 million in aggregate principal amount of the 2023 Notes and 2024 Notes, respectively (the “Notes Repurchase”). The Notes Repurchase provided for an estimated settlement cost of $325 million, subject to adjustment to the final settlement cost for an embedded feature based on pricing formulations linked to the trading price of our common stock over a five day volatility weighted-average price measurement period that ended on April 29, 2022. Upon execution of these agreements, we determined that we had modified the debt substantially and applied an extinguishment accounting model. Accordingly, we derecognized the aggregate principal amount of $180 million of the Convertible Senior Notes related to the extinguishment of such notes, and subsequently recognized a new financing liability with a fair value of $325 million. An embedded derivative related to the conversion feature was bifurcated from the new financing liability and separately recognized with an initial fair value of $278 million, with the remaining $47 million classified as debt and recognized at its amortized cost basis. Accordingly, we recognized a loss on extinguishment of debt of $146 million upon the execution of these agreements, inclusive of acceleration of amortization of debt issuance costs of $1.0 million. Upon the remeasurement of the amount owed to the holders in terms of the embedded feature, a total of $314 million was paid in cash to the holders, representing the combined carrying value of the debt liability of $47 million, as well as the fair value of the bifurcated embedded equity derivative upon settlement of $267 million. Accordingly, we recognized a gain on the fair value adjustment of the bifurcated embedded equity derivative of $11 million, which is classified within *other expense—net* on the condensed consolidated statements of income (loss).

Table of Contents

During the second quarter of fiscal 2022, we entered into additional individual privately negotiated transactions with a limited number of sophisticated investors that were holders of the 2023 Notes and/or the 2024 Notes to repurchase in cash $18 million and $39 million in aggregate principal amount of the 2023 Notes and 2024 Notes, respectively (the "Additional Notes Repurchase"). The Additional Notes Repurchase provided for an estimated settlement cost of $80 million, subject to adjustment to the final settlement cost for an embedded feature based on pricing formulations linked to the trading price of our common stock over a one day volatility weighted-average price measurement period occurring in July 2022. Upon execution of these agreements, we determined that we had modified the debt substantially and applied an extinguishment accounting model. Accordingly, we derecognized the aggregate principal amount of $57 million of the Convertible Senior Notes related to the extinguishment of such notes, and subsequently recognized a new financing liability with a fair value of $80 million. An embedded derivative related to the conversion feature was bifurcated from the new financing liability and separately recognized with an initial fair value of $55 million, with the remaining $25 million classified as debt and recognized at its amortized cost basis. Accordingly, we recognized a loss on extinguishment of debt of $23 million upon the execution of these agreements, inclusive of acceleration of amortization of debt issuance costs of $0.3 million. Upon the remeasurement of the amount owed to the holders in terms of the embedded feature, a total of $82 million was paid in cash to the holders, representing the combined carrying value of the debt liability of $25 million, as well as the fair value of the bifurcated embedded equity derivative upon settlement of $57 million. Accordingly, we recognized a loss on the fair value adjustment of the bifurcated embedded equity derivative of $1.5 million, which is classified within *other (income) expense—net* on the condensed consolidated statements of income (loss).

$350 million 0.00% Convertible Senior Notes due 2024

Prior to June 15, 2024, the 2024 Notes are convertible only under the following circumstances: (1) during any calendar quarter commencing after December 31, 2019, if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding calendar quarter, the last reported sale price of our common stock on such trading day is greater than or equal to 130% of the applicable conversion price on such trading day; (2) during the five consecutive business day period after any ten consecutive trading day period in which, for each day of that period, the trading price per $1,000 principal amount of 2024 Notes for such trading day was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on such trading day; or (3) upon the occurrence of specified corporate transactions. The first condition was satisfied from the calendar quarter ended September 30, 2020 through the calendar quarter ended March 31, 2022. However, this condition was not met for the calendar quarter ended June 30, 2022 through the calendar quarter ended June 30, 2023, but was met for the calendar quarter ended September 30, 2023, . This condition was not met for the calendar quarters ended December 31, 2023 or March 31, 2024 and, as a result, the 2024 Notes are were not convertible as of September 30, 2023 March 31, 2024. On and after June 15, 2024, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or a portion of their 2024 Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 2024 Notes will be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock. If the Company has not delivered a notice of its election of settlement method prior to the final conversion period, it will be deemed to have elected combination settlement with a dollar amount per note to be received upon conversion of $1,000.

During the nine months ended October 29, 2022, holders

Table of $3.6 million in aggregate principal amount of the 2024 Notes elected to exercise the early conversion option and we elected to settle such conversions using combination settlement comprised of cash equal to the principal amount of the 2024 Notes converted and shares of our common stock for the remaining conversion value. During the nine months ended October 29, 2022, we paid $3.6 million in cash and delivered 9,760 shares of common stock to settle the early conversion of these 2024 Notes. We also received 9,760 shares of common stock from the exercise of a portion of the convertible bond hedge we purchased concurrently with the issuance of the 2024 Notes. Contents

The remaining liability for the 2024 Notes is classified as a current obligation on our condensed consolidated balance sheets as of May 4, 2024 since the maturity settlement date of the outstanding 2024 Notes is on September 15, 2024. in September 2024. The settlement of the outstanding 2024 Notes will be made, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock.

Table of Contents

$335 million 0.00% Convertible Senior Notes due 2023

Prior to March 15, 2023, the 2023 Notes are convertible only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2018, if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding calendar quarter, the last reported sale price of our common stock on such trading day is greater than or equal to 130% of the applicable conversion price on such trading day; (2) during the five consecutive business day period after any ten consecutive trading day period in which, for each day of that period, the trading price per $1,000 principal amount of 2023 Notes for such trading day was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on such trading day; or (3) upon the occurrence of specified corporate transactions. The first condition was satisfied from the calendar quarter ended September 30, 2020 through the calendar quarter ended June 30, 2022 and, accordingly, holders were eligible to convert their 2023 Notes beginning in the calendar quarter ended December 31, 2020 and were eligible to convert their 2023 Notes through March 15, 2023. On and after March 15, 2023, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders were able to convert all or a portion of their 2023 Notes at any time, regardless of the foregoing circumstances.

During the nine months ended October 29, 2022, holders of $9.4 million in aggregate principal amount of the 2023 Notes elected to exercise the early conversion option and we elected to settle such conversions using combination settlement comprised of cash equal to the principal amount of the 2023 Notes converted and shares of our common stock for the remaining conversion value. During the nine months ended October 29, 2022, we paid $9.4 million in cash and delivered 27,220 shares of common stock to settle the early conversion of these 2023 Notes. We also received 27,208 shares of common stock from the exercise of a portion of the convertible bond hedge we purchased concurrently with the issuance of the 2023 Notes, and therefore, on a net basis issued 12 shares of our common stock in respect to such settlement of the converted 2023 Notes.

In June 2023, upon the maturity of the 2023 Notes, the remaining $1.7 million in aggregate principal amount of the 2023 Notes settled for $1.7 million in cash. During fiscal 2023 through the maturity of the 2023 Notes, we issued in aggregate 1,931 shares of common stock upon settlement of the 2023 Notes. settlement.

NOTE 10—CREDIT FACILITIES

The outstanding balances under our credit facilities were as follows:

	OCTOBER 28, 2023				JANUARY 28, 2023			MAY 4, 2024				FEBRUA 202	
	INTEREST RATE(1)	OUTSTANDING AMOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	NET CARRYING AMOUNT	OUTSTANDING AMOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	NET CARRYING AMOUNT	INTEREST RATE(1)	OUTSTANDING AMOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	NET CARRYING AMOUNT	OUTSTANDING AMOUNT	UNAMO DE ISSUA COS
	(dollars in thousands)												

										(dollars in thousands)			
Asset based credit facility(2)	6.68%	$ —	$ —	$ —	$ —	$ —	$ —	6.67%	$ —	$ —	$ —	$ —	$
Term loan B(3)	7.93%	1,960,000	(15,998)	1,944,002	1,975,000	(18,471)	1,956,529	7.93%	1,950,000	(14,297)	1,935,703	1,955,000	(1
Term loan B-2(4)	8.67%	495,000	(21,225)	473,775	498,750	(24,505)	474,245	8.67%	492,500	(18,969)	473,531	493,750	(2
Equipment promissory notes(5)	—	—	—	—	1,160	—	1,160						
Total credit facilities		$ 2,455,000	$ (37,223)	$2,417,777	$ 2,474,910	$ (42,976)	$2,431,934		$ 2,442,500	$ (33,266)	$2,409,234	$ 2,448,750	$ (3

(1) Interest rates for the asset based credit facility and term loans represent Represents the weighted-average interest rates as of October 28, 2023 May 4, 2024.

(2) Deferred financing fees associated with the asset based credit facility as of October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024 were $2.8 million $2.3 million and $3.5 million $2.5 million, respectively, and are included in *other non-current assets* on the condensed consolidated balance sheets. The deferred financing fees are amortized on a straight-line basis over the life of the revolving line of credit.

(3) Represents the Term Loan Credit Agreement (defined below), of which outstanding amounts of $1,940 million $1,930 million and $1,955 million $1,935 million were included in *term loan—net* on the condensed consolidated balance sheets as of October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024, respectively, and $20 million was included in *other current liabilities* on the condensed consolidated balance sheets as of both October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024.

Table of Contents

(4) Represents the outstanding balance of the Term Loan B-2 (defined below) under the Term Loan Credit Agreement, of which outstanding amounts of $490 million $488 million and $494 million $489 million were included in *term loan B-2—net* on the condensed consolidated balance sheets as of October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024, respectively, and $5.0 million was included in *other current liabilities* on the condensed consolidated balance sheets as of both October 28, 2023 May 4, 2024 and January 28, 2023 February 3, 2024.

(5) Represents total equipment security notes secured by certain of our property and equipment, which were included in *other current liabilities* on the condensed consolidated balance sheets as of January 28, 2023. The equipment security note was repaid in full in April 2023.

Asset Based Credit Facility & Term Loan Facilities

On August 3, 2011, Restoration Hardware, Inc. ("RHI"), a wholly-owned subsidiary of RH, along with its Canadian subsidiary, Restoration Hardware Canada, Inc., entered into the Ninth Amended and Restated Credit Agreement (as amended prior to June 28, 2017, the "Original

Credit Agreement”) by and among RHI, Restoration Hardware Canada, Inc., certain other subsidiaries of RH named therein as borrowers or guarantors, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “ABL Agent”).

On June 28, 2017, RHI entered into the Eleventh Amended and Restated Credit Agreement (as amended prior to July 29, 2021, the “11th A&R Credit Agreement”) by and among RHI, Restoration Hardware Canada, Inc., certain other subsidiaries of RH named therein as borrowers or guarantors, the lenders party thereto and the ABL Agent, which amended and restated the Original Credit Agreement.

On July 29, 2021, RHI entered into the Twelfth Amended and Restated Credit Agreement (as amended, the “ABL Credit Agreement”) by and among RHI, Restoration Hardware Canada, Inc., certain other subsidiaries of RH named therein as borrowers or guarantors, the lenders party thereto and the ABL Agent, which amended and restated the 11th A&R Credit Agreement. The ABL Credit Agreement has a revolving line of credit with initial availability of up to $600 million, of which $10 million is available to Restoration Hardware Canada, Inc., and includes a $300 million accordion feature under which the revolving line of credit may be expanded by agreement of the parties from $600 million to up to $900 million if and to the extent the lenders revise their credit commitments to encompass a larger facility. The ABL Credit Agreement provides that the $300 million accordion, or a portion thereof, may be added as a first-in, last-out term loan facility if and to the extent the lenders revise their credit commitments for such facility. The ABL Credit Agreement further provides that the borrowers may request a European sub-credit facility under the revolving line of credit or under the accordion feature for borrowing by certain European subsidiaries of RH if certain conditions set out in the ABL Credit Agreement are met. The maturity date of the ABL Credit Agreement is July 29, 2026.

The availability of credit at any given time under the ABL Credit Agreement will be constrained by the terms and conditions of the ABL Credit Agreement, including the amount of collateral available, a borrowing base formula based upon numerous factors, including the value of eligible inventory and eligible accounts receivable, and other restrictions contained in the ABL Credit Agreement. All obligations under the ABL Credit Agreement are secured by substantial assets of the loan parties, including inventory, receivables and certain types of intellectual property. As a result, actual borrowing availability under the revolving line of credit could be less than the stated amount of the revolving line of credit (as reduced by the actual borrowings and outstanding letters of credit under the revolving line of credit).

Borrowings under the revolving line of credit (other than swing line loans, which are subject to interest at the base rate) bear interest, at the borrower’s option, at either the base rate or LIBOR subject to a 0.00% LIBOR floor (or, in the case of the Canadian borrowings, the “BA Rate” or the “Canadian Prime Rate”, as such terms are defined in the ABL Credit Agreement, for the Canadian borrowings denominated in Canadian dollars, or the “U.S. Index Rate”, as such term is defined in the ABL Credit Agreement, or LIBOR for Canadian borrowings denominated in United States dollars) plus an applicable interest rate margin, in each case. The ABL Credit Agreement was amended in December 2022 to transition from LIBOR to the Secured Overnight Financing Rate (“SOFR”).

The ABL Credit Agreement contains various restrictive and affirmative covenants, including required financial reporting, limitations on granting certain liens, limitations on making certain loans or investments, limitations on incurring additional debt, restricted payment limitations limiting the payment of dividends and certain other transactions and distributions, limitations on transactions with affiliates, along with other restrictions and limitations similar to those frequently found in credit agreements of a similar type and size.

The ABL Credit Agreement does not contain any significant financial ratio covenants or coverage ratio covenants other than a consolidated fixed charge coverage ratio ("FCCR") covenant based on the ratio of (i) consolidated EBITDA to the amount of (ii) debt service costs plus certain other amounts, including dividends and distributions and prepayments of debt as defined in the ABL Credit Agreement (the "FCCR Covenant"). The FCCR Covenant only applies in certain limited circumstances, including when the unused availability under the ABL Credit Agreement drops below the greater of (A) $40 million and (B) an amount based on 10% of the total borrowing availability at the time. The FCCR Covenant ratio is set at 1.0 and measured on a trailing twelve-month basis. As of October 28, 2023 May 4, 2024, RHI was in compliance with the FCCR Covenant.

The ABL Credit Agreement requires a daily sweep of all cash receipts and collections to prepay the loans under the agreement while (i) an event of default exists or (ii) when the unused availability under the ABL Credit Agreement drops below the greater of (A) $40 million and (B) an amount based on 10% of the total borrowing availability at the time.

The ABL Credit Agreement contains customary representations and warranties, events of default and other customary terms and conditions for an asset based credit facility.

The availability of the revolving line of credit at any given time under the ABL Credit Agreement is limited by the terms and conditions of the ABL Credit Agreement, including the amount of collateral available, a borrowing base formula based upon numerous factors, including the value of eligible inventory and eligible accounts receivable, and other restrictions contained in the ABL Credit Agreement. As a result, actual borrowing availability under the revolving line of credit could be less than the stated amount of the revolving line of credit (as reduced by the actual borrowings and outstanding letters of credit under the revolving line of credit). As of October 28, 2023 May 4, 2024, the amount available for borrowing under the revolving line of credit under the ABL Credit Agreement was $430 million $454 million, net of $44 million $46 million in outstanding letters of credit.

Table of Contents

Term Loan Credit Agreement

On October 20, 2021, RHI entered into a Term Loan Credit Agreement (the "Term Loan Credit Agreement") by and among RHI as the borrower, the lenders party thereto and Bank of America, N.A. as administrative agent and collateral agent (in such capacities, the "Term Agent") with respect to an initial term loan (the "Term Loan B") in an aggregate principal amount equal to $2,000 million with a maturity date of October 20, 2028.

Through July 31, 2023, the Term Loan B bore interest at an annual rate based on LIBOR subject to a 0.50% LIBOR floor plus an interest rate margin of 2.50% (with a stepdown of the interest rate margin if RHI achieves a specified public corporate family rating). LIBOR was is a floating interest rate that reset periodically during the life of the Term Loan B. At the date of borrowing, the interest rate was set at the LIBOR floor of 0.50% plus 2.50% and the Term Loan B was issued at a discount of 0.50% to face value. Effective August 1, 2023, the Term Loan B bears interest at an annual rate based on SOFR subject to a 0.50% SOFR floor plus an interest rate margin of 2.50% plus a credit spread adjustment.

On May 13, 2022, RHI entered into a 2022 Incremental Amendment (the "2022 Incremental Amendment") with Bank of America, N.A., as administrative agent, amending the Term Loan Credit Agreement (the Term Loan Credit Agreement as amended by the 2022 Incremental Amendment, the "Amended Term Loan Credit Agreement"). Pursuant to the terms of the 2022 Incremental Amendment, RHI incurred incremental term loans (the "Term Loan B-2") in an aggregate principal amount equal to $500 million with a maturity date of October 20, 2028. The Term Loan B-2 constitutes a separate class from the Term Loan B under the Term Loan Credit Agreement.

The Term Loan B-2 bears interest at an annual rate based on the SOFR subject to a 0.50% SOFR floor plus an interest rate margin of 3.25% plus a credit spread adjustment of 0.10%. Other than the terms relating to the Term Loan B-2, the terms of the Amended Term Loan Credit Agreement remain substantially the same as the terms of the existing Term Loan Credit Agreement, including representations and warranties, covenants and events of default.

Table of Contents

All obligations under the Term Loan B are guaranteed by certain domestic subsidiaries of RHI. Further, RHI and such subsidiaries have granted a security interest in substantially all of their assets (subject to customary and other exceptions) to secure the Term Loan B. Substantially all of the collateral securing the Term Loan B also secures the loans and other credit extensions under the ABL Credit Agreement. On October 20, 2021, in connection with the Term Loan Credit Agreement, RHI and certain other subsidiaries of RH party to the Term Loan Credit Agreement and the ABL Credit Agreement, as the case may be, entered into an Intercreditor Agreement (the “Intercreditor Agreement”) with the Term Agent and the ABL Agent. The Intercreditor Agreement establishes various customary inter-lender terms, including, without limitation, with respect to priority of liens, permitted actions by each party, application of proceeds, exercise of remedies in case of default, releases of liens and certain limitations on the amendment of the ABL Credit Agreement and the Term Loan Credit Agreement without the consent of the other parties.

The borrowings under the Term Loan Credit Agreement may be prepaid in whole or in part at any time, subject to a prepayment premium of 1.0% in connection with any repricing transaction within the six months following the closing date of the Term Loan Credit Agreement.

The Term Loan Credit Agreement contains various restrictive and affirmative covenants, including required financial reporting, limitations on granting certain liens, limitations on making certain loans or investments, limitations on incurring additional debt, restricted payment limitations limiting the payment of dividends and certain other transactions and distributions, limitations on transactions with affiliates, along with other restrictions and limitations similar to those frequently found in credit agreements of a similar type and size, but provides for unlimited exceptions in the case of incurring indebtedness, granting of liens and making investments, dividend payments, and payments of material junior indebtedness, subject to satisfying specified leverage ratio tests.

The Term Loan Credit Agreement does not contain a financial maintenance covenant.

The Term Loan Credit Agreement contains customary representations and warranties, events of default and other customary terms and conditions for a term loan credit agreement.

Table of Contents

NOTE 11—FAIR VALUE MEASUREMENTS

Fair Value Measurements—Recurring

Amounts reported as cash and equivalents, restricted cash, receivables, and accounts payable and accrued expenses approximate fair value due to the short-term nature of activity within these accounts. The estimated fair value of the asset based credit facility approximates cost as the interest rate associated with the facility is variable and resets frequently (Level 2).

The estimated fair value and carrying value of the 2023 Notes, the 2024 Notes, the Term Loan Credit Agreement and the real estate loans were as follows:

[redacted]	OCTOBER 28, 2023		JANUARY 28, 2023		MAY 4, 2024		FEBRUARY 3, 2024	
	FAIR VALUE	PRINCIPAL CARRYING VALUE(1)	FAIR VALUE	PRINCIPAL CARRYING VALUE(1)	FAIR VALUE	PRINCIPAL CARRYING VALUE(1)	FAIR VALUE	PRINCIPAL CARRYING VALUE(1)
	(in thousands)				(in thousands)			
Convertible senior notes due 2023	$ —	$ —	$ 1,622	$ 1,696				
Convertible senior notes due 2024	38,520	41,904	37,351	41,904	$ 40,706	$ 41,904	$ 39,879	$ 41,904
Term loan B	1,853,127	1,960,000	1,961,056	1,975,000	1,908,563	1,950,000	1,917,715	1,955,000
Term loan B-2	482,805	495,000	500,215	498,750	485,728	492,500	490,545	493,750
Real estate loans	16,583	17,844	17,909	17,909	16,967	17,957	17,425	17,966

(1) The principal carrying value of the 2023 Notes and 2024 Notes excludes the discounts upon original issuance, discounts and commissions payable to the initial purchasers and third-party offering costs, as applicable. The principal carrying values of the Term Loan B and Term Loan B-2 represent the outstanding amount under each class and exclude discounts upon original issuance and third-party offering costs. The real estate loans represent the outstanding principal balance and exclude debt issuance costs.

Table of Contents

The fair value of each of the 2023 Notes and 2024 Notes was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the trading price of our convertible notes, when available, our stock price and interest rates based on similar debt issued by parties with credit ratings similar to ours (Level 2). The As of May 4, 2024, the fair values of the Term Loan B and Term Loan B-2 were derived from observable bid prices (Level 1). As of February 3, 2024, the fair values of the Term Loan B and Term Loan B-2 were derived from discounted cash flows using risk-adjusted rates (Level 2). The fair values of the real estate loans were derived from discounted cash flows using risk-adjusted rates (Level 2).

NOTE 12—INCOME TAXES

Our income tax expense (benefit) and effective tax rates were as follows:

[redacted]	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023

	(dollars in thousands)				(dollars in thousands)	
Income tax expense (benefit)	$ (9,215)	$ 36,162	$ 34,615	$ (70,867)	$ (2,091)	$ 16,585
Effective tax rate	80.8%	26.8%	23.0%	(20.2)%	36.6%	28.4%

The increase in our effective tax rate for the three months ended October 28, 2023 May 4, 2024 compared to the three months ended October 29, 2022 April 29, 2023 is primarily attributable to the net loss in the current period, and tax benefits from the Federal Rehabilitation Tax Credit related to the San Francisco Design Gallery. The increase in our effective tax rate for the nine months ended October 28, 2023 compared to the nine months ended October 29, 2022 is primarily attributable to significantly lower as well as higher net excess tax benefits from stock-based compensation in fiscal 2023 the three months ended May 4, 2024 as compared to fiscal 2022. the three months ended April 29, 2023.

As of October 28, 2023 May 4, 2024, we had $8.3 million $3.2 million of unrecognized tax benefits, of which $7.5 million $2.5 million would reduce income tax expense and the effective tax rate, if recognized. The remaining unrecognized tax benefits would offset other deferred tax assets, if recognized. As of October 28, 2023 May 4, 2024, we had $5.7 million $0.2 million of exposures related to unrecognized tax benefits that are expected to decrease in the next 12 months.

In October 2017, we filed an amended federal tax return claiming a $5.4 million refund, however, no income tax benefit was recorded at the time due to the technical nature and amount of the refund claim. As of May 4, 2024, we are no longer appealing this refund claim and have reversed the receivable and related reserve.

The Organization for Economic Cooperation and Development ("OECD") proposed model rules to ensure a minimal level of taxation (commonly referred to as Pillar II) and the European Union member states have agreed to implement Pillar II's proposed global corporate minimum tax rate of 15%. Many countries are actively considering, have proposed or have enacted, changes to their tax laws based upon the Pillar II proposals, which could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. To mitigate the administrative burden for multinational enterprises in complying with the OECD Global Anti-Base Erosion rules during the initial years of implementation, the OECD developed the temporary "Transitional Country-by-Country Safe Harbor." We considered the applicable tax law changes from Pillar II implementation in the relevant countries in which we operate, and there is no material impact to our tax provision for the three months ended May 4, 2024. We will continue to evaluate the impact of these tax law changes in future reporting periods.

NOTE 13—NET INCOME (LOSS) PER SHARE

The weighted-average shares used for net income (loss) per share are presented in the table below.

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023(1)	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024(1)	APRIL 29, 2023
Weighted-average shares—basic	18,371,545	23,681,482	20,459,241	23,588,464	18,324,454	22,047,029

Effect of dilutive stock-based awards	—	2,209,736	1,545,988	2,943,274	—	1,504,784
Effect of dilutive convertible senior notes(2)	—	207,047	202,584	415,349	—	206,975
Weighted-average shares—diluted	18,371,545	26,098,265	22,207,813	26,947,087	18,324,454	23,758,788

(1) As we reported a net loss for the three months ended October 28, 2023 May 4, 2024, the weighted-average shares outstanding for basic and diluted are the same for the corresponding period.

(2) The dilutive effect of the 2023 Notes and 2024 Notes is calculated under the if-converted method, which assumes share settlement of the entire convertible debt instrument. The 2023 Notes terminated in June 2023 and did not have an impact on our diluted share count post-termination. The warrants associated with the 2023 Notes and 2024 Notes had an impact on our dilutive share count beginning at stock prices of $309.84 per share and $338.24 per share, respectively. The warrants associated with the 2023 Notes and 2024 Notes were repurchased in April 2022 and, as a result, no warrant instruments were outstanding as of and after April 30, 2022. Accordingly, the warrants have no impact on our dilutive shares post-repurchase. Refer to Note 9—*Convertible Senior Notes*.

Table of Contents

The following number of options and restricted stock units, as well as shares issuable under convertible senior notes prior to extinguishment, were excluded from the calculation of diluted net income (loss) per share because their inclusion would have been anti-dilutive:

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
Options	2,999,409	1,084,920	1,275,183	1,083,745	3,018,757	1,109,768
Restricted stock units	16,547	19,310	15,705	19,443	13,162	16,694
Convertible senior notes	198,223	—	—	308,824	198,223	—

Table of Contents

NOTE 14—SHARE REPURCHASE PROGRAM AND SHARE RETIREMENT

Share Repurchase Program

In 2018, our Board of Directors authorized a share repurchase program. On June 2, 2022, the Board of Directors authorized an additional $2,000 million for the purchase of shares of our outstanding common stock, increasing the total authorized size of the share repurchase program to $2,450 million (the “Share Repurchase Program”).

In the nine months ended October 29, 2022, we repurchased 1,127,557 We did not repurchase any shares of our common stock under the Share Repurchase Program at an average price of $254.02 per share, for an aggregate repurchase amount of approximately $286 million.

In during the nine three months ended October 28, 2023, we repurchased 3,887,965 shares of our common stock under the Share Repurchase Program at an average price of $321.28 per share, for an aggregate repurchase amount of approximately $1,261 million, inclusive of $12 million of excise taxes. The excise tax liability is recorded in *accounts payable and accrued expenses* on the condensed consolidated balance sheets as of October 28, 2023 May 4, 2024.

As of October 28, 2023 May 4, 2024, $201 million remains available for future share repurchases under this program.

Share Retirement

In the nine months ended October 29, 2022, we retired 1,127,557 shares of common stock related to shares we repurchased under the Share Repurchase Program. As a result of this retirement, we reclassified a total of $286 million from *treasury stock* to *additional paid-in capital* on the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity (deficit) as of and for the nine months ended October 29, 2022.

In the nine months ended October 28, 2023, we retired 3,887,965 shares of common stock related to shares we repurchased under the Share Repurchase Program. As a result of this retirement, we reclassified a total of $10 million and $1,251 million from *treasury stock* to *additional paid-in capital* and *retained earnings (accumulated deficit)*, respectively, on the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity (deficit) as of and for the nine months ended October 28, 2023.

Refer to the condensed consolidated statements of stockholders' equity (deficit) for shares repurchased and subsequently retired in the three months ended October 28, 2023.

NOTE 15—STOCK-BASED COMPENSATION

The Restoration Hardware 2012 Stock Incentive Plan (the "Stock Incentive Plan") was adopted on November 1, 2012. The Stock Incentive Plan provides provided for the grant of incentive stock options to our employees, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, cash-based awards and any combination thereof to our employees, directors and consultants and our parent and subsidiary corporations' employees, directors and consultants.

Table of Contents

The Restoration Hardware 2012 Stock Option Plan (the "Option Plan") was adopted on November 1, 2012 and on such date 6,829,041 fully vested options were granted under this plan to certain of our employees and advisors. Aside from these options granted on November 1, 2012, no other awards were granted under the Option Plan.

. On November 1, 2022, both the Stock Incentive Plan and Option Plan expired. Upon expiration of the Stock Incentive Plan, a total of 1,607,508 shares that were available for future issuance under the plan were cancelled and were no longer available for the grant of awards under the plan.

The RH 2023 Stock Incentive Plan (the "2023 Stock Incentive Plan", together with the Stock Incentive Plan and Option Plan, "the Plans") was approved by stockholders on April 4, 2023. The 2023 Stock Incentive Plan provides for the grant of incentive stock options to our employees and the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights and any combination thereof to our employees, directors and consultants and our parent and subsidiary corporations' employees, directors and consultants.

The maximum number As of May 4, 2024, there were a total of 2,200,469 shares that may be issued pursuant to all awards under the 2023 Stock Incentive Plan is (i) 3,000,000, plus (ii) any shares of our common stock covered by any outstanding award (or portion of any such award) that has been granted under the 2012 Stock Incentive Plan (as defined below) if such award (or a portion of such award) is forfeited, is canceled or expires (whether voluntarily or involuntarily) without the issuance of shares of our common stock or if the shares underlying such award (or a portion of such award) that are surrendered or withheld in payment of the award's exercise or purchase price or in satisfaction of tax withholding obligations with respect to an award would be deemed not to have been issued for purposes of determining the maximum number of shares of our common stock that may be issued under the 2023 Stock Incentive Plan had such award been an award granted issuable under the 2023 Stock Incentive Plan. The 2023 Stock Incentive Plan has a ten-year term.

Awards under the 2023 Stock Incentive Plan reduce the number of shares available for future issuance. Cancellations and forfeitures of awards previously granted under the 2023 Stock Incentive Plan Plans increase the number of shares available for future issuance. Shares issued as a result of award exercises under the 2023 Stock Incentive Plan will be funded with the issuance of new shares.

Stock Options Under the Plans

A summary of options outstanding, vested or expected to vest, and exercisable as of October 28, 2023 May 4, 2024 was as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM *(in years)*	AGGREGATE INTRINSIC VALUE *(in thousands)*
Options outstanding	3,637,625	$ 189.03	5.4	$ 296,799
Options vested or expected to vest	3,362,736	182.91	5.2	291,519
Options exercisable	2,560,660	162.67	4.5	265,227

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM *(in years)*	AGGREGATE INTRINSIC VALUE *(in thousands)*
Options outstanding	4,027,464	$ 202.04	5.7	$ 418
Options vested or expected to vest	3,622,750	194.67	5.3	408
Options exercisable	2,570,209	166.10	4.2	369

Stock-based compensation expense, which is included in *selling, general and administrative expenses* on the condensed consolidated statements of income (loss), was as follows:

[redacted]	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				*(in thousands)*	
Stock-based compensation expense(1)	$ 9,820	$ 10,187	$ 28,538	$ 33,725	$ 10,544	$ 10,180

(1) On October 18, 2020, our Board of Directors granted Mr. Friedman an option to purchase 700,000 shares of our common stock with an exercise price equal to $385.30 per share under the 2012 Stock Incentive Plan. The option will result in aggregate non-cash stock compensation expense of $174 million, of which $2.0 million $1.9 million and $4.1 million $3.5 million was recognized during the three months ended October 28, 2023 May 4, 2024 and October 29, 2022, respectively, and $7.5 million and $14 million was recognized during the nine months ended October 28, 2023 and October 29, 2022 April 29, 2023, respectively.

No stock-based compensation cost has been capitalized in the accompanying condensed consolidated financial statements.

Table of Contents

As of October 28, 2023 May 4, 2024, the total unrecognized compensation expense and weighted average remaining term was as follows:

	UNRECOGNIZED STOCK BASED COMPENSATION (in thousands)	WEIGHTED AVERAGE REMAINING TERM (in years)
Unvested options(1)	$ 100,628	4.5
Unvested restricted stock and restricted stock units	6,032	3.4
Total	$ 106,660	

	UNRECOGNIZED STOCK BASED COMPENSATION (in thousands)	WEIGHTED AVERAGE REMAINING TERM (in years)
Unvested options(1)	$ 147,683	5.2
Unvested restricted stock and restricted stock units	5,923	2.8
Total	$ 153,606	

(1) Includes Excludes the remaining unrecognized compensation expense of $3.4 million related to the fully vested option grant made to Mr. Friedman in October 2020, of $7.5 million, which will be recognized on an accelerated basis through May 2025.

NOTE 16—COMMITMENTS AND CONTINGENCIES

Commitments

We had no material off balance off-balance sheet commitments as of October 28, 2023 May 4, 2024.

Contingencies

We are subject to contingencies, including in connection with lawsuits, claims, investigations and other legal proceedings incident to the ordinary course of our business. These disputes are increasing in number as we expand our business and provide new product and service offerings, such as restaurants and hospitality, and as we enter new markets and legal jurisdictions and face increased complexity related to compliance and regulatory requirements. In addition, we are subject to governmental and regulatory examinations, information requests, and investigations from time to time at the state and federal levels.

Certain legal proceedings that we currently face involve various class-action allegations, including cases related to our employment practices, the application of state wage-and-hour laws and other causes of action. We have faced similar litigation in the past, including class action cases. Due to the inherent difficulty of predicting the course of legal actions related to complex legal matters, including class-action allegations, such as the eventual scope, duration or outcome, we may be unable to estimate the amount or range of any potential loss that could result from an unfavorable outcome arising from such matters. Our assessment of these legal proceedings, as well as other lawsuits, could change based upon the discovery of facts that are not presently known or developments during the course of the litigation. We have settled certain class action cases but continue to defend a variety of legal actions and our estimates of our exposure in such cases may evolve over time. Accordingly, the ultimate costs to resolve litigation, including class action cases, may be substantially higher or lower than our estimates.

With respect to such contingencies, we review the need for any loss contingency reserves and establish reserves when, in the opinion of our senior leadership team, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. Loss contingencies determined to be probable and estimable are recorded in *accounts payable and accrued expenses* on the condensed consolidated balance sheets (refer to Note 6—*Accounts Payable, Accrued Expenses and Other Current Liabilities*). These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to each matter. In view of the inherent difficulty of predicting the outcome of certain matters, particularly in cases in which claimants seek substantial or indeterminate damages, it may not be possible to determine whether a liability has been incurred or to reasonably estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no reserve is established until that time. When and to the extent that we do establish a reserve, there can be no assurance that any such recorded liability for estimated losses will be for the appropriate amount, and actual losses could be higher or lower than what we accrue from time to time. Although we believe that the ultimate resolution of our current legal proceedings will not have a material adverse effect on the condensed consolidated financial statements, the outcome of legal matters is subject to inherent uncertainty.

Table of Contents

Although we are self-insured or maintain deductibles in the United States for workers' compensation, general liability and product liability up to predetermined amounts, above which third-party insurance applies, depending on the facts and circumstances of the underlying claims, coverage under our insurance policies may not be available. Even if we believe coverage does apply under our insurance programs, our insurance carriers may dispute coverage based on the underlying facts and circumstances.

As a result, the outcome of any matters in which we are involved could result in unexpected expenses and liability that could adversely affect our operations. In addition, any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of our senior leadership team's time, result in the diversion of significant operational resources, and require changes to our business operations, policies and practices. Legal costs related to such claims are expensed as incurred.

NOTE 17—SEGMENT REPORTING

We define reportable and operating segments on the same basis that we use to evaluate our performance internally by the chief operating decision maker ("CODM"), which we have determined is our Chief Executive Officer. We have three operating segments: RH Segment, Waterworks and Real Estate. The RH Segment and Waterworks operating segments (the "retail operating segments") include all sales channels accessed by our customers, including sales through retail locations and outlets, including hospitality, websites, Sourcebooks, and the Trade and Contract channels. The Real Estate segment represents operations associated with certain of our equity method investments and certain of our consolidated variable interest entities that are non-wholly owned non-wholly-owned subsidiaries and have operations that are not directly related to RH's operations (refer to Note 5—*Variable Interest Entities*). operations.

The retail operating segments are strategic business units that offer products for the home furnishings customer. While RH Segment and Waterworks have a shared senior leadership team and customer base, we have determined that their results cannot be aggregated as they do not share similar economic characteristics, as well as due to other quantitative factors.

Segment Information

We use operating income to evaluate segment profitability for the retail operating segments and to allocate resources. Operating income is defined as net income (loss) before interest expense—net, loss on extinguishment of debt, other expense— income—net, income tax expense (benefit) and our share of equity method investments loss. loss—net. Segment operating income excludes (i) favorable legal settlements, (ii) severance costs associated with a reorganization, (iii) non-cash compensation amortization related to an option grant made to Mr. Friedman in October 2020 (iv) asset impairments, (v) product recalls, (vi) employer payroll tax expense related to an option exercise by Mr. Friedman, (vii) professional fees related to the 2023 Notes and 2024 Notes transactions (refer to Note 9—*Convertible Senior Notes*), (viii) compensation settlements related to the Rollover Units and Profit Interest Units in the Waterworks subsidiary and (ix) gain on sale of building and land. (iii) severance costs associated with a reorganization. These items are excluded from segment operating income in order to provide better transparency of segment operating results. Accordingly, these items are not presented by segment because they are excluded from the segment profitability measure that the CODM and our senior leadership team review.

Table of Contents

The following table presents segment operating income and a reconciliation to *income from operations* and *income (loss) before income taxes and equity method investments*:

	THREE MONTHS ENDED	
	MAY 4, 2024	APRIL 29, 2023
	(in thousands)	
Operating income:		
RH Segment	$ 41,431	$ 103,721
Waterworks	5,804	6,671
Total segment operating income	47,235	110,392
Legal settlements—net	9,375	—
Non-cash compensation	(1,947)	(3,531)
Reorganization related costs	—	(7,621)
Income from operations	54,663	99,240
Interest expense—net	56,772	39,816
Other (income) expense—net	1,165	(653)
Income (loss) before income taxes and equity method investments	$ (3,274)	$ 60,077

The following table presents selected statements of income (loss) metrics for our segments, including disaggregated net revenues:

	THREE MONTHS ENDED					
	MAY 4, 2024			APRIL 29, 2023		
	RH SEGMENT	WATERWORKS	TOTAL	RH SEGMENT	WATERWORKS	TOTAL
	(in thousands)					
Net revenues	$ 677,066	$ 49,894	$ 726,960	$ 690,516	$ 48,646	$ 739,162
Gross profit	289,808	26,230	316,038	321,584	25,961	347,545
Depreciation and amortization	29,383	1,444	30,827	26,425	1,345	27,770

In the three months ended May 4, 2024 and April 29, 2023, the Real Estate segment share of equity method investments loss were $2.8 million and $1.6 million, respectively. Our share of income from equity method investments for the Waterworks segment were immaterial in both fiscal periods presented.

Table of Contents

The following table presents segment operating income and income (loss) before income taxes and equity method investments:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022
	(in thousands)			
Operating income:				
RH Segment	$ 50,200	$ 173,162	$ 307,590	$ 639,219
Waterworks	4,963	7,187	19,329	22,394
Total segment operating income	55,163	180,349	326,919	661,613
Legal settlements	—	4,188	(8,000)	4,188
Reorganization related costs	—	—	(7,621)	—
Non-cash compensation	(1,972)	(4,136)	(7,527)	(14,315)
Asset impairments	(3,531)	(10,926)	(3,531)	(19,080)
Recall accrual	1,576	—	1,576	(560)
Employer payroll taxes on option exercise	—	—	—	(11,717)
Professional fees	—	—	—	(7,469)
Compensation settlements	—	—	—	(3,483)
Gain on sale of building and land	—	775	—	775
Income from operations	51,236	170,250	301,816	609,952
Interest expense—net	54,640	31,417	138,878	78,536
Loss on extinguishment of debt	—	—	—	169,578
Other expense—net	5,305	1,989	4,466	4,841
Income (loss) before income taxes and equity method investments	$ (8,709)	$ 136,844	$ 158,472	$ 356,997

The following tables present the results of operationstable presents selected balance sheet metrics reviewed by the CODM to evaluate performance internally or as required under ASC 280—*Segment Reporting*: for our segments:

	THREE MONTHS ENDED					
	OCTOBER 28, 2023			OCTOBER 29, 2022		
	RH SEGMENT	WATERWORKS	TOTAL	RH SEGMENT	WATERWORKS	TOTAL
	(in thousands)					

Net revenues	$ 705,061	$ 46,164	$ 751,225	$ 821,260	$ 47,806	$ 869,066
Gross profit	315,980	24,470	340,450	394,947	25,831	420,778
Depreciation and amortization	27,533	921	28,454	26,785	1,247	28,032

Table of Contents

	NINE MONTHS ENDED					
	OCTOBER 28, 2023			OCTOBER 29, 2022		
	RH SEGMENT	WATERWORKS	TOTAL	RH SEGMENT	WATERWORKS	TOTAL
	(in thousands)					
Net revenues	$ 2,146,192	$ 144,674	$ 2,290,866	$ 2,670,390	$ 147,588	$ 2,817,978
Gross profit	990,490	77,578	1,068,068	1,362,843	79,736	1,442,579
Depreciation and amortization	80,786	3,574	84,360	75,980	3,780	79,760

The Real Estate segment share of equity method investments loss was $2.7 million and $1.9 million in the three months ended October 28, 2023 and October 29, 2022, respectively, and $7.7 million and $6.1 million in the nine months ended October 28, 2023 and October 29, 2022, respectively. Our share of income from equity method investments for the Waterworks segment were immaterial for all fiscal periods presented.

The following table presents the financial position metrics as required under ASC 280—*Segment Reporting*:

[redacted]	OCTOBER 28, 2023				JANUARY 28, 2023			
	RH SEGMENT	WATERWORKS	REAL ESTATE	TOTAL	RH SEGMENT	WATERWORKS	REAL ESTATE	TOTAL
	(in thousands)							

MAY 4, 2024				FEBR 20	
RH SEGMENT	WATERWORKS	REAL ESTATE	TOTAL	RH SEGMENT	WATERWORKS

												(in thousands)		
Goodwill(1)	$ 140,997	$ —	$ —	$ 140,997	$ 141,048	$ —	$ —	$ 141,048	$ 141,013	$ —	$ —	$ 141,013	$ 141,033	$ —
Tradenames, trademarks and other intangible assets(2)	58,746	17,000	—	75,746	57,633	17,000	—	74,633	59,053	17,000	—	76,053	58,927	17,000
Equity method investments	—	858	127,254	128,112	—	623	100,845	101,468						
Equity method investments(3)									—	4,008	124,900	128,908	—	3,609
Total assets	3,833,341	243,351	163,927	4,240,619	4,953,610	217,228	138,451	5,309,289	3,836,347	188,213	161,979	4,186,539	3,798,572	183,804

(1) The Waterworks reporting unit goodwill of $51 million recognized upon acquisition in fiscal 2016 was fully impaired as of fiscal 2018.

(2) The Waterworks reporting unit tradename is presented net of an impairment charge of $35 million recognized in prior fiscal years.

(3) The Waterworks segment balance represents membership interests in two European entities, whereby we hold a 50 percent membership interest in one entity and an approximately 25 percent membership interest in the other, and we are not the primary beneficiary of these VIEs.

We classify our sales into sell furniture and non-furniture product lines. products. Furniture includes both indoor and outdoor furniture. Non-furniture includes lighting, textiles, fittings, fixtures, surfaces, accessories and home décor, as well as our hospitality operations. Net revenues in each category were as follows:

[redacted]	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				(in thousands)	
Furniture	$ 518,923	$ 597,520	$ 1,575,916	$ 1,959,760	$ 505,271	$ 496,391
Non-furniture	232,302	271,546	714,950	858,218	221,689	242,771
Total net revenues	$ 751,225	$ 869,066	$ 2,290,866	$ 2,817,978	$ 726,960	$ 739,162

We are domiciled in the United States and primarily operate our retail locations and outlets in the United States. As of October 28, 2023 May 4, 2024, we operated four retail locations and two outlets one outlet in Canada, and two retail locations and one outlet in the U.K. United Kingdom, two retail locations in Germany and one retail location in Belgium. Geographic revenues in Canada, the United Kingdom, Germany and the U.K. Belgium are based upon revenues recognized at the retail locations in the respective country and were not material in any either fiscal period presented.

No single customer accounted for 10% or more of our consolidated net revenues in any fiscal period presented.

Table of Contents

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

The following discussion and analysis of our financial condition and the results of our operations should be read together with our condensed consolidated financial statements and the related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and the related notes included in our 2022 2023 Form 10-K.

Management's discussion and analysis of financial condition and results of operations ("MD&A") contains forward-looking statements that are subject to risks and uncertainties. Refer to "Forward-Looking "Special Note Regarding Forward-Looking Statements and Market Data" below and *Item 1A—Risk Factors* in our 2022 2023 Form 10-K for a discussion of the risks, uncertainties and assumptions associated with these statements. MD&A should be read in conjunction with our historical consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, but not limited to, those listed in our 2022 2023 Form 10-K.

The discussion of our financial condition and changes in our results of operations, liquidity and capital resources is presented in this section for the three and nine months ended October 28, 2023 May 4, 2024, and a comparison to the three and nine months ended October 29, 2022 April 29, 2023. The discussion related to cash flows for the nine three months ended October 29, 2022 April 29, 2023, has been omitted from this Quarterly Report on Form 10-Q, but is included in *Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations* on our Form 10-Q/A 10-Q for the quarter ended October 29, 2022 April 29, 2023, filed with the Securities and Exchange Commission ("SEC") on March 27, 2023 May 26, 2023.

MD&A is a supplement to our condensed consolidated financial statements within Part I of this Quarterly Report on Form 10-Q and is provided to enhance an understanding of our results of operations and financial condition. Our MD&A is organized as follows:

Overview. This section provides a general description of our business, including our key value-driving strategies and an overview of certain known trends and uncertainties.

Basis of Presentation and Results of Operations. This section provides our condensed consolidated statements of income (loss) and other financial and operating data, including a comparison of our results of operations in the current period as compared to the prior year's comparative period, as well as non-GAAP measures we use for financial and operational decision-making and as a means to evaluate period-to-period comparisons.

Liquidity and Capital Resources. This section provides an overview of our sources and uses of cash and our financing arrangements, including our credit facilities and debt arrangements, in addition to the cash requirements for our business, such as our capital expenditures.

Critical Accounting Policies and Estimates. This section discusses the accounting policies and estimates that involve a higher degree of judgment or complexity and are most significant to reporting our consolidated results of operations and financial position, including the significant estimates and judgments used in the preparation of our condensed consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This quarterly report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. 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,” “short-term,” “non-recurring,” “one-time,” “unusual,” “should,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

Forward-looking statements are subject to risk and uncertainties that may cause actual results to differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our actual results. Matters that we identify as “short term,” “non-recurring,” “unusual,” “one-time,” or other words and terms of similar meaning may, in fact, may not be short term and may recur in one or more future financial reporting periods. 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 consequences or affect us or our operations in the way we expect, or that future developments affecting us will be those that we have anticipated. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the section entitled *Risk Factors* in our 2022 2023 Form 10-K, and *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in Part I of this quarterly report in our Quarterly Report on Form 10-Q for the quarterly periods ended April 29, 2023 and July 29, 2023 and in our 2022 2023 Form 10-K. All forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements, as well as other cautionary statements. You should evaluate all forward-looking statements made in this quarterly report in the context of these risks and uncertainties.

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 consequences or affect us or our operations in the way we expect. expect, or that future developments affecting us will be those that we have anticipated. The forward-looking statements included in this quarterly report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Overview

We are a leading retailer and luxury lifestyle brand operating primarily in the home furnishings market. Our curated and fully integrated assortments are presented consistently across our sales channels, including our retail locations, websites and Sourcebooks. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and baby, child and teen furnishings. Our retail business is fully integrated across our multiple channels of distribution. We position our Galleries as showrooms for our brand, while our websites and Sourcebooks act as virtual and print extensions of our physical spaces, respectively. We operate our retail locations throughout the United States and Canada as well as in the United Kingdom, Germany and Germany, Belgium and have an integrated RH Hospitality experience in 15 17 of our Design Gallery locations, which includes Restaurants restaurants and Wine Bars. wine bars.

We opened the RH Guesthouse in New York in September 2022, a first-of-its-kind hospitality experience for travelers seeking privacy and luxury. The property features six guest rooms, three guest suites and a private residence, as well as The Dining Room & Terrace. In November 2023, we opened the Champagne & Caviar Bar at the RH Guesthouse New York, featuring a luminous and alluring 32-seat lounge with elegant dishes topped with caviar, a library of the world's finest champagnes and vodkas, and a select menu of timeless cocktails.

In June 2023, Additionally, we opened RH England, The Palo Alto, the Gallery at Stanford, in May 2024 and we plan to open RH Madrid, the Historic Aynho Park, a 400-year-old landmark estate representing the most inspiring and immersive physical expression of the brand to date. RH England marks the beginning of our global expansion beyond North America and our continued foray into hospitality with two primary restaurants: The Orangery, a live fire concept; and The Loggia, an outdoor venue featuring wood-fired pizzas. The Gallery also includes the Wine Lounge and Tea Salon, as well as the Juicery. Spanning 73 acres and over 60 rooms, RH England seamlessly integrates luxury home furnishings collections from RH Interiors, Contemporary, Modern and Outdoor.

In November 2023, we opened RH Munich, The Gallery on Sendlinger Strasse at Plaza del Marqués de Salamanca, in Germany, and RH Düsseldorf, The Gallery on the Königsallee. The opening of these two Galleries marks the beginning of our expansion into continental Europe. June 2024.

We have recently undertaken substantial efforts to introduce the most prolific collection of new products in our history, with over 70 a substantial number of new furniture and upholstery collections across RH Interiors, RH Contemporary, RH Modern, RH Outdoor, RH Baby & Child and RH TEEN. These new collections reflect a level of design and quality inaccessible in our current market, and a value proposition that will be disruptive across multiple markets. In fiscal 2023, our investment in Sourcebooks has increased in connection with introducing these new products, which we expect to continue over the next several quarters.

Table of Contents

As of October 28, 2023 May 4, 2024, we operated the following number of locations:

	COUNT
RH	
Design Galleries	28 33
Legacy Galleries	36 34
Modern Gallery	1
Baby & Child and TEEN Galleries	3
Total Galleries	68 71
Outlets	42 41
Guesthouse	1
Waterworks Showrooms	14

Business Conditions

There are a number of macroeconomic factors and uncertainties affecting the overall business climate as well as our business, including substantially higher interest and mortgage rates, increased inflation and volatility in the global financial markets related to the foregoing as well as, among other things, the conflict in the Middle East and the recent failures of several financial institutions. We While we experienced increased demand for our products during the pandemic, and recently there have been significant shifts in consumer consumption patterns with spending away from home furnishings. The demand for home furnishings has decreased since the easing reopening of the economy after the peak of the pandemic including increases in and consumption patterns have shifted into other areas, such as travel and services rather than spending on home furnishings. These and other macroeconomic factors may have a number of adverse effects on leisure. Our business has also been negatively affected by macroeconomic conditions, including substantially higher interest rates and markets in which we operate, including the housing market, with the potential for an economic recession and a sustained downturn mortgage rates, volatility in the housing market. Factors such as a global financial markets and the slowdown in the housing luxury home market or as well as other negative trends in stock market prices could have an adverse impact on demand for our products. We believe factors related to the effects of lingering higher inflation and increased costs, including higher construction expenses. Our expectation is that these macroeconomic and other factors, which have contributed to the slowdown in demand that we have experienced in our business, over will moderate in the last several fiscal quarters. future and we believe we have positioned the business to take advantage of any improvements in macroeconomic factors.

Our decisions regarding the sources and uses of capital will continue to reflect and adapt to changes in market conditions and our business, including further developments with respect to macroeconomic factors.

We also face uncertainties related to the large number of new business initiatives that we are undertaking at the same time, including efforts to grow our business through (i) international expansion, (ii) developing innovative new Gallery designs and locations for our business, (iii) pursuing new areas of business operations including real estate development and real estate joint ventures, as well as the expansion of RH Hospitality, and (iv) substantial enhancement of our merchandise assortment and improvements to the quality of our products and services as we seek to climb the luxury mountain.

For more information, refer to the section sections entitled "Risk Factors" *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Risk Factors* in our 2022 2023 Form 10-K.

Key Value-Driving Strategies

In order to achieve our long-term strategies of Product Elevation, Platform Expansion and Cash Generation as well as drive growth across our business, we are focused on the following key strategies and business initiatives:

Product Elevation. We believe we have built the most comprehensive and compelling collection of luxury home furnishings under one brand in the world. Our products are presented across multiple collections, categories and channels that we control, and their desirability and exclusivity has enabled us to achieve industry-leading strong revenues and margins. Our customers know our brand concepts as RH Interiors, RH Modern, Contemporary, RH Contemporary, Modern, RH Outdoor, RH Beach House, RH Ski House, RH Baby & Child, RH TEEN and Waterworks. Our strategy is to continue to elevate the design and quality of our product. With the recent launch of the fall RH Interiors and RH Contemporary Sourcebooks in 2023, as well as the launch of the RH Outdoor and RH Modern Sourcebooks in 2024, we have begun the introduction of the most prolific collection of new products in our history, which will continue into next year. history. In addition, over the next few years, we plan to introduce RH Couture, RH Bespoke and RH Color.

Table of Contents

Gallery Transformation. Our product is elevated and rendered more valuable by our architecturally inspiring Galleries. We believe our strategy to open new Design Galleries in every major market in North America will unlock the value of our vast assortment, generating an expected annual revenue opportunity for our business of $5 to $6 billion. We believe we can significantly increase our sales by transforming our real estate platform from our existing legacy retail footprint to a portfolio of Design Galleries sized to the potential of each market and the size of our assortment. In addition, we plan to incorporate hospitality into most many of the new Design Galleries that we open in the future, which further elevates and renders our product and brand more valuable. We believe hospitality has created a unique new retail experience that cannot be replicated online, and that the addition of hospitality drives incremental sales of home furnishings in these Galleries.

Brand Elevation. We are evolving Our strategy is to move the RH brand beyond curating and selling product to conceptualizing and selling spaces, by building an ecosystem of Products, Places, Services and Spaces designed to elevate and render our product more valuable while establishing that establishes the RH brand as a global thought leader, taste and place maker. We believe our seamlessly integrated ecosystem of immersive experiences inspires customers to dream, design, dine, travel and live in a world thoughtfully curated by RH, creating an impression and connection unlike any other brand in the world. Our hospitality efforts will continue to elevate the RH brand as we extend beyond the four walls of our Galleries into RH Guesthouses, where our goal is to create a new market for travelers seeking privacy and luxury in the $200 billion North American hotel industry. We entered this industry with the opening of the RH Guesthouse in New York in September 2022, and are in the process of constructing our second RH Guesthouse in Aspen. In June 2023, we opened RH England, The Gallery at the Historic Aynho Park, a 400-year-old landmark estate representing the most inspiring and immersive physical expression of the brand to date. RH England marked the beginning of our global expansion beyond North America. Additionally, we are creating bespoke experiences like RH Yountville, an integration of Food, Wine, Art & Design in the Napa Valley; RH1 & RH2, our private jets; and RH3, our luxury yacht that is available for charter in the Caribbean and Mediterranean, where the wealthy and affluent visit and vacation. These immersive experiences expose new and existing customers to our evolving authority in architecture, interior design and landscape architecture.

Global Expansion. We believe that our luxury brand positioning and unique aesthetic have strong international appeal, and that pursuit of global expansion will provide RH with a substantial opportunity to build over time a projected $20 to $25 billion global brand in terms of annual revenues. Our view is that the competitive environment globally is more fragmented and primed for disruption than the North American market, and there is no direct competitor of scale that possesses the product, operational platform, and brand of RH. As such, we are actively pursuing the expansion of the RH brand globally. Our plans include launching a number of international locations in the United Kingdom and Europe, which began with the opening of RH England, The Gallery at the Historic Aynho Park, in June 2023; followed by the November 2023 openings of RH Munich, The Gallery on Sendlinger Strasse, and RH Düsseldorf, The Gallery on the Königsallee; as well as RH Brussels, The Gallery on Boulevard de Waterloo, in March 2024. We have secured a number of locations in various markets in the United Kingdom, continental Europe and Australia, including in Madrid, Paris, London, Milan and Sydney.

Digital Reimagination. Our strategy is to digitally reimagine the RH brand and business model both internally and externally. Internally, our multi-year multiyear effort began with the reimagination of our Center of Innovation & Product Leadership to incorporate digitally integrated visuals and decision data designed to amplify the creative process from product ideation to product presentation. Externally, our strategy comes to life digitally through The World of RH, an online portal where customers can explore and be inspired by the depth and dimension of our brand. Launched in the spring of 2022, The World of RH includes rich, immersive content with simplified navigation and search functionality, all designed to enhance the shopping experience and render our product and brand more valuable. We expect to continue to elevate the customer experience on The World of RH with further enhancements to content, navigation and search functionality. We believe an opportunity exists to create similar strategic separation online as we have with our Galleries offline, reconceptualizing what a website can and should be.

Global Expansion. We believe that our luxury brand positioning and unique aesthetic have strong international appeal, and that pursuit of global expansion will provide RH with a substantial opportunity to build over time a projected $20 to $25 billion global brand in terms of annual revenues. Our view is that the competitive environment globally is more fragmented and primed for disruption than the North American market, and there is no direct competitor of scale that possesses the product, operational platform, and brand of RH. As such, we are actively pursuing the expansion of the RH brand globally with the objective of launching international locations in Europe, which began with the opening of RH England, The Gallery at the Historic Aynho Park, in June 2023, followed by the November 2023 openings of RH Munich and RH Düsseldorf in Germany. We have secured a number of locations in various markets in the U.K. and continental Europe for future Design Galleries and are currently in lease or purchase negotiations for additional locations.

Basis of Presentation and Results of Operations

The following table sets forth our condensed consolidated statements of income (loss):

	THREE MONTHS ENDED				NINE MONTHS ENDED				THREE MONTHS ENDED			
	OCTOBER 28, 2023	% OF NET REVENUES	OCTOBER 29, 2022	% OF NET REVENUES	OCTOBER 28, 2023	% OF NET REVENUES	OCTOBER 29, 2022	% OF NET REVENUES	MAY 4, 2024	% OF NET REVENUES	APRIL 29, 2023	% OF NET REVENUES
	(dollars in thousands)								(dollars in thousands)			
Net revenues	$ 751,225	100.0 %	$ 869,066	100.0 %	$ 2,290,866	100.0 %	$ 2,817,978	100.0 %	$726,960	100.0 %	$739,162	100.0 %
Cost of goods sold	410,775	54.7	448,288	51.6	1,222,798	53.4	1,375,399	48.8	410,922	56.5	391,617	53.0
Gross profit	340,450	45.3	420,778	48.4	1,068,068	46.6	1,442,579	51.2	316,038	43.5	347,545	47.0
Selling, general and administrative expenses	289,214	38.5	250,528	28.8	766,252	33.4	832,627	29.6	261,375	36.0	248,305	33.6
Income from operations	51,236	6.8	170,250	19.6	301,816	13.2	609,952	21.6	54,663	7.5	99,240	13.4
Other expenses												
Interest expense—net	54,640	7.3	31,417	3.7	138,878	6.1	78,536	2.7	56,772	7.8	39,816	5.4
Loss on extinguishment of debt	—	—	—	—	—	—	169,578	6.0				
Other expense—net	5,305	0.7	1,989	0.2	4,466	0.2	4,841	0.2				
Other (income) expense—net									1,165	0.2	(653)	(0.1)
Total other expenses	59,945	8.0	33,406	3.9	143,344	6.3	252,955	8.9	57,937	8.0	39,163	5.3
Income (loss) before income taxes and equity method investments	(8,709)	(1.2)	136,844	15.7	158,472	6.9	356,997	12.7	(3,274)	(0.5)	60,077	8.1
Income tax expense (benefit)	(9,215)	(1.3)	36,162	4.1	34,615	1.5	(70,867)	(2.5)	(2,091)	(0.3)	16,585	2.2
Income before equity method investments	506	0.1	100,682	11.6	123,857	5.4	427,864	15.2				
Share of equity method investments loss	2,693	0.4	1,922	0.2	7,677	0.3	6,118	0.2				
Income (loss) before equity method investments									(1,183)	(0.2)	43,492	5.9
Share of equity method investments loss—net									2,442	0.3	1,602	0.2
Net income (loss)	$ (2,187)	(0.3)%	$ 98,760	11.4 %	$ 116,180	5.1 %	$ 421,746	15.0 %	$ (3,625)	(0.5)%	$ 41,890	5.7 %

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use non-GAAP financial measures, including adjusted operating income, adjusted net income (loss), EBITDA, adjusted EBITDA, and adjusted capital expenditures. expenditures (collectively, “non-GAAP financial measures”). We compute these measures by adjusting the applicable GAAP measures to remove the impact of certain recurring and non-recurring charges and gains and to adjust for the impact tax effect of income tax items related to such adjustments to our GAAP financial statements. these adjustments. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by senior leadership in its financial and operational decision-making. The non-GAAP financial measures used by us in this Quarterly Report on Form 10-Q may be different from the non-GAAP financial measures, including similarly titled measures, used by other companies.

For more information on the non-GAAP financial measures, please see the reconciliation of GAAP to non-GAAP financial measures tables outlined below. These accompanying tables include details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures.

[Table of Contents](#)

Adjusted Operating Income. Adjusted operating income is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define adjusted operating income as consolidated operating income, adjusted for the impact of certain non-recurring and other items that we do not consider representative of our underlying operating performance.

Reconciliation of GAAP Net Income (Loss) to Operating Income and Adjusted Operating Income

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)					

					(in thousands)	
Net income (loss)	$ (2,187)	$ 98,760	$ 116,180	$ 421,746	$ (3,625)	$ 41,890
Interest expense—net(1)	54,640	31,417	138,878	78,536	56,772	39,816
Loss on extinguishment of debt(1)	—	—	—	169,578		
Other expense—net(1)	5,305	1,989	4,466	4,841		
Other (income) expense—net(1)					1,165	(653)
Income tax expense (benefit)(1)	(9,215)	36,162	34,615	(70,867)	(2,091)	16,585
Share of equity method investments loss(1)	2,693	1,922	7,677	6,118		
Share of equity method investments loss—net(2)					2,442	1,602
Operating income	51,236	170,250	301,816	609,952	54,663	99,240
Legal settlements(2)	—	(4,188)	8,000	(4,188)		
Reorganization related costs(3)	—	—	7,621	—		
Legal settlements—net(3)					(9,375)	—
Non-cash compensation(4)	1,972	4,136	7,527	14,315	1,947	3,531
Asset impairments(5)	3,531	10,926	3,531	19,080		
Recall accrual(6)	(1,576)	—	(1,576)	560		
Employer payroll taxes on option exercise(7)	—	—	—	11,717		
Professional fees(8)	—	—	—	7,469		
Compensation settlements(9)	—	—	—	3,483		
Gain on sale of building and land(10)	—	(775)	—	(775)		
Reorganization related costs(5)					—	7,621
Adjusted operating income	$ 55,163	$ 180,349	$ 326,919	$ 661,613	$47,235	$110,392

(1) Refer to discussion "Three Months Ended October 28, 2023 May 4, 2024 Compared to Three Months Ended October 29, 2022" and "Nine Months Ended October 28, 2023 Compared to Nine Months Ended October 29, 2022 April 29, 2023" below for a discussion of our results of operations for the three and nine months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023.

(2) The adjustment in Represents our proportionate share of the nine months ended October 28, 2023 represents certain legal settlements associated with class action litigation matters. Refer to Note 16—*Commitments and Contingencies* in net loss of our condensed consolidated financial statements. The adjustment in the three and nine months ended October 29, 2022 represents a favorable legal settlement associated with a lease agreement. equity method investments.

(3) Represents severance favorable legal settlements received of $10 million, partially offset by costs and related payroll taxes associated incurred in connection with a reorganization. one of the matters.

(4) Represents the amortization of the non-cash compensation charge related to an option grant made to Mr. Friedman in October 2020.

(5) The adjustment in the three Represents severance costs and nine months ended October 28, 2023 includes impairment of property and equipment of $2.2 million related to the interior refresh of our Design Galleries, as well as impairment of a loan receivable of $1.3 million. The adjustment in the three and nine months ended October 29, 2022 includes inventory impairment of $11 million. The adjustment in the nine months ended October 29, 2022 also includes asset impairment related to property and equipment of Galleries under construction, as well as lease impairment of $1.0 million due to the early exit of a leased facility.

(6) The adjustment in the three and nine months ended October 28, 2023 represents accrual adjustments related to product recall charges. The adjustment in the nine months ended October 29, 2022 represents charges payroll taxes associated with product recalls.

(7) Represents employer payroll tax expense related to the option exercise by Mr. Friedman in the first quarter of fiscal 2022.

(8) Represents professional fees contingent upon the completion of certain transactions related to the 2023 Notes and 2024 Notes, including bond hedge terminations and warrant and convertible senior notes repurchase (refer to Note 9—*Convertible Senior Notes* in our condensed consolidated financial statements). a reorganization.

Table of Contents

(9) Represents compensation settlements related to the Rollover Units and Profit Interest Units in the Waterworks subsidiary.

(10) Represents gain on sale of building and land.

Adjusted Net Income (Loss). Adjusted net income (loss) is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define adjusted net income (loss) as consolidated net income (loss), adjusted for the impact of certain non-recurring and other items that we do not consider representative of our underlying operating performance.

Reconciliation of GAAP Net Income (Loss) to Adjusted Net Income (Loss)

[redacted]	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				*(in thousands)*	
Net income (loss)	$ (2,187)	$ 98,760	$ 116,180	$ 421,746	$ (3,625)	$ 41,890
Adjustments pre-tax:						
Legal settlements(1)	—	(4,188)	8,000	(4,188)		
Legal settlements—net(1)					(9,375)	—
Non-cash compensation(1)					1,947	3,531
Reorganization related costs(1)	—	—	7,621	—	—	7,621
Non-cash compensation(1)	1,972	4,136	7,527	14,315		
Asset impairments(1)	3,531	10,926	3,531	19,080		
Recall accrual(1)	(1,576)	—	(1,576)	560		
Loss on extinguishment of debt(1)	—	—	—	169,578		
Employer payroll taxes on option exercise(1)	—	—	—	11,717		
Professional fees(1)	—	—	—	7,469		
Compensation settlements(1)	—	—	—	3,483		
Gain on derivative instruments—net(2)	—	—	—	(1,724)		
Gain on sale of building and land(1)	—	(775)	—	(775)		
Subtotal adjusted items	3,927	10,099	25,103	219,515	(7,428)	11,152
Impact of income tax items(3)	(12,232)	(427)	(15,868)	(191,621)		
Share of equity method investments loss(1)	2,693	1,922	7,677	6,118		
Impact of income tax items(2)					1,280	(2,433)
Share of equity method investments loss—net(1)					2,442	1,602
Adjusted net income (loss)	$ (7,799)	$ 110,354	$ 133,092	$ 455,758	$ (7,331)	$ 52,211

(1) Refer to table titled “Reconciliation of GAAP Net Income (Loss) to Operating Income and Adjusted Operating Income” and the related footnotes for additional information.

(2) Represents net gain on derivative instruments resulting from certain transactions related to the 2023 Notes and 2024 Notes, including bond hedge terminations and warrant and convertible senior notes repurchase (refer to Note 9—*Convertible Senior Notes* in our condensed consolidated financial statements).

(3) We exclude the GAAP tax provision and apply a non-GAAP tax provision based upon (i) adjusted pre-tax net income (loss), (ii) the projected annual adjusted tax rate and (iii) the exclusion of material discrete tax items that are unusual or infrequent, such as tax benefits related to the option exercise by Mr. Friedman in first quarter of fiscal 2022 and the Federal Rehabilitation Tax Credit related to the San Francisco Design Gallery in the third quarter of fiscal 2023. infrequent. The adjustments for the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023 are based on adjusted tax rates of (63.1)% 31.5% and 24.9%, respectively. The adjustments for the nine months ended October 28, 2023 and October 29, 2022 are based on adjusted tax rates of 27.5% and 20.9% 26.7%, respectively.

[Table of Contents](#)

EBITDA and Adjusted EBITDA. EBITDA and Adjusted adjusted EBITDA are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as consolidated net income (loss) before depreciation and amortization, interest expense—net and income tax expense (benefit). Adjusted EBITDA reflects further adjustments to EBITDA to eliminate the impact of non-cash compensation, as well as certain non-recurring and other items that we do not consider representative of our underlying operating performance.

Reconciliation of GAAP Net Income (Loss) to EBITDA and Adjusted EBITDA

	THREE MONTHS ENDED		NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)				*(in thousands)*	
Net income (loss)	$ (2,187)	$ 98,760	$ 116,180	$ 421,746	$ (3,625)	$ 41,890
Depreciation and amortization	28,454	28,032	84,360	79,760	30,827	27,770
Interest expense—net	54,640	31,417	138,878	78,536	56,772	39,816
Income tax expense (benefit)	(9,215)	36,162	34,615	(70,867)	(2,091)	16,585
EBITDA	71,692	194,371	374,033	509,175	81,883	126,061
Non-cash compensation(1)	9,820	10,187	28,538	33,725	10,544	10,180
Legal settlements(2)	—	(4,188)	8,000	(4,188)		
Share of equity method investments loss(2)	2,693	1,922	7,677	6,118		
Reorganization related costs(2)	—	—	7,621	—		
Capitalized cloud computing amortization(3)	2,062	1,747	5,834	4,800		
Other expense—net(2)	5,305	1,989	4,466	4,841		
Asset impairments(2)	3,531	10,926	3,531	19,080		
Recall accrual(2)	(1,576)	—	(1,576)	560		

Loss on extinguishment of debt(2)	—	—	—	169,578		
Employer payroll taxes on option exercise(2)	—	—	—	11,717		
Professional fees(2)	—	—	—	7,469		
Compensation settlements(2)	—	—	—	3,483		
Gain on sale of building and land(2)	—	(775)	—	(775)		
Capitalized cloud computing amortization(2)					2,471	1,849
Share of equity method investments loss—net(3)					2,442	1,602
Other (income) expense—net(3)					1,165	(653)
Legal settlements—net(3)					(9,375)	—
Reorganization related costs(3)					—	7,621
Adjusted EBITDA	$ 93,527	$ 216,179	$ 438,124	$ 765,583	$ 89,130	$146,660

(1) Represents non-cash compensation related to equity awards granted to employees, including the amortization of the non-cash compensation charge related to an option grant made to Mr. Friedman in October 2020.

(2) Represents amortization associated with capitalized cloud computing costs.

(3) Refer to table titled "Reconciliation of GAAP Net Income (Loss) to Operating Income and Adjusted Operating Income" and the related footnotes for additional information.

(3) Represents amortization associated with capitalized cloud computing costs.

Table of Contents

Adjusted Capital Expenditures. Adjusted capital expenditures is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define adjusted capital expenditures as capital expenditures from investing activities and cash outflows of capital related to construction activities to design and build landlord-owned leased assets, net of tenant allowances received. received during the construction period.

Reconciliation of Adjusted Capital Expenditures

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
			(in thousands)	
Capital expenditures	$ 131,840	$ 109,675	$ 66,261	$ 34,190
Landlord assets under construction—net of tenant allowances	18,617	43,380	8,782	9,583
Adjusted capital expenditures	$ 150,457	$ 153,055	$ 75,043	$ 43,773

In addition, we also received landlord tenant allowances under finance leases subsequent to lease commencement of $2.4 and $4.2 million for the nine months ended October 28, 2023 and October 29, 2022, respectively, which are reflected as a reduction to *principal payments under finance leases* within financing activities on the condensed consolidated statements of cash flows.

Table of Contents

The following table presents RH Gallery and Waterworks Showroom metrics, and excludes Outlets:

	THREE MONTHS ENDED				NINE MONTHS ENDED				THREE MONTHS ENDED			
	OCTOBER 28, 2023		OCTOBER 29, 2022		OCTOBER 28, 2023		OCTOBER 29, 2022		MAY 4, 2024		APRIL 29, 2023	
	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL LEASED SELLING SQUARE FOOTAGE[1]
	(square footage in thousands)								(square footage in thousands)			
Beginning of period	82	1,315	81	1,291	81	1,286	81	1,254	84	1,378	81	1,286
RH Design Galleries:												
England Design Gallery	—	—	—	—	1	35.1	—	—				
Brussels Design Gallery									1	27.7	—	—
Cleveland Design Gallery									1	33.1	—	—
Indianapolis Design Gallery	—	—	—	—	(1)	(13.0)	—	—	—	—	(1)	(13.0)
San Francisco Design Gallery	—	—	—	—	—	—	1	42.1				
RH Legacy Galleries:												
Cleveland Legacy Gallery									(1)	(7.1)	—	—

Indianapolis temporary Gallery	—	—	—	—	1	5.7	—	—	—	—	1	5.7
San Francisco legacy Gallery	—	—	—	—	—	—	(1)	(4.8)				
Detroit legacy Gallery (relocation)	—	—	—	—	—	1.5	—	—				
End of period	82	1,315	81	1,291	82	1,315	81	1,291	85	1,432	81	1,279
Total leased square footage at end of period(2)		1,791		1,737		1,791		1,737		1,971		1,733
Weighted-average leased square footage(3)		1,791		1,737		1,761		1,713		1,935		1,729
Weighted-average leased selling square footage(3)		1,315		1,291		1,300		1,277		1,404		1,285

(1) Leased selling square footage is retail space at our retail locations used to sell our products, as well as space for our Restaurants. restaurants and wine bars. Leased selling square footage excludes backrooms at retail locations used for storage, office space, food preparation, kitchen space or similar purpose as well as exterior sales space located outside a retail location, such as courtyards, gardens and rooftops.

Leased selling square footage includes approximately 35,000 89,000 square feet as of October 28, 2023 May 4, 2024 related to one three owned retail location. locations.

(2) Total leased square footage includes approximately 56,000 142,000 square feet as of October 28, 2023 May 4, 2024 related to one three owned retail location. locations.

(3) Weighted-average leased square footage and leased selling square footage are calculated based on the number of days a retail location was opened during the period divided by the total number of days in the period.

Three Months Ended October 28, 2023 May 4, 2024 Compared to Three Months Ended October 29, 2022 April 29, 2023

	THREE MONTHS ENDED						THREE MONTHS ENDED					
	OCTOBER 28, 2023			OCTOBER 29, 2022			MAY 4, 2024			APRIL 29, 2023		
	RH SEGMENT	WATERWORKS	TOTAL(1)	RH SEGMENT	WATERWORKS	TOTAL(1)	RH SEGMENT	WATERWORKS	TOTAL(1)	RH SEGMENT	WATERWORKS	TOTAL(1)
	(in thousands)											

							(in thousands)					
Net revenues	$ 705,061	$ 46,164	$751,225	$ 821,260	$ 47,806	$869,066	$ 677,066	$ 49,894	$726,960	$ 690,516	$ 48,646	$739,162
Cost of goods sold	389,081	21,694	410,775	426,313	21,975	448,288	387,258	23,664	410,922	368,932	22,685	391,617
Gross profit	315,980	24,470	340,450	394,947	25,831	420,778	289,808	26,230	316,038	321,584	25,961	347,545
Selling, general and administrative expenses	269,707	19,507	289,214	231,884	18,644	250,528	244,149	17,226	261,375	229,015	19,290	248,305
Income from operations	$ 46,273	$ 4,963	$ 51,236	$ 163,063	$ 7,187	$170,250	$ 45,659	$ 9,004	$ 54,663	$ 92,569	$ 6,671	$ 99,240

(1) The results for the Real Estate segment were immaterial for in both the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, therefore, thus, such results are presented within the RH Segment for such in each period. Refer to Note 17—*Segment Reporting* in our condensed consolidated financial statements.

Table of Contents

Net revenues

Consolidated net revenues decreased $118 million $12 million, or 13.6% 1.7%, to $751 million $727 million in the three months ended October 28, 2023 May 4, 2024 compared to $869 million $739 million in the three months ended October 29, 2022 April 29, 2023.

RH Segment net revenues

RH Segment net revenues decreased $116 million $13 million, or 14.1% 1.9%, to $705 million $677 million in the three months ended October 28, 2023 May 4, 2024 compared to $821 million $691 million in the three months ended October 29, 2022 April 29, 2023. The below discussion highlights several significant factors that resulted in a decrease in impacted RH Segment net revenues, which are listed in order of magnitude.

RH Segment net revenues for the three months ended October 28, 2023 May 4, 2024 decreased primarily due to lower demand compared to the third first quarter of fiscal 2022, reflecting 2023 due to sustained challenging macroeconomic conditions, including elevated interest rates and a continuation of trends following the elevated pandemic-driven home spending. Outlet sales decreased $3.4 million to $61 million in the three months ended October 28, 2023 compared to $64 million in the three months ended October 29, 2022. challenging luxury housing market.

Waterworks net revenues

Waterworks net revenues decreased $1.6 million increased $1.2 million, or 3.4% 2.6%, to $46 million $50 million in the three months ended October 28, 2023 May 4, 2024 compared to $48 million $49 million in the three months ended October 29, 2022 April 29, 2023.

Gross profit

Consolidated gross profit decreased $80 million $32 million, or 19.1% 9.1%, to $340 million $316 million in the three months ended October 28, 2023 May 4, 2024 compared to $421 million $348 million in the three months ended October 29, 2022 April 29, 2023. As a percentage of net revenues, consolidated gross margin decreased 310 350 basis points to 45.3% 43.5% of net revenues in the three months ended October 28, 2023 May 4, 2024 from 48.4% 47.0% of net revenues in the three months ended October 29, 2022 April 29, 2023.

RH Segment gross profit for the three months ended October 29, 2022 was negatively affected by $11 million of inventory impairment. Excluding the asset impairment adjustment, consolidated gross margin would have decreased 440 basis points to 45.3% of net revenues in the three months ended October 28, 2023 from 49.7% of net revenues in the three months ended October 29, 2022.

Table of Contents

RH Segment gross profit

RH Segment gross profit decreased $79 million $32 million, or 20.0% 9.9%, to $316 million $290 million in the three months ended October 28, 2023 compared to $395 million May 4, 2024 from $322 million in the three months ended October 29, 2022 April 29, 2023. As a percentage of net revenues, RH Segment gross margin decreased 330 380 basis points to 44.8% 42.8% of net revenues in the three months ended October 28, 2023 May 4, 2024 from 48.1% 46.6% of net revenues in the three months ended October 29, 2022.

Excluding the $11 million asset impairment adjustment, RH Segment gross margin would have decreased 460 basis points to 44.8% of net revenues in the three months ended October 28, 2023 from 49.4% of net revenues in the three months ended October 29, 2022 April 29, 2023. The decrease in RH Segment gross margin was primarily attributable to a decrease in product margins in the Core business largely driven by price adjustments, as well as a higher mix of, and discounts on, discontinued product collections, as well as the impact of our pricing strategy on certain products. In addition, our lower The decrease in RH Segment net revenues year over year resulted in deleverage in occupancy costs. costs year over year, and we also experienced an increase in occupancy costs related to our Galleries and supply chain in support of the continued global expansion efforts in Europe.

Waterworks gross profit

Waterworks gross profit decreased $1.4 million, or 5.3%, to $24 million was $26 million in both the three months ended October 28, 2023 compared to $26 million in the three months ended October 29, 2022 May 4, 2024 and April 29, 2023. As a percentage of net revenues, Waterworks gross margin decreased 100 80 basis points to 53.0% 52.6% of net revenues in the three months ended October 28, 2023 May 4, 2024 from 54.0% 53.4% of net revenues in the three months ended October 29, 2022 April 29, 2023.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased $39 million $13 million, or 15.4% 5.3%, to $289 million $261 million in the three months ended October 28, 2023 compared to $251 million May 4, 2024 from $248 million in the three months ended October 29, 2022 April 29, 2023.

RH Segment selling, general and administrative expenses

RH Segment selling, general and administrative expenses increased $38 million $15 million, or 16.3% 6.6%, to $270 million $244 million in the three months ended October 28, 2023 May 4, 2024 compared to $232 million $229 million in the three months ended October 29, 2022 April 29, 2023.

RH Segment selling, general and administrative expenses for the three months ended October 28, 2023 May 4, 2024 include asset impairments favorable net legal settlements of $2.2 million $6.2 million and $1.3 million related to the interior refresh of our Design Galleries and a loan receivable, respectively, and amortization of non-cash compensation of $2.0 million $1.9 million related to an option grant made to Mr. Friedman in October 2020, offset by accrual adjustments related to product recall charges of $1.6 million. 2020.

RH Segment selling, general and administrative expenses for the three months ended October 29, 2022 April 29, 2023 include amortization severance expense and other payroll related costs associated with a reorganization of $7.6 million and non-cash compensation of $4.1 million $3.5 million related to an option grant made to Mr. Friedman in October 2020, partially offset by a $4.2 million legal settlement received and a $0.8 million gain on sale 2020.

Table of building and land. Contents

RH Segment selling, general and administrative expenses would have been 37.6% were 36.7% and 28.3% 31.5% of net revenues for the three months ended October 28, 2023 May 4, 2024 and October 29, 2022 April 29, 2023, respectively, excluding the costs incurred in connection with the adjustments mentioned above. The increase in selling, general and administrative expenses as a percentage of net revenues was primarily driven by incremental advertising costs of $52 million $15 million related to the increased circulation in connection with the mailing of the 604-page Spring 2024 RH Interiors and 352-page RH Contemporary Sourcebooks as compared Outdoor Sourcebook. Additionally, we had an increase in compensation due to the third quarter of fiscal 2022, new Gallery openings, as well as deleverage in compensation higher occupancy and other corporate costs driven by lower net revenues. year over year.

Waterworks selling, general and administrative expenses

Waterworks selling, general and administrative expenses increased $0.9 million decreased $2.1 million, or 4.6% 10.7%, to $20 million $17 million in the three months ended October 28, 2023 May 4, 2024 compared to $19 million in the three months ended October 29, 2022 April 29, 2023.

Waterworks selling, general and administrative expenses were 42.3% in the three months ended May 4, 2024 include $3.2 million related to a favorable legal settlement. Excluding the adjustment for the legal settlement, Waterworks selling, general and 39.0% administrative expenses would have increased 130 basis points to 41.0% of net revenues in the three months ended May 4, 2024, compared to 39.7% of net revenues for the three months ended October 28, 2023 and October 29, 2022, respectively. April 29, 2023.

Table of Contents

Interest expense—net

Interest expense—net increased $23 million, or 73.9%, $17 million in the three months ended October 28, 2023 May 4, 2024 compared to the three months ended October 29, 2022 April 29, 2023, which consisted of the following in each period:

	THREE MONTHS ENDED	THREE MONTHS ENDED

REFINITIV

[redacted]	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)			
			(in thousands)	
Term loan interest expense	$ 51,354	$ 35,300	$ 51,944	$ 47,793
Finance lease interest expense	8,640	8,564	7,407	8,486
Other interest expense	1,291	916	1,113	1,216
Capitalized interest for capital projects			(2,626)	(1,055)
Interest income	(5,148)	(12,540)	(1,066)	(16,624)
Capitalized interest for capital projects	(1,497)	(823)		
Total interest expense—net	$ 54,640	$ 31,417	$ 56,772	$ 39,816

Other (income) expense—net

Other expense—net was $5.3 million and $2.0 million in We recorded other expense of $1.2 million for the three months ended October 28, 2023 and October 29, 2022 May 4, 2024, respectively, which primarily represents includes foreign exchange losses from unfavorable exchange rate changes affecting foreign currency denominated transactions of $3.7 million $1.0 million, primarily between the U.S. dollar as compared to Euro and $1.8 million, respectively, Pound Sterling, as well as a loss from the remeasurement of intercompany loans with subsidiaries in Switzerland and the U.K. United Kingdom of $0.2 million.

We recorded net other income of $0.7 million for the three months ended April 29, 2023, as well as net which includes a foreign exchange gain from the remeasurement of intercompany loans with subsidiaries in Switzerland and the United Kingdom of $1.8 million, partially offset by foreign exchange losses due related to unfavorable exchange rate changes affecting foreign currency denominated transactions of $1.6 million and $0.2 million $1.1 million, respectively, primarily between the U.S. dollar as compared to Euro and Pound Sterling.

Income tax expense (benefit)

Our income tax expense (benefit) and effective tax rates were as follows:

	THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022
	(dollars in thousands)	
Income tax expense (benefit)	$ (9,215)	$ 36,162
Effective tax rate	80.8%	26.8%

The increase in our effective tax rate for the three months ended October 28, 2023 compared to the three months ended October 29, 2022 is primarily attributable to the net loss in the current period and tax benefits from the Federal Rehabilitation Tax Credit related to the San Francisco Design Gallery.

Equity method investments loss

Equity method investments loss consists of our proportionate share of the loss of our equity method investments by applying the hypothetical liquidation at book value methodology, which resulted in a $2.7 million and $1.9 million loss during the three months ended October 28, 2023 and October 29, 2022, respectively.

Table of Contents

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

	NINE MONTHS ENDED					
	OCTOBER 28, 2023			OCTOBER 29, 2022		
	RH SEGMENT	WATERWORKS	TOTAL(1)	RH SEGMENT	WATERWORKS	TOTAL
	(in thousands)					
Net revenues	$ 2,146,192	$ 144,674	$ 2,290,866	$ 2,670,390	$ 147,588	$ 2,817,978
Cost of goods sold	1,155,702	67,096	1,222,798	1,307,547	67,852	1,375,399
Gross profit	990,490	77,578	1,068,068	1,362,843	79,736	1,442,579
Selling, general and administrative expenses	708,003	58,249	766,252	771,609	61,018	832,627
Income from operations	$ 282,487	$ 19,329	$ 301,816	$ 591,234	$ 18,718	$ 609,952

(1) The results for the Real Estate segment were immaterial for both the nine months ended October 28, 2023 and October 29, 2022, therefore, such results are presented within the RH Segment for such period. Refer to Note 17—*Segment Reporting* in our condensed consolidated financial statements.

Net revenues

Consolidated net revenues decreased $527 million, or 18.7%, to $2,291 million in the nine months ended October 28, 2023 compared to $2,818 million in the nine months ended October 29, 2022.

RH Segment net revenues

RH Segment net revenues decreased $524 million, or 19.6%, to $2,146 million in the nine months ended October 28, 2023 compared to $2,670 million in the nine months ended October 29, 2022. The below discussion highlights several significant factors that impacted RH Segment net revenues, which are listed in order of magnitude.

RH Segment net revenues for the nine months ended October 28, 2023 decreased primarily due to lower demand compared to the first three quarters of fiscal 2022, reflecting a continuation of trends following the elevated pandemic-driven home spending. Outlet sales decreased $26 million to $177 million in the nine months ended October 28, 2023 compared to $203 million in the nine months ended October 29, 2022.

Waterworks net revenues

Waterworks net revenues decreased $2.9 million, or 2.0%, to $145 million in the nine months ended October 28, 2023 compared to $148 million in the nine months ended October 29, 2022.

Gross profit

Consolidated gross profit decreased $375 million, or 26.0%, to $1,068 million in the nine months ended October 28, 2023 compared to $1,443 million in the nine months ended October 29, 2022. As a percentage of net revenues, consolidated gross margin decreased 460 basis points to 46.6% of net revenues in the nine months ended October 28, 2023 from 51.2% of net revenues in the nine months ended October 29, 2022.

RH Segment gross profit for the nine months ended October 29, 2022 was negatively affected by $11 million of inventory impairment. Excluding the asset impairment adjustment, consolidated gross margin would have decreased 500 basis points to 46.6% of net revenues in the nine months ended October 28, 2023 from 51.6% of net revenues in the nine months ended October 29, 2022.

RH Segment gross profit

RH Segment gross profit decreased $372 million, or 27.3%, to $990 million in the nine months ended October 28, 2023 from $1,363 million in the nine months ended October 29, 2022. As a percentage of net revenues, RH Segment gross margin decreased 480 basis points to 46.2% of net revenues in the nine months ended October 28, 2023 from 51.0% of net revenues in the nine months ended October 29, 2022.

Table of Contents

Excluding the $11 million asset impairment adjustment, RH Segment gross margin would have decreased 520 basis points to 46.2% of net revenues in the nine months ended October 28, 2023 from 51.4% of net revenues in the three months ended October 29, 2022. The decrease in RH Segment gross margin was primarily attributable to a decrease in product margins in the Core business, largely driven by higher mix of, and discounts on, discontinued product collections. In addition, our lower net revenues year over year resulted in deleverage in occupancy costs.

Waterworks gross profit

Waterworks gross profit decreased $2.2 million, or 2.7%, to $78 million in the nine months ended October 28, 2023 from $80 million in the nine months ended October 29, 2022. As a percentage of net revenues, Waterworks gross margin decreased 40 basis points to 53.6% of net revenues in the nine months ended October 28, 2023 from 54.0% of net revenues in the nine months ended October 29, 2022.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses decreased $66 million, or 8.0%, to $766 million in the nine months ended October 28, 2023 compared to $833 million in the nine months ended October 29, 2022.

RH Segment selling, general and administrative expenses

RH Segment selling, general and administrative expenses decreased $64 million, or 8.2%, to $708 million in the nine months ended October 28, 2023 compared to $772 million in the nine months ended October 29, 2022.

RH Segment selling, general and administrative expenses for the nine months ended October 28, 2023 include legal settlements of $8.0 million, severance expense and other payroll related costs associated with a reorganization of $7.6 million, amortization of non-cash compensation of $7.5 million related to an option grant made to Mr. Friedman in October 2020 and asset impairments of $2.2 million and $1.3 million related to the interior refresh of our Design Galleries and a loan receivable, respectively, offset by accrual adjustments related to product recall charges of $1.6 million.

RH Segment selling, general and administrative expenses for the nine months ended October 29, 2022 include amortization of non-cash compensation of $14 million related to an option grant made to Mr. Friedman in October 2020, $12 million of employer payroll tax expense associated with Mr. Friedman’s stock option exercise during the first quarter of fiscal 2022, $7.5 million of professional fees which were contingent upon the completion of our debt transactions related to the 2023 Notes and 2024 Notes and $0.6 million related to product recalls, partially offset by a $4.2 million legal settlement received and a $0.8 million gain on sale of building and land.

RH Segment selling, general and administrative expenses would have been 31.8% and 27.5% of net revenues for the nine months ended October 28, 2023 and October 29, 2022, respectively, excluding the costs incurred in connection with the adjustments mentioned above. The increase in selling, general and administrative expenses as a percentage of net revenues was primarily driven by incremental advertising costs of $31 million related to the mailing of the 604-page fall RH Interiors Sourcebook, as well as deleverage in compensation and other corporate costs driven by lower net revenues.

Waterworks selling, general and administrative expenses

Waterworks selling, general and administrative expenses decreased $2.8 million, or 4.5%, to $58 million in the nine months ended October 28, 2023 compared to $61 million in the nine months ended October 29, 2022. Waterworks selling, general and administrative expenses were 40.3% and 41.3% of net revenues for the nine months ended October 28, 2023 and October 29, 2022, respectively.

Waterworks selling, general and administrative expenses for the nine months ended October 29, 2022 include $3.5 million in compensation settlements related to the Rollover Units and Profit Interest Units and a $0.2 million asset impairment. Excluding the adjustments, Waterworks selling, general and administrative expenses would have been 40.2% and 38.9% of net revenues for the nine months ended October 28, 2023 and October 29, 2022, respectively.

Table of Contents

Interest expense—net

Interest expense—net increased $60 million, or 76.8%, in the nine months ended October 28, 2023 compared to the nine months ended October 29, 2022, which consisted of the following in each period:

	NINE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022
	(in thousands)	
Term loan interest expense	$ 149,582	$ 76,283
Finance lease interest expense	25,920	23,526
Other interest expense	3,705	2,821
Interest income	(36,513)	(20,114)
Capitalized interest for capital projects	(3,816)	(3,980)
Total interest expense—net	$ 138,878	$ 78,536

Loss on extinguishment of debt

During the nine months ended October 29, 2022, we recognized a loss on extinguishment of debt of $170 million related to the repurchase of $237 million of principal value of convertible senior notes, inclusive of the acceleration of amortization of debt issuance costs of $1.3 million. The loss represents the difference between the carrying value and the fair value of the convertible senior notes upon entering into the repurchase agreements with the noteholders. Refer to Note 9—*Convertible Senior Notes* in our condensed consolidated financial statements.

Other expense—net

Other expense—net was $4.5 million and $4.8 million in the nine months ended October 28, 2023 and October 29, 2022, respectively, which primarily represents foreign exchange losses of $2.8 million and $5.4 million, respectively, from the remeasurement of intercompany loans with subsidiaries in Switzerland and the U.K., as well as net losses due to unfavorable exchange rate changes affecting foreign currency denominated transactions of $1.7 million and $1.1 million, respectively, primarily between the U.S. dollar as compared to Euro and Pound Sterling. The foreign exchange loss in the nine months ended October 29, 2022 was partially offset by a net gain on derivative instruments of $1.7 million, resulting from the completion of certain transactions related to the 2023 Notes and 2024 Notes, including bond hedge and warrant terminations and convertible senior notes repurchases.

Income tax expense (benefit)

Our income tax expense (benefit) and effective tax rates were as follows:

	NINE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022
	(dollars in thousands)	
Income tax expense (benefit)	$ 34,615	$ (70,867)
Effective tax rate	23.0%	(20.2)%

	THREE MONTHS ENDED	
	MAY 4, 2024	APRIL 29, 2023
	(dollars in thousands)	
Income tax expense (benefit)	$ (2,091)	$ 16,585
Effective tax rate	36.6%	28.4%

The increase in our effective tax rate for the nine months ended October 28, 2023 compared to the nine months ended October 29, 2022 is primarily attributable to significantly lower the net loss in the current period, as well as higher net excess tax benefits from stock-based compensation in fiscal 2023 the three months ended May 4, 2024 as compared to fiscal 2022. the three months ended April 29, 2023.

Equity method investments loss

Equity method investments loss consists of our proportionate share of the loss of our equity method investments by applying the hypothetical liquidation at book value methodology, which resulted in a $7.7 million and $6.1 million loss during the nine months ended October 28, 2023 and October 29, 2022, respectively.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are cash flows generated from operations, our current balances of cash and cash equivalents, and amounts available under our ABL Credit Agreement.

A summary of our net debt, and availability under the ABL Credit Agreement, is set forth in the following table:

	OCTOBER 28, 2023	JANUARY 28, 2023	MAY 4, 2024	FEBRUARY 3, 2024
	(in thousands)			
			(in thousands)	
Asset based credit facility	$ —	$ —	$ —	$ —
Term loan B(1)	1,960,000	1,975,000	1,950,000	1,955,000
Term loan B-2(1)	495,000	498,750	492,500	493,750
Equipment promissory notes(1)	—	1,160		
Convertible senior notes due 2023(1)	—	1,696		
Convertible senior notes due 2024(1)	41,904	41,904	41,904	41,904
Notes payable for share repurchases	315	315	315	315
Total debt(2)	$ 2,497,219	$ 2,518,825		
Total debt			$2,484,719	$ 2,490,969
Cash and cash equivalents	(380,695)	(1,508,101)	(101,787)	(123,688)
Total net debt	$ 2,116,524	$ 1,010,724		
Total net debt(2)			$2,382,932	$ 2,367,281
Availability under the asset based credit facility—net(3)	$ 430,355	$ 533,482	$ 453,588	$ 447,693

(1) Amounts exclude discounts upon original issuance and third party third-party offering and debt issuance cost. costs.

(2) Net debt as of October 28, 2023 and January 28, 2023 excludes restricted cash of $2.0 million and $3.7 million, respectively, as well as non-recourse real estate loans of $18 million as of both periods May 4, 2024 and February 3, 2024 related to our consolidated variable interest entities from our joint venture activities. These real estate loans are secured by the assets of such entities and the associated creditors do not have recourse against RH's general assets. Refer to Note 5 —*Variable Interest Entities* in our condensed consolidated financial statements.

(3) As of October 28, 2023 and January 28, 2023, the The amount available for borrowing under the revolving line of credit under the ABL Credit Agreement is presented net of $44 million $46 million and $27 million, respectively, $45 million in outstanding letters of credit. credit as of May 4, 2024 and February 3, 2024, respectively.

General

The primary cash needs of our business have historically been for merchandise inventories, payroll, rent for our retail and outlet locations, capital expenditures associated with opening new locations, updating existing locations, as well as the development of our infrastructure and information technology, and Sourcebooks. We seek out and evaluate opportunities for effectively managing and deploying capital in ways that improve working capital and support and enhance our business initiatives and strategies. During the nine months ended October 28, 2023, fiscal 2023, we invested $1,261 million $1,253 million of cash, inclusive of excise taxes paid, in the purchase of shares of our common stock pursuant to our Share Repurchase Program. We continuously evaluate our capital allocation strategy and may engage in future investments in connection with existing or new share repurchase programs (refer to "Share Repurchase Program and Share Retirement" Program" below), which may include investments in derivatives or other equity linked instruments. We have in the past been, and continue to be, opportunistic in responding to favorable market conditions regarding both sources and uses of capital. Capital raised from debt financings financing arrangements has enabled us to pursue various investments, including our investments in joint ventures. We expect to continue to take an opportunistic approach regarding both sources and uses of capital in connection with our business.

We believe our capital structure provides us with substantial optionality regarding capital allocation. Our near-term decisions regarding the sources and uses of capital will continue to reflect and adapt to changes in market conditions and our business, including further developments with respect to macroeconomic factors affecting business conditions, such as trends in luxury housing, increases in interest rates, equity market performance and inflation. We believe our existing cash balances and operating cash flows, in conjunction with available financing arrangements, will be sufficient to repay our debt obligations as they become due, meet working capital requirements and fulfill other capital needs for more than the next 12 months.

While we do not anticipate that we will require additional debt to fund our operations, our goal continues is to continue to be in a position to take advantage of the many opportunities that we identify in connection with our business and operations. We have pursued in the past, and may pursue in the future, additional strategies to generate capital to pursue opportunities and investments, including through the strategic sale of existing assets, utilization of our credit facilities, entry into various credit agreements and other new debt financing arrangements that present attractive terms. We expect to continue to use additional sources of debt financing in future periods as a source of additional capital to fund our various investments.

To the extent we choose to secure additional sources of liquidity through incremental debt financing, there can be no assurances that we will be able to raise such financing on favorable terms, if at all, or that future financing requirements will not require us to raise money through an equity financing or by other means that could be dilutive to holders of our capital stock. Any adverse developments in the U.S. or global credit markets could affect our ability to manage our debt obligations and our ability to access future debt. In addition, agreements governing existing or new debt facilities may restrict our ability to operate our business in the manner we currently expect or to make required payments with respect to existing commitments, including the repayment of the principal amount of our convertible senior notes in cash, whether upon stated maturity, early conversion or otherwise of such convertible senior notes. To the extent we need to seek waivers from any provider of debt financing, or we fail to observe the covenants or other requirements of existing or new debt facilities, any such event could have an impact on our other commitments and obligations, including triggering cross defaults or other consequences with respect to other indebtedness. Our current level of indebtedness, and any additional indebtedness that we may incur, exposes us to certain risks with regards to interest rate increases and fluctuations. Our ability to make interest payments or to refinance any of our indebtedness to manage such interest rates may be limited or negatively affected by credit market conditions, macroeconomic trends and other risks.

Credit Facilities and Debt Arrangements

We amended and restated our asset based credit facility in July 2021, which has an initial availability of up to $600 million, of which $10 million is available to Restoration Hardware Canada, Inc., and includes a $300 million accordion feature under which the revolving line of credit may be expanded by agreement of the parties from $600 million to up to $900 million if and to the extent the lenders revise their credit commitments to encompass a larger facility. The accordion feature may be added as a first-in, last-out term loan facility. The ABL Credit Agreement further provides the borrowers may request a European sub-credit facility under the revolving line of credit or under the accordion feature for borrowing by certain European subsidiaries of RH if certain conditions set out in the asset based credit facility are met. The maturity date of the asset based credit facility is July 29, 2026.

Table of Contents

We entered into a $2,000 million term debt financing in October 2021 (the "Term Loan B") by means of a Term Loan Credit Agreement through RHI as the borrower, Bank of America, N.A. as administrative agent and collateral agent, and the various lenders party thereto (the "Term Loan Credit Agreement"). The Term Loan B has a maturity date of October 20, 2028. As of October 28, 2023 May 4, 2024, we had $1,960 million $1,950 million outstanding under the Term Loan Credit Agreement. We are required to make quarterly principal payments of $5.0 million with respect to the Term Loan B.

In May 2022, we entered into an incremental term debt financing (the "Term Loan B-2") in an aggregate principal amount equal to $500 million by means of an amendment to the Term Loan Credit Agreement with RHI as the borrower, Bank of America, N.A. as administrative agent and the various lenders parties thereto (the "Amended Term Loan Credit Agreement"). The Term Loan B-2 has a maturity date of October 20, 2028. The Term Loan B-2 constitutes a separate class from the existing Term Loan B under the Term Loan Credit Agreement. As of October 28, 2023 May 4, 2024, we had $495 million $493 million outstanding under the Amended Term Loan Credit Agreement. Beginning in December 2022, we We are required to make quarterly principal payments of $1.3 million with respect to the Term Loan B-2.

Table of Contents

Convertible Senior Notes

In September 2019, we issued in a private offering $350 million principal amount of 0.00% convertible senior notes due 2024 (the "2024 Notes," the "Convertible Senior Notes" or the "Notes").

As of October 28, 2023 May 4, 2024, we had $42 million remaining in aggregate principal amount of the 2024 Notes, which have a scheduled maturity in September 2024. We anticipate having sufficient cash available to repay the principal amount of the 2024 Notes in cash with respect to any convertible notes for which the holders elect early conversion (if applicable), as well as upon maturity of the 2024 Notes in September 2024.

Capital

We have invested significant capital expenditures in developing and opening new Design Galleries, and these capital expenditures have increased in the past, and may continue to increase in future periods, as we open additional Design Galleries, which may require us to undertake upgrades to historical buildings or construction of new buildings. Our adjusted capital expenditures include capital expenditures from investing activities and cash outflows of capital related to construction activities to design and build landlord-owned leased assets, net of tenant allowances received during the construction period. During the nine three months ended October 28, 2023 May 4, 2024, adjusted capital expenditures were $150 million $75 million in aggregate, net of cash received related to landlord tenant allowances of $4.1 million $2.9 million. In addition, we also received landlord tenant allowances under finance leases subsequent to lease commencement of $2.4 million, which are reflected as a reduction to *principal payments under finance leases* within financing activities on the condensed consolidated statements of cash flows. We anticipate our adjusted capital expenditures to be $225 million $250 million to $275 million $300 million in fiscal 2023, 2024, primarily related to our growth and expansion, including construction of new Design Galleries and infrastructure investments. Nevertheless, we may elect to pursue additional capital expenditures beyond those that are anticipated during any given fiscal period inasmuch as our strategy is to be opportunistic with respect to our investments and we may choose to pursue certain capital transactions based on the availability and timing of unique opportunities. There are a number of macroeconomic factors and uncertainties affecting the overall business climate as well as our business, including increased inflation and higher interest rates, and we may make adjustments to our allocation of capital in fiscal 2023 2024 or beyond in response to these changing or other circumstances. We may also invest in other uses of our liquidity such as share repurchases, acquisitions and growth initiatives, including through joint ventures and real estate investments.

Certain lease arrangements require the landlord to fund a portion of the construction related costs through payments directly to us. As we develop new Galleries, as well as other potential strategic initiatives in the future like our integrated hospitality experience, we are exploring other models for our real estate activities, which include different terms and conditions for real estate transactions. These transactions may involve longer lease terms or further purchases of, or joint ventures or other forms of equity ownership in, real estate interests associated with new sites and buildings that we wish to develop for new Gallery locations or other aspects of our business. These approaches might require different levels of capital investment on our part than a traditional store lease with a landlord. We have also begun executing changes in our real estate strategy to transition some projects from a leasing model to a development model, where we buy and develop real estate for our Design Galleries either directly or through joint ventures and other structures with the ultimate objective of (i) recouping a majority of the investment through a sale-leaseback arrangement and (ii) resulting in lower capital investment and lower rent. For example, we have entered into arrangements with a third-party development partner to develop real estate for future RH Design Galleries. In the event that such capital and other expenditures require us to pursue additional funding sources, we can provide no assurance that we will be successful in securing additional funding on attractive terms or at all. In addition, our capital needs and uses of capital may change in the future due to changes in our business or new opportunities that we may pursue.

Cash Flow Analysis

A summary of operating, investing, and financing activities is set forth in the following table:

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 28, 2023	OCTOBER 29, 2022	MAY 4, 2024	APRIL 29, 2023
	(in thousands)		(in thousands)	
Net cash provided by operating activities	$ 316,172	$ 336,021	$ 56,130	$ 86,738
Net cash used in investing activities	(166,161)	(106,701)	(68,943)	(67,321)
Net cash used in financing activities	(1,278,386)	(255,681)	(8,916)	(10,935)
Net decrease in cash and cash equivalents, restricted cash and restricted cash equivalents	(1,129,108)	(27,516)		

Cash, cash equivalents and restricted cash at end of period	382,655	2,154,348		
Net increase (decrease) in cash and cash equivalents and restricted cash			(21,901)	8,464
Cash and cash equivalents and restricted cash at end of period			101,787	1,520,227

Net Cash Provided By by Operating Activities

Operating activities consist primarily of net income (loss) adjusted for non-cash items, including depreciation and amortization, impairments, stock-based compensation loss on extinguishment of debt and the effect of changes in working capital and other activities.

For the nine three months ended October 28, 2023 May 4, 2024, net cash provided by operating activities was $316 million $56 million and consisted of net income of $116 million and an increase in non-cash items of $263 million $78 million, partially offset by a change in working capital and other activities of $63 million $18 million and a net loss of $3.6 million. The use of cash from working capital was primarily driven by a decrease in operating lease liabilities of $65 million primarily due to payments made under the related lease agreements, $24 million, a decrease in other current and non-current obligations liabilities of $25 million, a decrease in deferred revenue and customer deposits of $23 million, an increase in landlord assets under construction, net of tenant allowance of $19 million $18 million and an increase in prepaid expense and other assets of $13 million $15 million. These uses of cash from working capital were partially offset by a decrease in merchandise inventory of $81 million $48 million, an increase of accounts payable and accrued expenses of $41 million, an increase of deferred revenue and customer deposits of $33 million, a decrease in landlord assets under construction, net of tenant allowances, of $8.8 million, and a decrease in accounts receivable of $7.8 million.

Net Cash Used In in Investing Activities

Investing activities consist primarily of investments in capital expenditures related to investments in retail stores, information technology and systems infrastructure, as well as supply chain investments. Investing activities also include our strategic investments.

For the nine three months ended October 28, 2023 May 4, 2024, net cash used in investing activities was $166 million $69 million and was comprised of investments in retail stores, information technology and systems infrastructure of $132 million $66 million and additional contributions to our equity method investments of $34 million $2.7 million.

Net Cash Used In in Financing Activities

Financing activities consist primarily of borrowings and repayments related to convertible senior notes, credit facilities and other financing arrangements, and cash used in connection with such financing activities include investments in our share repurchase program, repayment of indebtedness, including principal payments under finance lease agreements and other equity related transactions.

For the nine three months ended October 28, 2023 May 4, 2024, net cash used in financing activities was $1,278 million $8.9 million, primarily due to the repurchase of 3,887,965 shares of our common stock for an aggregate repurchase amount of $1,249 million, payments on term loans of $19 million, net $6.3 million and payments under finance lease agreements of $9.6 million and repayments of the 2023 Notes of $1.7 million and equipment notes of $1.2 million $4.5 million. In addition, we paid $3.7 million of excise taxes related to share repurchases made in fiscal 2022. These cash outflows were partially offset by proceeds from option exercises equity related transactions of $5.8 million $1.8 million.

Table of Contents

Non-Cash Transactions

Non-cash transactions consist of non-cash additions of property and equipment and landlord assets and reclassification of assets from landlord assets under construction to finance lease right-of-use assets. construction. In addition, non-cash transactions consist of excise tax from share repurchases included in *accounts payable and accrued expenses* at period-end, the extinguishment of convertible senior notes related to our repurchase obligations and associated financing liabilities and embedded derivatives arising from the convertible senior notes repurchase (refer to Note 9—*Convertible Senior Notes* in our condensed consolidated financial statements), as well as shares issued and received related to convertible senior note transactions. period-end.

Table of Contents

Cash Requirements from Contractual Obligations

Leases

We lease nearly all of our retail and outlet locations, corporate headquarters, distribution centers and home delivery center locations, as well as other storage and office space. Refer to Note 8—*Leases* in our condensed consolidated financial statements for further information on our lease arrangements, including the maturities of our operating and finance lease liabilities.

Most lease arrangements provide us with the option to renew the leases at defined terms. The table presenting the maturities of our lease liabilities included in Note 8—*Leases* in our condensed consolidated financial statements includes future obligations for renewal options that are reasonably certain to be exercised and are included in the measurement of the lease liability. Amounts presented therein do not include future lease payments under leases that have not commenced or estimated contingent rent due under operating and finance leases.

Convertible Senior Notes

Refer to Note 9—*Convertible Senior Notes* in our condensed consolidated financial statements for further information on the 2023 Notes and 2024 Notes. The 2023 Notes matured in June 2023.

Asset Based Credit Facility

Refer to Note 10—*Credit Facilities* in our condensed consolidated financial statements for further information on our asset based credit facility, including the amount available for borrowing under the revolving line of credit, net of outstanding letters of credit.

Term Loan

Refer to Note 10—*Credit Facilities* in our condensed consolidated financial statements for further information on our Term Loan.

Real Estate Loans

Refer to Note 5—*Variable Interest Entities* in our condensed consolidated financial statements for further information on the real estate loans held as part of our joint ventures with a third-party development partner.

Share Repurchase Program and Share Retirement

We regularly review share repurchase activity and consider various factors in determining whether and when to execute investments in connection with our share repurchase program, including, among others, current cash needs, capacity for leverage, cost of borrowings, results of operations and the market price of our common stock. We believe that our share repurchase program will continue to be an excellent allocation of capital for the long-term benefit of our stockholders. We may undertake other repurchase programs in the future with respect to our securities. Starting on January 1, 2023, share repurchases under our Share Repurchase Program (as defined below) are subject to a 1% excise tax imposed under the Inflation Reduction Act.

Share Repurchase Program

In 2018, our Board of Directors authorized a share repurchase program through open market purchases, privately negotiated transactions or other means, including through Rule 10b-18 open market repurchases, Rule 10b5-1 trading plans or through the use of other techniques such as the acquisition of other equity linked instruments, accelerated share repurchases, including through privately negotiated arrangements in which a portion of the share repurchase program is committed in advance through a financial intermediary and/or in transactions involving hedging or derivatives.

On June 2, 2022, the Board of Directors authorized an additional $2,000 million for the purchase of shares of our outstanding common stock, which increased the total authorized size of the share repurchase program to $2,450 million (the “Share Repurchase Program”). In the nine months ended October 28, 2023, we repurchased 3,887,965

We did not repurchase any shares of our common stock under the Share Repurchase Program at an average price of $321.28 per share, for an aggregate repurchase amount of $1,261 million, inclusive of $12 million of excise taxes. during the three months ended May 4, 2024. As of

October 28, 2023 May 4, 2024, $201 million remains available for future share repurchases under the Share Repurchase Program.

[Table of Contents](#)

Share Retirement

During the nine months ended October 28, 2023, we retired 3,887,965 shares of common stock related to shares we repurchased under the Share Repurchase Program. As a result of this retirement, we reclassified a total of $10 million and $1,251 million from *treasury stock* to *additional paid-in capital* and *retained earnings (accumulated deficit)*, respectively, on the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity (deficit) as of and for the nine months ended October 28, 2023.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP accounting principles generally accepted in the United States requires senior leadership to make estimates and assumptions that affect amounts reported in our condensed consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our accounting policies, estimates, and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions and such differences could be material to our condensed consolidated financial statements.

We evaluate the development and selection of our critical accounting policies and estimates and believe that certain of our significant accounting policies involve a higher degree of judgment or complexity and are most significant to reporting our consolidated results of operations and financial position, and are therefore discussed as critical:

- Merchandise Inventories—Reserves
- Impairment
  - Tradenames, Trademarks and Other Intangible Assets
  - Long-Lived Assets
- Lease Accounting
  - Reasonably Certain Lease Term
  - Incremental Borrowing Rate
  - Fair Value
- Stock-Based Compensation—Performance-Based Awards
- Variable Interest Entities

There have been no material changes to the critical accounting policies and estimates listed above from the disclosures included in our 2022 the 2023 Form 10-K. For further discussion regarding these policies, refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates* in our 2022 the 2023 Form 10-K.

Recent Accounting Pronouncements

Refer to Note 2—*Recently Issued Accounting Standards* in our condensed consolidated financial statements for a description of recently issued accounting standards that may impact our results in future reporting periods.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

There have been no significant changes in our exposures to market risk since January 28, 2023, other than factors discussed below. February 3, 2024. Refer to Part II, Item 7A—*Quantitative and Qualitative Disclosures about Market Risk* in our 2022 2023 Form 10-K for a discussion on our exposures to market risk.

Table of Contents

Interest Rate Risk

As described in our 2022 2023 Form 10-K and as updated in Note 10—*Credit Facilities* of our condensed consolidated financial statements herein, our Term Loan Credit Agreement bears interest at variable rates and we are exposed to interest rate risk related to our outstanding debt. For every 100-basis point change in interest rates, our annual interest expense could change by approximately $25 million $24 million.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain Our senior leadership team, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) 13a 15(e) under the Securities Exchange Act of 1934, as amended). Our as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of May 4, 2024, the end of the period covered by this report, our disclosure controls and procedures are designed were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to provide reasonable assurance that the such information required to be disclosed by us in such reports is accumulated and communicated to our senior leadership team, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our senior leadership team, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide the reasonable assurance described above as of October 28, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, that occurred during our most recent fiscal quarter ended October 28, 2023 May 4, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we and/or members of our senior leadership team are involved in litigation, claims, investigations and other proceedings relating to the conduct of our business, including purported class action litigation, as well as securities class action litigation. Such legal proceedings may include claims related to our employment practices, wage and hour claims, claims of intellectual property infringement, including with respect to trademarks and trade dress, claims asserting unfair competition and unfair business practices, claims with respect to our collection and sale of reproduction products, and consumer class action claims relating to our consumer practices. In addition, from time to time, we are subject to product liability and personal injury claims for the products that we sell and the stores Galleries we operate. Subject to certain exceptions, our purchase orders generally require the vendor to indemnify us against any product liability claims; however, if the vendor does not have insurance or becomes insolvent, we may not be indemnified. In addition, we could face a wide variety of employee claims against us, including general discrimination, privacy, labor and employment, ERISA and disability claims. Any claims could result in litigation against us and could also result in regulatory proceedings being brought against us by various federal and state agencies that regulate our business, including the U.S. Equal Employment Opportunity Commission. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant senior leadership time. Litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liability and could also materially adversely affect our operations and our reputation.

For additional information regarding legal proceedings, including certain securities litigation, refer to Note 16—*Commitments and Contingencies*in our condensed consolidated financial statements within Part I of this Quarterly Report on Form 10 Q.

10-Q.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. For a detailed discussion of certain risks that affect our business, refer to the section entitled “Risk Factors” in our 2022 2023 Form 10-K. There have been no material changes to the risk factors disclosed in our 2022 2023 Form 10-K.

The risks described in our 2022 2023 Form 10-K are not the only risks we face. We describe in *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in Part I of this Quarterly Report on Form 10-Q certain known trends and uncertainties that affect our business. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business, operating results and financial condition.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases of Common Stock

During the three months ended October 28, 2023May 4, 2024, we repurchased the following shares of our common stock:

	NUMBER OF SHARES(1)	AVERAGE PURCHASE PRICE PER SHARE	TOTAL NUMBER OF SHARES REPURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS(2)	NUMBER OF SHARES(1)	AVERAGE PURCHASE PRICE PER SHARE	TOTAL NUMBER OF SHARES REPURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS(2)
				(in millions)				*(in millions)*
July 30, 2023 to August 26, 2023	—	$ —	—	$ 245				
August 27, 2023 to September 30, 2023	104	$ 289.87	—	$ 245				
October 1, 2023 to October 28, 2023	189,078	$ 235.93	189,078	$ 201				
February 4, 2024 to March 2, 2024					—	$ —	—	$ 201
March 3, 2024 to April 6, 2024					433	$ 348.26	—	$ 201
April 7, 2024 to May 4, 2024					—	$ —	—	$ 201

Total	189,182	189,078	433	—

(1) Includes repurchases under the Share Repurchase Program, as well as shares withheld from delivery to satisfy exercise price and tax withholding obligations of employee recipients that occur upon the vesting of restricted stock units granted under our 2012 Stock Incentive Plan. the Plans.

(2) Reflects the dollar value of shares that may yet be repurchased under the our Share Repurchase Program authorized by the Board of Directors on October 10, 2018, replenished on March 25, 2019 and June 2, 2022. Program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1

During the three months ended October 28, 2023 May 4, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	INCORPORATED BY REFERENCE FORM	FILE NUMBER	DATE OF FIRST FILING	EXHIBIT NUMBER	FILED HEREWITH
10.1*	Form of Restricted Stock Award Agreement under RH 2023 Stock Incentive Plan	—	—	—	—	X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.	—	—	—	—	X

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.	—	—	—	—	X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—	X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—	X
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	—	—	—	—	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	—	—	—	—	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	—	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	—	—	—	—	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—	X
104	Cover Page Interactive Data File—the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	—	—	—	—	X

* * Indicates management contract or compensatory plan or arrangement.

Table of Contents

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.

Graphic

Date: December 7, 2023 June 13, 2024	By: /s/ Gary Friedman **Gary Friedman** **Chairman and Chief Executive Officer** ***(Principal Executive Officer)***
Date: December 7, 2023 June 13, 2024	By: /s/ Jack Preston **Jack Preston** **Chief Financial Officer** ***(Principal Financial Officer)***
Date: December 7, 2023 June 13, 2024	By: /s/ Christina Hargarten **Christina Hargarten** **Chief Accounting Officer** ***(Principal Accounting Officer)***

Exhibit 10.1

RH 2023 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK AWARD

Grantee's Name and Address:_____
_____
_____

You (the "Grantee") have been granted an award of shares of Restricted Stock of the Company (this "Award"), subject to the terms and conditions of this Notice of Restricted Stock Award (this "Notice"), the RH 2023 Stock Incentive Plan, as amended from time to time (the "Plan"), and the Restricted Stock Award Agreement (the "Agreement") attached hereto, as follows. Unless otherwise defined herein, the terms defined in this Notice shall have the same meaning as those defined the Plan.

Award Number _______

Date of Award _______

Vesting Commencement Date _______

Total Number of Shares
of Restricted Stock Awarded
(the "Restricted Shares") _______

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Plan and the Agreement, the Restricted Shares will "vest" in accordance with the following schedule (the "Vesting Schedule"):

[Insert vesting schedule]

In the event of the Grantee's change in status from Employee, Director or Consultant to any other status of Employee, Director or Consultant, the Restricted Shares shall continue to vest in accordance with the Vesting Schedule set forth above.

For purposes of this Notice and the Agreement, the term "vest" shall mean, with respect to any Restricted Shares, that such Restricted Shares are no longer subject to forfeiture to the Company. If the Vesting Schedule would result in a fractional Share vesting on any vesting date, the number of Restricted Shares that vest on that vesting date will be rounded down to the nearest whole Share and such fractional Share shall remain unvested until one Share can vest and such whole Share shall vest on the next applicable vesting date (if any).

Vesting shall cease upon the date of termination of the Grantee's Continuous Service for any reason, including death or Disability. In the event the Grantee's Continuous Service is terminated for any reason, including death or Disability, any Restricted Shares held by the Grantee immediately prior to such termination of Continuous Service shall be forfeited. The foregoing forfeiture provisions set forth in this Notice as to Restricted Shares shall apply to the new capital stock or other property (including cash paid as a regular cash dividend) received in exchange for the Shares in consummation of any transaction described in Section 11 of the Plan and such stock or property shall be deemed Additional Securities (as defined in the Agreement) for purposes of the Agreement, but only to the extent the Shares are at the time covered by such forfeiture provisions.

The Award shall be subject to the provisions of Section 11 of the Plan in the event of a Change in Control.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan and the Agreement.

RH,
a Delaware corporation

By: ___________________________

Title: Chief Financial Officer

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE RESTRICTED SHARES SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE OR AS OTHERWISE SPECIFICALLY PROVIDED HEREIN (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE

GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE'S STATUS IS AT WILL.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan.

The Grantee further acknowledges that, from time to time, the Company may be in a "blackout period" and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company's Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee's responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

The Grantee understands that the Award is subject to the Grantee's consent to access this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the "Plan Documents") in electronic form on the Company's intranet or the website of the Company's designated brokerage firm, if applicable, or by such other method as designated by the Company at the Company's sole discretion from time to time. By signing below and accepting the grant of the Award, the Grantee: (i) consents to access copies of the Plan Documents by means and methods as designated by the Company from time to time; (ii) if applicable or upon establishment by the Company of an intranet or upon engagement of a brokerage firm for the administration of Awards, consents to access electronic copies (instead of receiving paper copies) of the Plan Documents via such Company intranet or the website of the Company's designated brokerage firm; (iii) represents and agrees that the Grantee will comply with reasonable procedures to access the Company's intranet or the website of the Company's designated brokerage firm, if applicable; (iv) acknowledges that the Grantee is already in possession of paper copies of the Plan Documents; and (v) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Company may, in its sole discretion, decide to deliver any Plan Documents by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan and the Agreement shall be resolved by the Administrator in accordance with Section 11 of the Agreement. The Grantee further agrees to the venue and jurisdiction selection in accordance with Section 12 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Dated: ______________________ Signed:

Award Number: []

RH 2023 STOCK INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

1. Issuance of Restricted Shares. RH, a Delaware corporation (the "Company"), hereby issues to the Grantee (the "Grantee") named in the Notice of Restricted Stock Award (the "Notice"), an award (this "Award") of the Total Number of Shares of Restricted Stock Awarded set forth in the Notice (the "Restricted Shares"), subject to the Notice, this Restricted Stock Award Agreement (this "Agreement") and the terms and provisions of the RH 2023 Stock Incentive Plan (the "Plan"), as amended from time to time, which is incorporated herein by reference. Unless otherwise defined herein, the terms in this Agreement shall have the same meaning as those defined in the Plan. All Shares issued hereunder will be deemed issued to the Grantee as fully paid and nonassessable shares, and the Grantee will have the right to vote the Restricted Shares at meetings of the Company's stockholders.

2. Transfer Restrictions. The Restricted Shares issued to the Grantee hereunder may not be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Grantee prior to the date when the Restricted Shares become vested pursuant to the Vesting Schedule set forth in the Notice. Any attempt to transfer Restricted Shares in violation of this Section 2 will be null and void and will be disregarded.

3. Escrow of Stock. For purposes of facilitating the enforcement of the provisions of this Agreement, the Grantee agrees, immediately upon receipt of the certificate(s) for the Restricted Shares, to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached hereto as Exhibit A, executed in blank by the Grantee with respect to each such stock certificate, to the Secretary or Assistant Secretary of the Company, or their designee, to hold in escrow for so long as such Restricted Shares have not vested pursuant to the Vesting Schedule set forth in the Notice, with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Agreement in accordance with the terms hereof. The Grantee hereby acknowledges that the appointment of the Secretary or Assistant Secretary of the Company (or their designee) as the escrow holder hereunder with the stated authorities is a material inducement to the Company to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. The Grantee agrees that the Restricted Shares may be held electronically in a book entry system maintained by the Company's transfer agent or other third party and that all the terms and conditions of this Section 3 applicable to certificated Restricted Shares will apply with the same force and effect to such electronic method for holding the Restricted Shares. The Grantee agrees that such escrow holder shall not be liable to any party hereto (or to any other party) for any actions or omissions unless such escrow holder is grossly negligent relative thereto. The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Upon the vesting of the Restricted Shares, the escrow holder will, without further order or instruction, transmit to the Grantee the certificate evidencing such Shares; *provided*, *however*, that no transmittal of certificates evidencing the Shares will occur unless and until the Grantee has satisfied all Tax Withholding Obligations (as defined in Section 5(b) below).

4. Additional Securities and Distributions.

(a) Any securities or cash received as the result of ownership of the Restricted Shares (the "Additional Securities"), including, but not by way of limitation, warrants, options and securities received as a stock dividend or stock split, or as a result of a recapitalization or reorganization or other similar change in the Company's capital structure, shall be retained in escrow in the same manner and subject to the same conditions and restrictions as the Restricted Shares with respect to which they were issued, including, without limitation, the Vesting Schedule set forth in the Notice. The Grantee shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but the Grantee may not direct the Company to sell any such warrant or option. If Additional Securities consist of a convertible security, the Grantee may exercise any conversion right, and any securities so acquired shall constitute Additional Securities. In the event of any change

in certificates evidencing the Shares or the Additional Securities by reason of any recapitalization, reorganization or other transaction that results in the creation of Additional Securities, the escrow holder is authorized to deliver to the issuer the certificates evidencing the Shares or the Additional Securities in exchange for the certificates of the replacement securities.

(b) The Grantee shall be credited with all regular cash dividends with respect to the Restricted Shares and Additional Securities (whether vested or not), less any applicable withholding obligations; provided, however, that any such credited dividends will only be paid to the Grantee if and to the extent the Restricted Shares to which the dividends relate vest.

5. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the Award, including the grant, vesting, assignment, release or cancellation of the Restricted Shares, the delivery of Shares, the subsequent sale of any Shares and the recipient of any dividends subject to the Award. The Company and its Related Entities do not commit and are under no obligation to structure the Award to reduce or eliminate the Grantee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any income tax, payroll tax, social insurance, employment tax, payment on account or other tax-rated obligation (the "Tax Withholding Obligation"), the Grantee must arrange for the satisfaction of all Tax Withholding Obligations in a manner acceptable to the Company.

(i) *By Share Withholding.* If permissible under Applicable Law, the Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy all Tax Withholding Obligations. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(ii) *By Sale of Shares*. Unless the Grantee determines to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, the Grantee's acceptance of this Award constitutes the Grantee's instruction and authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to, upon the exercise of the Company's sole discretion, sell on the Grantee's behalf a whole number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon as practicable thereafter. The Grantee will be responsible for all broker's fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee's Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee's Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

(iii) *By Check, Wire Transfer or Other Means*. At any time not less than five (5) business days (or such fewer number of business days as determined by the Administrator) before any Tax

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Withholding Obligation arises (e.g., a vesting date), the Grantee may elect to satisfy the Grantee's Tax Withholding Obligation by delivering to the Company an amount that the Company determines is sufficient to satisfy the Tax Withholding Obligation by (x) wire transfer to such account as the Company may direct, (y) delivery of a certified check payable to the Company, or (z) such other means as specified from time to time by the Administrator.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus and severance payments) payable to the Grantee by the Company and/or a Related Entity. Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the Award, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

(c) Section 83(b) Election. The Grantee may make an election under Section 83(b) of the Code (a "Section 83(b) Election") with respect to the Restricted Shares. Any such election must be made within thirty (30) days after the Date of Award set forth in the Notice. If the Grantee elects to make a Section 83(b) Election, the Grantee shall provide the Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the US Internal Revenue Service.

The Grantee agrees to assume full responsibility for ensuring that the Section 83(b) Election is actually and timely filed with the US Internal Revenue Service and for all tax consequences resulting from the Section 83(b) Election.

6. Stop-Transfer Notices. In order to ensure compliance with the restrictions on transfer set forth in this Agreement, the Notice or the Plan, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records. The Company may issue a "stop transfer" instruction if the Grantee fails to satisfy any Tax Withholding Obligations.

7. Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Restrictive Legends. The Grantee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF THAT CERTAIN RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE COMPANY AND THE NAMED STOCKHOLDER. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH SUCH AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

9. Entire Agreement; Governing Law. The terms of the Notice and the Plan are incorporated into this Agreement and, together with this Agreement, constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof; provided, however, that if the Grantee is party to an employment, change in control or similar agreement with the Company or a Related Entity and such agreement contains terms applicable to equity awards of the type granted by this Agreement that are more favorable to the Grantee than the terms set forth in this Agreement, such more favorable terms shall control. Nothing in the Notice, the Plan or this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any Persons other than the Company and the Grantee. The Notice, the Plan and this Agreement are to be construed in

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accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties. Should any provision of the Notice, the Plan or this Agreement be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

10. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

11. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

12. Venue and Waiver of Jury Trial. The Company and the Grantee agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought exclusively in the United States District Court for Delaware (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Delaware state court) and that the parties shall submit to the jurisdiction of such court. The Company and the Grantee irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE COMPANY AND THE GRANTEE ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 12 shall for any reason be held invalid or unenforceable, it is the

specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

13. Data Privacy. The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in the Notice and this Agreement by and among, as applicable, the Grantee's employer, the Company, and any Related Entity for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company or any Related Entity may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social security/insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to shares awarded, canceled, vested, unvested or outstanding in the Grantee's favor, for the sole purpose of implementing, administering and managing the Plan ("Data"). The Grantee understands that Data will be transferred to any third party assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the Grantee's country, or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company and other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the Award may be deposited. The Grantee understands that Data will be held pursuant to this Section 13 only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information

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on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that the Grantee may contact the Grantee's local human resources representative.

14. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

15. Language. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise prescribed by Applicable Law.

16. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

END OF AGREEMENT

EXHIBIT A

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, hereby sells, assigns and transfers unto ________________________, __________ (______) shares of the Common Stock of RH, a Delaware corporation (the “Company”), standing in his name on the books of, the Company represented by Certificate No. herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company attorney to transfer the said stock in the books of the Company with full power of substitution.

DATED: _________________

____

[Please sign this document but do not date it. The date and information of the transferee will be completed if and when the shares are assigned.]

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary Friedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RH;

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 June 13, 2024

/s/ Gary Friedman

Gary Friedman
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jack Preston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RH;

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 June 13, 2024

/s/ Jack Preston

Jack Preston

Chief Financial Officer

Exhibit 32.1

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

I, Gary Friedman, Chairman and Chief Executive Officer of RH (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended October 28, 2023 May 4, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: December 7, 2023 June 13, 2024

By: /s/ Gary Friedman
Name: Gary Friedman
Title: Chairman and Chief Executive Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

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

I, Jack Preston, Chief Financial Officer of RH (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended October 28, 2023 May 4, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: December 7, 2023 June 13, 2024

By:	/s/ Jack Preston
Name:	Jack Preston
Title:	Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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