

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

FORM 10-Q

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



For the quarterly period ended June 30, 2023

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: 001-33767



LL Flooring®

**LL Flooring Holdings, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

27-1310817

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

4901 Bakers Mill Lane

Richmond

,

Virginia

23230

(Address of Principal Executive Offices)

(Zip Code)

( 800 ) 366-4204

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class:

Trading Symbol:

Name of exchange on which registered:

Common Stock  
, par value \$0.001 per share

LL

New York Stock Exchange

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

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

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

☐ Large accelerated filer ☒

☐ Non-accelerated filer

Accelerated filer

☐  
Smaller reporting company

☐  
Emerging growth company

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

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

As of August 4, 2023, there are

30,724,641

shares of the registrant's common stock, par value of \$0.001 per share, outstanding.

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**LL FLOORING HOLDINGS, INC.**  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED JUNE 30, 2023

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**LL Flooring Holdings, Inc.**  
**Consolidated Balance Sheets (Unaudited)**  
In Thousands

	June 30, 2023	December 31, 2022
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 7,720	\$ 10,800
Merchandise Inventories	286,036	332,296
Prepaid Expenses	9,413	9,054
Other Current Assets	18,805	17,598
<b>Total Current Assets</b>	<b>321,974</b>	<b>369,748</b>
Property and Equipment, net	100,244	101,758
Operating Lease Right-of-Use Assets	126,509	123,172
Net Deferred Tax Assets	—	13,697
Other Assets	5,517	5,578
<b>Total Assets</b>	<b>\$ 554,244</b>	<b>\$ 613,953</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 64,741	\$ 47,733
Customer Deposits and Store Credits	42,404	43,767
Accrued Compensation	7,626	9,070
Sales and Income Tax Liabilities	2,179	3,574
Accrual for Legal Matters and Settlements	21,025	22,159
Operating Lease Liabilities - Current	31,339	34,509

Other Current Liabilities	27,977	19,712
<b>Total Current Liabilities</b>	<b>197,291</b>	<b>180,524</b>
Other Long-Term Liabilities	6,717	6,162
Operating Lease Liabilities - Long-Term	101,623	99,186
Credit Agreement	40,000	72,000
<b>Total Liabilities</b>	<b>345,631</b>	<b>357,872</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity:</b>		
Common Stock (\$		
0.001		
par value;		
35,000		
shares authorized;		
30,968		
and		
30,758		
shares issued and		
28,838		
and		
28,695	31	31
shares outstanding at June 30, 2023, and December 31, 2022, respectively)		
Treasury Stock, at cost (		
2,130		
and	(	(
2,063	153,605	153,331
shares, respectively)	)	)
Additional Capital	234,232	231,839
Retained Earnings	127,955	177,542
<b>Total Stockholders' Equity</b>	<b>208,613</b>	<b>256,081</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>554,244</b>	<b>613,953</b>
	<u>\$</u>	<u>\$</u>

See accompanying notes to consolidated financial statements

**LL Flooring Holdings, Inc.**  
**Consolidated Statements of Operations and Comprehensive (Loss) Income (Unaudited)**  
In Thousands, Except Per Share Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Net Sales</b>				
Net Merchandise Sales				
	\$ 202,191	\$ 257,569	\$ 412,688	\$ 501,840
Net Services Sales				
	34,231	41,388	64,432	76,149
<b>Total Net Sales</b>				
	<b>236,422</b>	<b>298,957</b>	<b>477,120</b>	<b>577,989</b>
<b>Cost of Sales</b>				
Cost of Merchandise Sold				
	124,293	160,527	252,690	307,946
Cost of Services Sold				
	27,598	31,680	51,899	59,214
<b>Total Cost of Sales</b>				
	<b>151,891</b>	<b>192,207</b>	<b>304,589</b>	<b>367,160</b>
<b>Gross Profit</b>				
	<b>84,531</b>	<b>106,750</b>	<b>172,531</b>	<b>210,829</b>
Selling, General and Administrative Expenses				
	105,000	102,087	206,185	201,112
<b>Operating (Loss) Income</b>	(	(	(	(
	<b>20,469</b>	<b>4,663</b>	<b>33,654</b>	<b>9,717</b>
Other Expense				
	675	199	1,834	184
<b>(Loss) Income Before Income Taxes</b>	(	(	(	(
	<b>21,144</b>	<b>4,464</b>	<b>35,488</b>	<b>9,533</b>
Income Tax Expense				
	17,858	1,728	14,099	2,760
<b>Net (Loss) Income and Comprehensive (Loss) Income</b>	(	(	(	(
	<b>39,002</b>	<b>2,736</b>	<b>49,587</b>	<b>6,773</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net (Loss) Income per Common Share—Basic</b>	(	(	(	(
	<b>1.35</b>	<b>0.09</b>	<b>1.72</b>	<b>0.23</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net (Loss) Income per Common Share—Diluted</b>	(	(	(	(
	<b>1.35</b>	<b>0.09</b>	<b>1.72</b>	<b>0.23</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Weighted Average Common Shares Outstanding:				

Basic				
	28,820	28,927	28,769	28,856
Diluted				
	28,820	29,065	28,769	29,079

*See accompanying notes to consolidated financial statements*

**LL Flooring Holdings, Inc.**  
**Consolidated Statements of Stockholders' Equity (Unaudited)**  
In Thousands

	Common Stock Shares	Common Stock Par Value	Treasury Stock Shares	Treasury Stock Value	Additional Capital	Retained Earnings	Total Stockholders' Equity
<b>March 31, 2022</b>				(			
	29,228	31	1,474	146,147	228,959	193,660	276,503
		\$		\$	)	\$	\$
Stock-Based Compensation Expense							
	—	—	—	—	1,113	—	1,113
Exercise of Stock Options							
	1	—	—	—	14	—	14
Release of Restricted Shares							
	22	—	—	—	—	—	—
Common Stock Repurchased				(			(
	(						
	571	—	579	7,097	—	—	7,097
	)			)			)
Net Income							
	—	—	—	—	—	2,736	2,736
<b>June 30, 2022</b>				(			
	28,680	31	2,053	153,244	230,086	196,396	273,269
	<u>          </u>	<u>\$</u>	<u>          </u>	<u>\$</u>	<u>          </u>	<u>\$</u>	<u>\$</u>
<b>March 31, 2023</b>				(			
	28,798	31	2,118	153,562	232,890	166,957	246,316
		\$		\$	)	\$	\$
Stock-Based Compensation Expense							
	—	—	—	—	1,342	—	1,342
Release of Restricted Shares							
	40	—	—	—	—	—	—
Common Stock Repurchased				(			(
			12	43			43
	—	—		)	—	—	)
Net Loss						(	(
	—	—	—	—	—	39,002	39,002
						)	)
<b>June 30, 2023</b>				(			
	28,838	31	2,130	153,605	234,232	127,955	208,613
	<u>          </u>	<u>\$</u>	<u>          </u>	<u>\$</u>	<u>          </u>	<u>\$</u>	<u>\$</u>
	Common Stock Shares	Common Stock Par Value	Treasury Stock Shares	Treasury Stock Value	Additional Capital	Retained Earnings	Total Stockholders' Equity
<b>December 31, 2021</b>				(			
	29,113	31	1,423	145,337	227,804	189,623	272,121
		\$		\$	)	\$	\$



Stock-Based Compensation Expense

					1,986		1,986
	—	—	—	—		—	
Exercise of Stock Options	21	—	—	—	296	—	296
Release of Restricted Shares							
	117	—	—	—	—	—	—
Common Stock Repurchased	(			(			(
	571		630	7,907	—	—	7,907
Net Income	)	—		)	—	—	)
						6,773	6,773
June 30, 2022				(			
	28,680	31	2,053	153,244	230,086	196,396	273,269
	<u>28,680</u>	<u>\$ 31</u>	<u>2,053</u>	<u>\$ 153,244</u>	<u>\$ 230,086</u>	<u>\$ 196,396</u>	<u>\$ 273,269</u>
December 31, 2022				(			
	28,695	31	2,063	153,331	231,839	177,542	256,081
		<u>\$ 31</u>		<u>\$ 153,331</u>	<u>\$ 231,839</u>	<u>\$ 177,542</u>	<u>\$ 256,081</u>
Stock-Based Compensation Expense							
					2,393		2,393
Release of Restricted Shares	—	—	—	—		—	
	143	—	—	—	—	—	—
Common Stock Repurchased				(			(
			67	274			274
Net Loss	—	—		)	—	—	)
						(	(
						49,587	49,587
June 30, 2023				(			
	28,838	31	2,130	153,605	234,232	127,955	208,613
	<u>28,838</u>	<u>\$ 31</u>	<u>2,130</u>	<u>\$ 153,605</u>	<u>\$ 234,232</u>	<u>\$ 127,955</u>	<u>\$ 208,613</u>

See accompanying notes to consolidated financial statements

**LL Flooring Holdings, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
In Thousands

	Six Months Ended June 30, 2023	2022
<b>Cash Flows from Operating Activities:</b>		
Net (Loss) Income	(	(
	49,587	6,773
	\$ )	\$ )
<b>Adjustments to Reconcile Net (Loss) Income:</b>		
Depreciation and Amortization	9,456	9,047
Deferred Income Taxes Provision (Benefit)	(	(
	13,806	133
	)	)
Income on Vouchers Redeemed for Legal Settlements	(	(
	454	750
	)	)
Stock-Based Compensation Expense	2,393	1,986
Provision for Inventory Obsolescence Reserves	2,378	292
Loss (Gain) on Disposal of Fixed Assets	14	1
	)	)
<b>Changes in Operating Assets and Liabilities:</b>		
Merchandise Inventories	43,167	106,004
	)	)
Accounts Payable	18,868	25,036
Customer Deposits and Store Credits	(	(
	1,363	8,636
	)	)
Prepaid Expenses and Other Current Assets	(	(
	1,414	3,327
	)	)
Accrued Compensation	(	(
	1,444	2,086
	)	)
Advertising Accrual	3,640	6,141
Accrual for Legal Matters and Settlements	244	293
Payments for Legal Matters and Settlements	(	(
	198	8,062
	)	)
Other Assets and Liabilities	(	(
	544	3,449
	)	)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(</b>	<b>(</b>
	<b>38,962</b>	<b>75,982</b>
	<b>)</b>	<b>)</b>
<b>Cash Flows from Investing Activities:</b>		

Purchases of Property and Equipment	(	(
	9,768	11,628
	)	)
Other Investing Activities		64
	—	
<b>Net Cash Used in Investing Activities</b>	(	(
	9,768	11,564
	)	)
<b>Cash Flows from Financing Activities:</b>		
Borrowings on Credit Agreement	141,000	51,500
Payments on Credit Agreement	(	(
	173,000	36,500
	)	)
Common Stock Repurchased	(	(
	274	7,907
	)	)
Other Financing Activities		296
	—	
<b>Net Cash (Used in) Provided by Financing Activities</b>	(	
	32,274	7,389
	)	)
<b>Net Decrease in Cash and Cash Equivalents</b>	(	(
	3,080	80,157
	)	)
<b>Cash and Cash Equivalents, Beginning of Period</b>		
	10,800	85,189
<b>Cash and Cash Equivalents, End of Period</b>		
	7,720	5,032
	<u>\$</u>	<u>\$</u>
<b>Supplemental Disclosure of Non-Cash Operating and Financing Activities:</b>		
Relief of Inventory for Vouchers Redeemed for Legal Settlements	726	1,293
	\$	\$
Tenant Improvement Allowance for Leases	(	(
	196	742
	)	)

See accompanying notes to consolidated financial statements

**LL Flooring Holdings, Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Note 1. Basis of Presentation**

LL Flooring Holdings, Inc., formerly Lumber Liquidators Holdings, Inc., and its direct and indirect subsidiaries (collectively and, where applicable, individually, "LL Flooring" or the "Company") engage in business as a multi-channel specialty retailer of hard-surface flooring, and hard-surface flooring enhancements and accessories, operating as a single operating segment. The Company offers an extensive assortment of hard-surface flooring including waterproof hybrid resilient, waterproof vinyl plank, solid and engineered hardwood, laminate, bamboo, tile, and cork, with a wide range of flooring enhancements and accessories to complement. The Company also provides in-home delivery and installation services to its customers. The Company primarily sells to consumers or to Pros on behalf of consumers through a network of store locations in metropolitan areas. As of June 30, 2023, the Company's

442  
stores spanned

47  
states in the United States ("U.S."). In addition to the store locations, the Company's products may be ordered, and customer questions or concerns addressed, through both its customer contact center in Richmond, Virginia, and its digital platform, *LLFlooring.com* (information contained on or connected to our website is not incorporated by reference in this report and should not be considered part of this or any other report that we file with or furnish to the Securities and Exchange Commission ("SEC")).

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the SEC. In the opinion of management, all adjustments (consisting of normal and recurring adjustments except those otherwise described herein) considered necessary for a fair presentation have been included in the accompanying consolidated financial statements. However, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. Therefore, the interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's annual report filed on Form 10-K for the year ended December 31, 2022.

The consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

**Note 2. Summary of Significant Accounting Policies**

***Fair Value of Financial Instruments***

The carrying amounts of financial instruments such as cash and cash equivalents, accounts payable and other liabilities approximate fair value because of the short-term nature of these items. The carrying value of the Revolving Credit Facility approximates fair value due to the variable rate of interest.

***Merchandise Inventories***

The Company values merchandise inventories at the lower of cost or net realizable value. The method by which amounts are removed from inventory is weighted average cost. All of the hardwood flooring purchased from vendors is either prefinished or unfinished, and in immediate saleable form. The Company relies on a select group of international and domestic suppliers to provide imported flooring products that meet the Company's specifications. The Company is subject to risks associated with obtaining products from abroad, including disruptions or delays in production, shipments, supply chain, delivery or processing, including due to trade restrictions. Also included in merchandise inventories are tariff-related costs.

## Recognition of Net Sales

The Company generates revenues primarily by retailing merchandise in the form of hard-surface flooring and accessories. Additionally, the Company expands its revenues by offering services to deliver and/or install this merchandise for its customers; it considers these services to be separate performance obligations. The separate performance obligations are detailed on the customer's invoice(s) and the customer often purchases flooring merchandise without purchasing installation or delivery services. Sales occur through the Company's network of

442  
stores, which spanned

47  
states on June 30, 2023, and its digital platform, *LLFlooring.com*. The Company's agreements with its customers are of short duration (less than a year), and as such the Company has elected not to disclose revenue for partially satisfied contracts that will be completed in the days following the end of a period as permitted by GAAP. The Company reports its revenues exclusive of sales taxes collected from customers and remitted to governmental taxing authorities, consistent with past practice.

Revenue is based on consideration specified in a contract with a customer and excludes any sales incentives from vendors. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer or performing services for a customer. Revenues from installation and freight services are recognized when the delivery is made or the installation is complete, which approximates the recognition of revenue over time due to the short duration of service provided. The price of the Company's merchandise and services is specified in the respective contract and detailed on the invoice agreed to with the customer including any discounts. The Company generally requires customers to pay a deposit, equal to approximately half of the retail sales value, when ordering merchandise not regularly carried in a given location or not currently in stock. In addition, the Company generally does not extend credit to its customers with payment due in full at the time the customer takes possession of merchandise or when the service is provided. Customer payments and deposits received in advance of the customer taking possession of the merchandise or receiving the services are recorded as deferred revenues in the accompanying consolidated balance sheet caption "Customer Deposits and Store Credits."

The following table shows the activity in this account for the periods noted:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Customer Deposits and Store Credits, Beginning Balance	(	(	(	(
	46,560	69,314	43,767	67,063
	\$ )	\$ )	\$ )	\$ )
New Deposits	(	(	(	(
	247,399	307,346	506,563	608,316
	)	)	)	)
Recognition of Revenue	236,422	298,957	477,120	577,989
Sales Tax included in Customer Deposits	13,896	18,017	28,512	35,172
Other	1,237	1,259	2,294	3,791
Customer Deposits and Store Credits, Ending Balance	(	(	(	(
	42,404	58,427	42,404	58,427
	\$ )	\$ )	\$ )	\$ )

Subject to limitations under the Company's policy, return of unopened merchandise is accepted for 90 days, subject to the discretion of the store manager. The amount of revenue recognized for flooring merchandise is adjusted for expected returns, which are estimated based on the Company's historical data, current sales levels, and forecasted economic trends. The Company uses the expected value method to estimate returns because it has a large number of contracts with similar characteristics. The Company reduces revenue by the number of expected returns and records it within "Other Current Liabilities" on the consolidated balance sheet. The sales return reserve was \$

2.0  
million and \$

2.2  
million on June 30, 2023 and December 31, 2022, respectively. In addition, the Company recognizes a related asset for the right to recover returned merchandise and records it in the "Other Current Assets" caption of the accompanying consolidated balance sheet. This amount was \$

1.1  
million and \$

1.2  
million on June 30, 2023 and December 31, 2022, respectively. The Company recognizes sales commissions as incurred since the amortization period is less than one year.



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In total, the Company offers hundreds of different flooring products; however, no single flooring product represented a significant portion of its sales mix. By major product category, the Company's sales mix was as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	(in thousands, except percentage data)							
Manufactured Products <sup>1</sup>								
	112,413	48%	142,803	48%	233,245	49%	277,441	48%
	\$	%	\$	%	\$	%	\$	%
Solid and Engineered Hardwood								
	55,245	23%	71,912	24%	111,053	23%	140,947	24%
Moldings and Accessories and Other								
	34,533	15%	42,854	14%	68,390	14%	83,452	15%
Installation and Delivery Services								
	34,231	14%	41,388	14%	64,432	14%	76,149	13%
Total								
	236,422	100%	298,957	100%	477,120	100%	577,989	100%
	\$	%	\$	%	\$	%	\$	%

<sup>1</sup> Includes engineered vinyl plank, laminate, vinyl and tile.

### Cost of Sales

Cost of sales includes the cost of products sold, including tariffs, the cost of installation services, and transportation costs from vendors to the Company's distribution centers or store locations. It also includes transportation costs from distribution centers to store locations, transportation costs for the delivery of products from store locations to customers, certain costs of quality control procedures, warranty and customer satisfaction costs, inventory adjustments including obsolescence and shrinkage, and costs to produce and ship samples, which are net of vendor allowances. For the three and six months ended June 30, 2023, cost of sales also included \$

2.4  
million and \$

4.5  
million in incremental costs related to the vinyl flooring U.S. Customs detentions.

The Company offers a range of limited warranties for the durability of the finish on its prefinished products to its services provided. These limited warranties range from one to 100 years, with lifetime warranties for certain of the Company's products. Warranty reserves are based primarily on claims experience, sales history and other considerations, including payments made to satisfy customers for claims not directly related to the warranty on the Company's products. Warranty costs are recorded in cost of sales. The related reserve was \$

0.9  
million and \$

1.0  
million on June 30, 2023 and December 31, 2022, respectively, and recorded in "Other Current Liabilities" on the accompanying consolidated balance sheets. The Company seeks recovery from its vendors and third-party independent contractors of installation services for certain amounts paid.

Vendor allowances mostly consist of volume rebates and are accrued as earned, with those allowances received as a result of attaining certain purchase levels accrued over the incentive period based on estimates of purchases. Volume rebates earned are initially recorded as a reduction in merchandise inventories and a subsequent reduction in cost of sales when the related product is sold. Reimbursement received for the cost of producing samples is recorded as an offset against cost of sales.

### Note 3. Stockholders' Equity

#### Net (Loss) Income per Common Share

The following table sets forth the computation of basic and diluted net (loss) income per common share:

Three Months Ended June 30,		Six Months Ended June 30,	
2023	2022	2023	2022
(in thousands, except per share data)			

Net (Loss) Income	(	(		
	39,002	2,736	49,587	6,773
	\$	\$	\$	\$
Weighted Average Common Shares Outstanding—Basic				
	28,820	28,927	28,769	28,856
Effect of Dilutive Securities:				
Common Stock Equivalents		138		223
	—		—	
Weighted Average Common Shares Outstanding—Diluted				
	28,820	29,065	28,769	29,079
Net (Loss) Income per Common Share—Basic	(	(	(	(
	1.35	0.09	1.72	0.23
	\$	\$	\$	\$
Net (Loss) Income per Common Share—Diluted	(	(	(	(
	1.35	0.09	1.72	0.23
	\$	\$	\$	\$



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The following shares have been excluded from the computation of Weighted Average Common Shares Outstanding—Diluted because the effect would be anti-dilutive:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(in thousands)			
Stock Options	555	506	602	438
Restricted Shares	1,950	504	1,388	367

### Stock Repurchase Program

In February 2012, the Company's board of directors adopted an authorization for the repurchase of up to a total of \$

50.0 million of the Company's common stock, which it increased by \$

50.0

million in each of November 2012 and January 2014. As of February 2022, the Company had purchased approximately \$

135.3  
million common stock with \$

14.7 million remaining under this authorization, and the board of directors further increased this authority by an additional \$

35.3 million for a total authorization to repurchase up to \$

50.0 million of the Company's common stock on the open market or in private transactions. As of June 30, 2023, there remains \$

43.0 million outstanding under the share repurchase authorization, which does not have an expiration date. The Company did

no

t repurchase any shares under the authorization during the three and six months ended June 30, 2023.

The timing and amount of any share repurchases under the authorization will be determined at the Company's discretion and based on market conditions and other considerations. Share repurchases under the authorizations may be made through open market purchases or pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934. The program does not obligate LL Flooring to acquire any particular amount of its common stock, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

Outside of the share repurchase program, the Company repurchased \$

43.7  
thousand, or

12.5 thousand shares, of its common stock through net settlement of restricted share awards that vested during the three months ended June 30, 2023. During the six months ended June 30, 2023, the Company repurchased a total of \$

0.3 million, or

67.2 thousand shares, of its common stock through net settlement of restricted share awards that vested during the period.

#### Note 4. Stock-based Compensation

The following table summarizes share activity related to employee stock options and restricted stock awards (“RSAs”):

	Stock Options	Restricted Stock Awards
	(in thousands)	
Options Outstanding/Nonvested RSAs, December 31, 2022	724	637

Granted

		1,865
	—	
Options Exercised/RSAs Released		(
		168
	—	)
Forfeited	(	(
	180	167
	)	)
Options Outstanding/Nonvested RSAs, June 30, 2023		
	544	2,167

The Company granted a target of

252.8  
thousand performance-based RSAs with a grant date fair value of \$

1.1  
million during the six months ended June 30, 2023, a target of

94.6  
thousand performance-based RSAs with a grant date fair value of \$

1.5  
million during the six months ended June 30, 2022, and a target of

47.8  
thousand performance-based RSAs with a grant date fair value of \$

1.1  
million during the six months ended June 30, 2021. The performance-based RSAs in 2023 were awarded to certain members of senior management in connection with certain market conditions. The performance-based RSAs in 2022 and 2021 were awarded to certain members of senior management in connection with performance conditions based on achievement of specific key financial metrics. All performance-based RSAs will cliff vest if the respective performance conditions are met at the end of the respective 3-year service

periods. The Company assesses the probability of achieving these metrics on a quarterly basis. For these awards, the Company recognizes the fair value expense ratably over the service and vesting period. These awards are included above in RSAs granted.

Under the Company's equity incentive plan, the Company's non-employee directors are compensated with an annual RSA grant. The amount of outstanding nonvested RSAs granted to non-employee directors was

166.7  
thousand and

43.1  
thousand on June 30, 2023 and December 31, 2022, respectively. The Company also maintains the Outside Directors Deferral Plan under which each of the Company's non-employee directors has the opportunity to elect annually to defer certain fees (which are payable in cash or in shares of Common Stock with a vesting period of approximately one year ). A non-employee director may elect to defer up to

100  
% of his or her fees and have such fees invested in deferred stock units. Deferred stock units must be settled in common stock in either a lump sum or up to

five  
annual equal payments following a director's departure from the board. There were

346.0  
thousand and

245.0  
thousand deferred stock units outstanding at June 30, 2023 and December 31, 2022, respectively.

#### **Note 5. Credit Agreement**

On December 27, 2022, the Company entered into a Waiver and Third Amendment to the Credit Agreement (the "Amendment") with Bank of America, N.A. ("the "Bank") and Wells Fargo Bank, National Association ("Wells" and, collectively with the Bank, the "Lenders") and the Bank in its capacity as administrative agent and collateral agent (in this capacity, the "Agent") and Wells as syndication agent. The Amendment, among other things, (i) changed the rate under the Credit Agreement for borrowings from a LIBOR-based rate to a Term SOFR-based rate (as defined in the Amendment), subject to certain adjustments specified in the Amendment and (ii) provided a waiver of a technical event of default under the Credit Agreement related to providing notice to the Lenders of the Company's name change from Lumber Liquidators Holdings, Inc. to LL Flooring Holdings, Inc. Except as set forth in the Amendment, all other terms and conditions of the Credit Agreement remain in place.

The Credit Agreement contains a Revolving Credit Facility of up to \$

200.0  
million subject to the conditions under the Revolving Borrowing Base, and the Company has an option to increase the Revolving Credit Facility to a maximum total amount of \$

250.0  
million. The Credit Agreement has a maturity date of April 30, 2026 .

The Revolving Credit Facility is secured by security interests in the Collateral (as defined in the Credit Agreement), which includes substantially all assets of the Company including, among other things, the Company's inventory and credit card receivables, and the Company's East Coast distribution center located in Sandston, Virginia. Under the terms of the Credit Agreement, the Company has the ability to release the East Coast distribution center from the Collateral under certain conditions.

The Amendment defines the margin for Term SOFR Rate Loans (as defined in the Amendment) as a range of

1.25  
% to

1.75  
% over the applicable Term SOFR Rate with respect to revolving loans depending on the Company's average daily excess borrowing availability. The unused commitment fee is

0.25  
% per annum based on the average daily unused amount of the Revolving Credit Facility during the most recently completed calendar quarter. The weighted average interest rate applicable to the Company's Revolving Credit Facility for the three and six months ended June 30, 2023 was

6.6  
% and

6.3  
%, respectively.

The Credit Agreement contains a fixed charge coverage ratio covenant that becomes effective only when specified availability under the Revolving Credit Facility falls below the greater of \$

17.5  
million or

10  
% of the Revolving Loan Cap (as defined in the Credit Agreement). As of June 30, 2023, there was \$

40.0  
million outstanding under the Revolving Credit Facility. The Company had \$

7.1

million in letters of credit which reduces its availability. As of June 30, 2023, there was \$

137.8

million of availability under the Credit Agreement, which represents an increase of \$

13.0

million from \$

124.8

million of availability as of December 31, 2022. Given the availability at June 30, 2023, the fixed charge coverage ratio covenant has not been triggered.

#### **Note 6. Taxes**

The Company calculates its quarterly tax provision pursuant to the guidelines in Accounting Standards Codification ("ASC") 740-270 "Income Taxes." Generally, ASC 740-270 requires companies to estimate the annual effective tax rate for current year ordinary income. The estimated annual effective tax rate represents the best estimate of the tax provision in relation to the best estimate of pre-tax ordinary income or loss. The estimated annual effective tax rate is then applied to year-to-date ordinary income or loss to calculate the year-to-date interim tax provision and is adjusted for discrete items that occur within the period.

For the three months ended June 30, 2023, the Company recognized an income tax expense of \$

17.9  
million, which represented an effective tax rate of (

84.5  
)% For the three months ended June 30, 2022, the Company recognized income tax expense of \$

1.7  
million, which represented an effective tax rate of

38.7  
%. The change of effective tax rate in the current period primarily reflects the impact of recording a valuation allowance on deferred tax assets.

For the six months ended June 30, 2023, the Company recognized an income tax expense of \$

14.1  
million, which represented an effective tax rate of (

39.7  
)% For the six months ended June 30, 2022, the Company recognized income tax expense of \$

2.8  
million, which represented an effective tax rate of

29.0  
%. The change in effective tax rate is caused by the same drivers of the change in effective tax rate for the quarter.

As of June 30, 2023, a full valuation allowance of \$

23.2

million has been established against the Company's net deferred tax assets as it is presently deemed more likely than not that the benefit of such net tax assets will not be utilized. Due to recent cumulative losses, the Company did not rely upon projections of future taxable income in assessing the recoverability of deferred tax assets. The Company intends to maintain a valuation allowance on its deferred tax assets unless there is sufficient evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance could result in a significant decrease in income tax expense in the period that the release is recorded. However, the exact timing and amount of any reduction in our valuation allowance are unknown at this time and will be subject to the earnings level we achieve in future periods and estimates of future taxable income and will be made in the period such determination is made.

In February 2022, the Company received sales tax and use tax assessments from the Commonwealth of Virginia covering part of 2014 through 2017. The Company believes there are factual errors, is disputing this assessment, and will defend itself vigorously in this matter. The Company is pursuing an administrative appeal, which was filed on April 15, 2022. Given the uncertainty of the final resolution, the Company cannot reasonably estimate the loss or range of loss, if any, that may result from this action and therefore no specific accrual has been made related to this. Any losses could, potentially, have a material adverse effect, individually or collectively, on the Company's results of operations, financial condition and liquidity.

#### Note 7. Commitments and Contingencies

The following chart shows the activity (in thousands) related to the Balance Sheet "Accrual for Legal Matters and Settlements." The matters themselves are described in greater detail in the paragraphs that follow the chart.

Litigation Matter Description	December 31, 2022 Accrual for Legal Matters and Settlements - Current		Settlement		Vouchers		June 30, 2023 Accrual for Legal Matters and Settlements - Current	
	Accruals		Payments		Redeemed			
MDL	(							
	9,070		—		564		8,506	
	\$	\$	\$	\$	\$	\$	\$	\$
Gold								
	12,864		—		616		12,248	
Other Matters								
	225		244		198		271	
	22,159		244		1,180		21,025	
	\$	\$	\$	\$	\$	\$	\$	\$
Litigation Matter Description	December 31, 2021 Accrual for Legal Matters and Settlements - Current		Settlement		Vouchers		June 30, 2022 Accrual for Legal Matters and Settlements - Current	
	Accruals		Payments		Redeemed			
MDL								
	10,656		—		877		9,779	
	\$	\$	\$	\$	\$	\$	\$	\$

Gold				(	
	14,885	—	—	1,166	13,719
				)	
Mason			(		
	7,000	129	7,129		
			)	—	—
Other Matters			(		
	1,070	164	933		301
			)	—	
			(	(	
	<b>33,611</b>	<b>293</b>	<b>8,062</b>	<b>2,043</b>	<b>23,799</b>
	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u> )	<u><u>\$</u></u> )	<u><u>\$</u></u>

<sup>1</sup> The remaining accrual will be fulfilled by redeeming vouchers as discussed below.

### ***Litigation Related to Formaldehyde-Abrasion MDLs***

In 2018, the Company entered into a settlement agreement to resolve claims related to Chinese-manufactured laminate products (the "Formaldehyde-Abrasion MDL"). Under the terms of the settlement agreement, the Company funded \$

22.0  
million in cash and provided \$

14.0  
million in store-credit vouchers for an aggregate settlement amount of \$

36.0  
million to settle claims. Cash and vouchers, which generally have a three-year life, were distributed by the administrator in the fourth quarter of 2020. The Company will monitor and evaluate the redemption of vouchers on a quarterly basis. The Company's current expectation is that recipients bargained for this compensation as part of the settlement and therefore will redeem their voucher for product as intended. The rules on the expiration or escheat of any unused vouchers vary by state, and to the extent any expire unused, they will be terminated in accordance with those respective rules.

As of June 30, 2023, the remaining accrual related to these matters was \$

8.5  
million for vouchers. As \$

0.6  
million of vouchers were redeemed during the six months ended June 30, 2023, the Company reduced the accrual for legal matters and settlements for the full amount, relieved inventory at its cost, and the remaining amount -- the gross margin for the items sold of \$

0.2  
million was recorded as a reduction in "Selling, General and Administrative Expenses" ("SG&A") on the consolidated statement of operations. The Company included those amounts in "MDL" in the chart above.

### ***Litigation Relating to Bamboo Flooring***

In 2019, the Company finalized a settlement agreement to resolve claims related to Morning Star bamboo flooring (the "Gold Litigation"). Under the terms of the settlement agreement, the Company contributed \$

14.0  
million in cash and provided \$

16.0  
million in store-credit vouchers, for an aggregate settlement of up to \$

30.0  
million. Cash and vouchers, which generally have a three-year life, were distributed by the administrator in 2021. The Company will monitor and evaluate the redemption of vouchers on a quarterly basis. The Company's current expectation is that recipients bargained for this compensation as part of the settlement and therefore will redeem their voucher for product as intended. The rules on the expiration or escheat of any unused vouchers vary by state, and to the extent any expire unused, they will be terminated in accordance with those respective rules.

As of June 30, 2023, the remaining accrual related to these matters was \$

12.2  
million for vouchers. As \$

0.6  
million of vouchers were redeemed during the six months ended June 30, 2023, the Company reduced the accrual for legal matters and settlements for the full amount, relieved inventory at its cost, and the remaining amount -- the gross margin for the items sold of \$

0.3  
million was recorded as a reduction in "Selling, General and Administrative Expenses" ("SG&A") on the consolidated statement of operations. The Company included those amounts in "Gold" in the chart above.

### ***Mason Lawsuit***

In the second quarter of 2022, the Company paid \$

7.1  
million in settlement of a purported collective and class action lawsuit in the United States District Court for the Eastern District of New York on behalf of all current and former store managers, store managers in training, and similarly situated current and former employees (collectively, the "Mason Putative Class Employees") alleging that the Company violated the Fair Labor Standards Act ("FLSA") and New York Labor Law ("NYLL") by classifying the Mason Putative Class Employees as exempt (the "Mason matter"). The alleged violations include failure to pay for overtime work.

### ***Antidumping and Countervailing Duties Investigation***

In October 2010, a conglomeration of domestic manufacturers of multilayered wood flooring ("Petitioners") filed a petition seeking the imposition of antidumping ("AD") and countervailing duties ("CVD") with the United States Department of Commerce ("DOC") and the United States International Trade Commission ("ITC") against imports of multilayered wood flooring from China. This ruling applies to companies importing multilayered wood flooring from Chinese suppliers subject to the AD and CVD orders. The Company's multilayered wood flooring imports from China accounted for approximately

4.9  
% of its flooring purchases for the year ended December 31, 2022.

As part of its processes in these proceedings, the DOC conducts annual reviews of the AD and CVD rates. In such cases, the DOC will issue preliminary rates that are not binding and are subject to comment by interested parties. After consideration of the comments received, the DOC will issue final rates for the applicable period, which may lag by a year or more. At the time of import, the Company makes deposits at the then prevailing rate, even while the annual review is in process. When rates are declared final by the DOC, the Company accrues a receivable or payable depending on where that final rate compares to the deposits it has made. The Company and/or the domestic manufacturers can appeal the final rate for any period and can place a hold on final settlement by U.S. Customs and Border Protection while the appeals are pending.

The Company as well as other involved parties have appealed many of the final rate determinations. Certain of those appeals are pending and, at

times, have resulted in delays in settling the shortfalls and refunds. Because of the length of time for finalization of



rates as well as appeals, any subsequent adjustment of AD and CVD rates typically flows through a period different from those in which the inventory was originally purchased and/or sold.

As of June 30, 2023, the outstanding AD and CVD principal balances were \$

2.5  
million in other current assets, \$

0.2  
million in other current liabilities, and \$

4.1  
million in other long-term liabilities recorded on the consolidated balance sheet. These amounts represent what the Company would receive or pay (net of any collections or payments) as the result of subsequent adjustment to rates whether due to finalization by the DOC or because of action of a court based on appeals by various parties. These amounts do not include any initial amounts paid for AD or CVD in the current period at the in-effect rate at that time.

The Company recorded net interest expense related to antidumping and countervailing duties of \$

0.3  
million for the six months ended June 30, 2023 compared to net interest expense of \$

0.02  
million for the six months ended June 30, 2022. The amounts for both years are included in other expense on the Statements of Operations. The estimated associated interest payable and receivable for each period is recorded separately from the principal balance in the respective other current assets, other current liabilities, or long-term liabilities financial statement line item on the Company's consolidated balance sheet.

#### **Section 301 Tariffs**

Since September 2018, pursuant to Section 301 of the Trade Act of 1974, the United States Trade Representative ("USTR") has imposed tariffs on certain goods imported from China over four tranches ("Lists"). Products imported by the Company fall within Lists 3 and 4a for which tariffs range from 10% to 25%. On September 10, 2020 several importers of vinyl flooring ("the plaintiffs") filed a lawsuit with the Court of International Trade ("CIT") challenging the Section 301 tariffs under Lists 3 and 4a and the USTR's actions. The plaintiffs argued that the USTR had not acted within its statutory authority when it modified the original Section 301 determinations on certain goods from China by adding Lists 3 and 4a and that the agency had not demonstrated that it satisfied the procedural requirements of the Administrative Procedure Act. On March 17, 2023, the CIT issued a decision sustaining the List 3 and 4a tariffs. The CIT's decision was appealed by the plaintiffs to the Court of Appeals for the Federal Circuit ("CAFC") on May 13, 2023. If these appeals are successful, the Company may qualify for refunds on these Section 301 tariffs. At this time, the Company is unable to predict the timing or outcome of the ruling by the CAFC.

#### **Other Matters**

The Company is also, from time to time, subject to claims and disputes arising in the normal course of business. In the opinion of management, while the outcome of any such claims and disputes cannot be predicted with certainty, its ultimate liability in connection with these matters is not expected to have a material adverse effect on the Company's results of operations, financial position or liquidity.

#### **Note 8. Related Party Transactions**

During the second quarter of 2023, F9 Investments, LLC, filed a Schedule 13D (and two subsequent amendments) with the SEC indicating beneficial ownership of more than

5  
% of the Company's voting securities. As of June 30, 2023, the Company leased

29  
of its store locations, representing

6.6  
% of the total number of store leases in operation, from entities controlled by F9 Investments, LLC. Rental expense for the three and six months ended June 30, 2023, was \$

0.6  
million and \$

1.2  
million, respectively. The Company is charged rent at rates believed to be at fair market value.

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

### Cautionary Note Regarding Forward-Looking Statements

This report includes statements of the Company's expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meanings of the Private Securities Litigation Reform Act of 1995. These statements, which may be identified by words such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "assumes," "believes," "thinks," "estimates," "seeks," "predicts," "could," "projects," "targets," "potential," "will likely result," and other similar terms and phrases, are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company's management as of the date of such statements. These statements are subject to risks and uncertainties, all of which are difficult to predict and many of which are beyond the Company's control. These risks include, without limitation, the impact of any of the following:

- reduced consumer spending due to slower growth, economic recession, inflation, higher interest rates, and consumer sentiment;
- our advertising and overall marketing strategy, including anticipating consumer trends and increasing brand awareness;
- a sustained period of inflation impacting consumer spending;
- our inability to execute on our key initiatives or if such key initiatives do not yield desired results;
- stock price volatility;
- competition, including alternative e-commerce offerings;
- liquidity and/or capital resources changes and the impact of any changes or limitations, including, without limitation, ability to borrow funds and/or renew or roll over existing indebtedness;
- transportation availability and costs, including the impact of the war in Ukraine and the Company's European suppliers;
- disruptions to supply chain and product availability related to forced labor and other trade regulations, including with respect to the Uyghur Forced Labor Prevention Act ("UFLPA");
- inability to hire and/or retain employees;
- inability to staff stores due to overall pressures in the labor market;
- the outcomes of legal proceedings, and the related impact on liquidity;
- reputational harm;
- inability to open new stores with acceptable returns, find suitable locations for our new store concept, and fund other capital expenditures;
- managing growth;
- disruption in our ability to distribute our products, including due to severe weather;
- operating an office in China;
- continuing and potential future impacts of the COVID-19 pandemic and related public health issues;
- managing third-party installers and product delivery companies;
- renewing store, warehouse, or other corporate leases;
- maintaining optimal inventory for consumer demand;
- our and our suppliers' compliance with complex and evolving rules, regulations, and laws at the federal, state, and local level;
- having an overreliance on limited or sole-source suppliers;
- damage to our assets;

- availability of suitable hardwood, including disruptions from the impacts of severe weather and supply chain constraints;
- product liability claims, marketing substantiation claims, wage and hour claims, and other labor and employment claims;
- sufficient insurance coverage, including cybersecurity insurance;
- disruptions due to cybersecurity threats, including any impacts from a network security incident;
- the handling of confidential customer information, including the impacts from the California Consumer Privacy Act and other applicable data privacy laws and regulations;
- management information systems disruptions;
- obtaining products domestically and from abroad, including tariffs and delays in shipping and transportation, as well as the effects of antidumping and countervailing duties;
- impact of changes in accounting guidance, including implementation guidelines and interpretations related to Environmental, Social, and Governance ("ESG") matters;
- internal controls; and
- anti-takeover provisions.

Information regarding risks and uncertainties is contained in the Company's reports filed with the SEC, including the Item 1A, "Risk Factors," section of this quarterly report and the Form 10-K for the year ended December 31, 2022.

This management discussion should be read in conjunction with the financial statements and notes included in Part I, Item 1. "Financial Statements" of this quarterly report and the audited financial statements and notes and management discussion included in the Company's annual report filed on Form 10-K for the year ended December 31, 2022.

## Overview

LL Flooring is one of the leading specialty retailers of hard-surface flooring in the U.S. with 442 stores as of June 30, 2023. Our Company seeks to offer the best customer experience online and in stores, with more than 500 varieties of hard-surface floors featuring a range of quality styles and on-trend designs. Our online tools also help empower customers to find the right solution for the space they've envisioned. Our extensive selection includes waterproof hybrid resilient, waterproof vinyl plank, solid and engineered hardwood, laminate, bamboo, tile, and cork, with a wide range of flooring enhancements and accessories to complement. Our stores are staffed with flooring experts who provide advice, Pro partnership services and installation options for all our products, the majority of which are in stock and ready for delivery. Our vision is to be the customers' first choice in hard-surface flooring by providing the best experience, from start to finish. We offer the accessible flooring expertise and high-touch service of a local store, combined with the value, omnichannel convenience and product availability of a national brand. We plan to leverage this advantage to differentiate ourselves in the highly fragmented flooring market.

To supplement the financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses the following non-GAAP financial measures: (i) Adjusted Gross Profit; (ii) Adjusted Gross Margin; (iii) Adjusted SG&A; (iv) Adjusted SG&A as a Percentage of Net Sales; (v) Adjusted Operating (Loss) Income; (vi) Adjusted Operating Margin; (vii) Adjusted Other Expense; (viii) Adjusted Other Expense as a Percentage of Net Sales; (ix) Adjusted (Loss) Earnings; and (x) Adjusted (Loss) Earnings per Diluted Share. These non-GAAP financial measures should be viewed in addition to, and not in lieu of, financial measures calculated in accordance with GAAP. These supplemental measures may vary from, and may not be comparable to, similarly titled measures by other companies.

The non-GAAP financial measures are presented because we believe the non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends related to our financial condition and results of operations. These measures provide an additional tool for investors to use in evaluating our ongoing operating performance, and management, in certain cases, uses them to determine incentive compensation. The presented non-GAAP financial measures exclude items that management does not believe reflect our core operating performance, which include incremental costs of sales and associated legal costs related to disruptions to supply chain and other trade regulations and changes in antidumping and countervailing duties, as such items are outside of our control or due to their inherent unusual, non-operating, unpredictable, non-recurring, or

non-cash nature. Reconciliations of these non-GAAP financial measures are provided on the pages that follow (certain numbers may not sum due to rounding).

## Executive Summary

The Company's second quarter performance primarily reflected the continued impact of the difficult macro backdrop that has impacted big ticket discretionary purchases as well as the demand for home remodeling projects. We also continued to experience pressure from low brand awareness as we continue on our transition to LL Flooring.

While the Company's near-term results have been challenged, we remain confident in our ability to deliver the high-touch service of an independent flooring retailer combined with the value, assortment and convenience of a national brand. To that end, we continue to focus on our five strategic initiatives that will improve sales productivity and profitability. We have fortified our executive leadership team with new leaders that bring a wealth of financial, retail, brand building, and consultative selling experience and ideas to drive these initiatives, focusing on implementing our CRM platform to drive Pro sales, improving store execution to remove friction and enhance the customer experience, increasing our brand awareness, executing on our carpet initiative which provides a meaningful expansion of our addressable market and aligning our cost structure to our run-rate of revenues.

While we expect the challenging macro environment to persist and cannot predict the timing of a recovery, sales visibility remains limited. As a result, we will focus to operate the business with discipline from an expense and capital management standpoint, including further leveraging our inventory management practices to yield continued improvements in our overall working capital.

We are actively pursuing operational opportunities to improve our performance including broadening and growing our brand awareness among consumers to drive traffic; ensuring a consistent customer experience across our omnichannel network to improve conversion; and improving operating efficiencies by intently working to reduce costs while focusing investments on our top growth priorities.

## Vinyl Update

In February 2023, U.S. Customs and Border Protection ("CBP") added aluminum and polyvinyl chloride ("PVC") to a list of categories including cotton, tomatoes and polysilicon for which CBP has the ability to request additional documentation from importers under the Uyghur Forced Labor Prevention Act ("UFLPA"). During the first quarter, CBP began to request additional documentation with respect to the UFLPA for some shipments of vinyl flooring originating from Asia.

We require our vendors to follow our strict guidelines on responsible sourcing, obtain periodic certifications from them concerning compliance with these standards, and perform audit procedures of their supply chain documentation.

During the second quarter of 2023, we incurred \$2.9 million of incremental expenses related to the UFLPA, which included demurrage, storage, transportation, and legal expenses. For the six months ended June 30, 2023, incremental expenses related to the UFLPA were \$5.3 million.

We determined in the second quarter of 2023 that it would be most cost effective to return the majority of the product that had been detained by CBP to the affected vendor. We expect the return to vendor will be completed in the third quarter.

We're continuing to work to mitigate the disruptions by featuring alternative products in our current assortment and leveraging our sourcing capabilities to look at alternative flooring categories and sourcing geographies. We introduced a number of new products in the vinyl category late in the second quarter and a larger number of new vinyl products will become available in the third quarter.

Despite our compliance program and mitigation efforts, we continue to see a small number of shipments from additional vinyl vendors being impacted by UFLPA holds, and these interruptions may cause more significant impact to sales and margins through the year. We are unable to predict whether other vinyl flooring shipments will be impacted in the future and, whether this issue could have further material impacts on sales and margins as we progress throughout the year. See "Risk Factor – *The Company and third-party suppliers on whom we rely source a significant portion of the merchandise we sell from Asia, which exposes us to the risk of supply chain disruptions*" in the Company's annual report filed on Form 10-K for the year ended December 31, 2022.

## Results of Operations

We believe the selected sales data, the percentage relationship between net sales and major categories in the consolidated statements of operations and the percentage change in the dollar amounts of each of the items presented below are important in evaluating the performance of our business operations.

	% of Net Sales Three Months Ended June 30,		% (Decrease) Increase in Dollar Amounts 2023 vs. 2022
	2023	2022	
<b>Net Sales</b>			
Net Merchandise Sales	85.5%	86.2%	(21.5)%
Net Services Sales	14.5%	13.8%	(17.3)%
<b>Total Net Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(20.9)%</b>
<b>Gross Profit</b>	<b>35.8%</b>	<b>35.7%</b>	<b>(20.8)%</b>
Selling, General and Administrative Expenses	44.4%	34.1%	2.9%
<b>Operating (Loss) Income</b>	<b>(8.7)%</b>	<b>1.6%</b>	<b>(539.0)%</b>
Other Expense	0.3%	0.1%	239.2%
<b>(Loss) Income Before Income Taxes</b>	<b>(8.9)%</b>	<b>1.5%</b>	<b>(573.7)%</b>
Income Tax Expense	7.6%	0.6%	933.4%
<b>Net (Loss) Income and Comprehensive (Loss) Income</b>	<b>(16.5)%</b>	<b>0.9%</b>	<b>(1525.5)%</b>

	% of Net Sales Six Months Ended June 30,		% (Decrease) Increase in Dollar Amounts 2023 vs. 2022
	2023	2022	
<b>Net Sales</b>			
Net Merchandise Sales	86.5%	86.8%	(17.8)%
Net Services Sales	13.5%	13.2%	(15.4)%
<b>Total Net Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(17.5)%</b>
<b>Gross Profit</b>	<b>36.2%</b>	<b>36.5%</b>	<b>(18.2)%</b>
Selling, General and Administrative Expenses	43.2%	34.8%	2.5%
<b>Operating (Loss) Income</b>	<b>(7.1)%</b>	<b>1.7%</b>	<b>(446.3)%</b>
Other Expense	0.4%	—%	896.7%
<b>(Loss) Income Before Income Taxes</b>	<b>(7.4)%</b>	<b>1.6%</b>	<b>(472.3)%</b>
Income Tax Expense	3.0%	0.5%	410.8%
<b>Net (Loss) Income and Comprehensive (Loss) Income</b>	<b>(10.4)%</b>	<b>1.2%</b>	<b>(832.1)%</b>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>SELECTED SALES DATA</b>				
Average Sale <sup>1</sup>	\$ 1,855	\$ 1,860	\$ 1,810	\$ 1,777
Comparable Store Net Sales Decrease <sup>2</sup>	(22.2)%	(3.1)%	(19.1)%	(3.3)%
Transaction Count Decrease <sup>3</sup>	(21.9)%	(22.0)%	(21.0)%	(16.7)%
Average Retail Price per Unit Sold Increase <sup>4</sup>	3.6%	14.7%	6.1%	12.5%
Number of Stores Open, end of period	442	437	442	437
Number of Stores Opened in Period, net of closures	(1)	6	—	13
Number of Stores Relocated in Period <sup>5</sup>	—	1	—	1

<sup>1</sup> Average sale is defined as the average invoiced sales order, measured quarterly, excluding returns and transactions under \$100 (which are generally sample orders or add-on/accessories to existing orders).

<sup>2</sup> A store is generally considered comparable on the first day of the thirteenth full calendar month after opening.

<sup>3</sup> Transaction count is calculated by applying the average sale to total net sales at comparable stores.

<sup>4</sup> Average retail price per unit (square feet for flooring and other units of measures for moldings and accessories) sold is calculated on a total company basis and excludes non-merchandise revenue.

<sup>5</sup> A relocated store remains a comparable store as long as it is relocated within the primary trade area.

### Net Sales

Second quarter 2023 net sales of \$236.4 million decreased \$62.5 million, or 20.9%, versus the second quarter of 2022, driven by a decrease in transaction count reflecting by lower spending by consumers and Pros. Total comparable store sales for the quarter decreased 22.2% versus the second quarter of 2022. Net merchandise sales and net service sales decreased 21.5% and 17.3%, respectively. During the second quarter, the Company closed one store, bringing total stores to 442 as of June 30, 2023.

For the quarter, average ticket decreased 0.3%, and transaction count decreased 21.9%, reflecting continued pressures from macroeconomic uncertainty coupled with operational challenges. Average retail price per unit sold increased 3.6% quarter over quarter, primarily due to the Company's pricing and promotion strategies to offset higher material and transportation costs as well as favorable product mix. As the Company continues to navigate uncertainty in the macroeconomic environment, it will continue to monitor the competitive pricing environment to inform its pricing and promotion strategies.

Net sales for the six months ended June 30, 2023 of \$477.1 million decreased \$100.9 million, or 17.5%, compared to the first half of last year. Total comparable store sales for first half of 2023 decreased 19.1% versus the first half of last year.

For the first half of 2023, transaction count decreased 21.0% from the comparable period in prior year, reflecting the same drivers as the quarter. Average ticket increased 1.9%, and average retail price per unit sold increased 6.1%, driven by the Company's aforementioned navigation of price elasticities in the inflationary macroeconomic environment.

### Gross Profit

Gross profit decreased 20.8% in the second quarter of 2023 to \$84.5 million from \$106.8 million in the comparable period in 2022, and gross margin of 35.8% increased 10 basis points compared to the second quarter last year. Included in gross profit was \$2.4 million in incremental costs related to U.S. Customs detentions of flooring products that contain PVC as a consequence of the UFLPA. Gross profit for the second quarter of 2022 was impacted by the \$1.2 million net antidumping and countervailing duty rate changes. Excluding these 2023 and 2022 unusual items, adjusted gross profit (a non-GAAP measure) of \$86.9 million decreased \$21.1 million and adjusted gross margin (a non-GAAP measure) of 36.7% increased 60 basis points compared to the same period last year. The decreases in both gross profit and adjusted gross profit is driven by a decrease in transaction count reflecting lower spending by consumers and Pros, while the increase in gross margin and adjusted gross margin reflects the Company's ability to offset higher material and transportation costs (collectively up more than 400 basis points) through pricing, promotion and alternative country/vendor sourcing strategies.

Gross profit for the six months ended June 30, 2023 of \$172.5 million decreased \$38.3 million compared to the first half of 2022, and gross margin of 36.2% decreased 30 basis points compared to the same period last year. Included in gross profit was \$4.5

million in incremental costs related to U.S. Customs detentions on flooring products that contain PVC as a consequence of the UFLPA. Gross profit for the first half of 2022 was impacted by the \$1.0 million net antidumping and countervailing duty rate changes. Excluding these 2023 and 2022 items, adjusted gross profit (a non-GAAP measure) of \$177.0 million decreased \$34.8 million and adjusted gross margin (a non-GAAP measure) of 37.1% increased 40 basis points compared to the same period last year. The decreases in both gross profit and adjusted gross profit are driven by lower spending by consumers and Pros, while the increase in gross margin and adjusted gross margin reflects the Company's ability to offset higher material and transportation costs (collectively up more than 300 basis points) through pricing, promotion and alternative country/vendor sourcing strategies.

Additionally, the Company's financial statements have been impacted by Section 301 tariffs on certain products imported from China in recent years. The tariffs flow through the income statement as the product is sold. The Company has deployed strategies to mitigate tariffs and improve gross margin, primarily through adjusting its pricing and promotion strategies and alternative country sourcing. The Company's merchandise receipts subject to Section 301 tariffs were 15% and 12% during the second quarter of 2023 and 2022, respectively. Although there was an increase in percentage, total purchases subject to Section 301 tariffs decreased as the Company reduced total inventory purchases in the current year and is continuing to leverage our sourcing capabilities to find alternative sourcing geographies.

As discussed in Item 1, Note 7 to the consolidated financial statements, the Company is unable to predict the timing or outcome of the ruling by the CAFC. If these appeals are successful, the Company may qualify for refunds on these Section 301 tariffs.

	Three Months Ended June 30, 2023		2022		Six Months Ended June 30, 2023		2022	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
(in thousands, except percentage data)								
Gross Profit/Margin, as reported (GAAP)	\$ 84,531	35.8%	\$ 106,750	35.7%	\$ 172,531	36.2%	\$ 210,829	36.5%
Vinyl Charges <sup>1</sup>	2,352	1.0%	—	—%	4,489	0.9%	—	—%
Antidumping and Countervailing Adjustments <sup>2</sup>	—	—%	1,218	0.4%	—	—%	977	0.2%
Adjustment Items Subtotal	2,352	1.0%	1,218	0.4%	4,489	0.9%	977	0.2%
Adjusted Gross Profit/Margin (non-GAAP measures)	\$ 86,883	36.7%	\$ 107,968	36.1%	\$ 177,020	37.1%	\$ 211,806	36.7%

<sup>1</sup> This amount represents costs related to U.S. Customs detentions on flooring products that contain PVC as a consequence of the UFLPA.

<sup>2</sup> This amount represents net antidumping and countervailing income associated with applicable prior-year shipments of engineered hardwood from China.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative ("SG&A") expenses of \$105.0 million increased \$2.9 million in the second quarter of 2023 compared to the same period in 2022, and SG&A as a percentage of net sales of 44.4% increased 1,030 basis points versus the second quarter of last year. SG&A expenses in the second quarter of 2023 included a \$0.5 million charge for legal and professional fees charged to earnings related to the vinyl CBP detentions. Excluding the impact of the legal fees, adjusted SG&A expense (a non-GAAP measure) increased \$2.4 million year-over-year, and adjusted SG&A as a percentage of net sales (a non-GAAP measure) of 44.2% increased 1,010 basis points compared to the second quarter of last year.

Selling, general and administrative ("SG&A") expenses for the first six months of 2023 increased \$5.1 million to \$206.2 million, or 43.2% of net sales, compared to \$201.1 million, or 34.8% of net sales, in the first six months of 2022. SG&A expenses in the first half of 2023 included a \$0.8 million charge for legal and professional fees charged to earnings related to the vinyl flooring CBP detentions. Excluding the impact of these fees, adjusted SG&A expense (a non-GAAP measure) increased \$4.3 million and adjusted SG&A as a percentage of net sales (a non-GAAP measure) of 43.1% increased 830 basis points for the first half of 2023 compared to the first half of 2022.

The increases in both SG&A and adjusted SG&A as a percentage of net sales for the three months and six months ended June 30, 2023, compared to the same periods in prior year were due primarily to expense deleverage from lower sales volumes. In addition,

operating expenses were higher due to inflationary cost increases and planned growth investments partially offset by restructuring cost savings and lower variable costs due to lower sales volume.

	Three Months Ended June 30, 2023		2022		Six Months Ended June 30, 2023		2022	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
(in thousands, except percentage data)								
SG&A, as reported (GAAP)	105,00		102,08		206,18		201,11	
	\$ 0	44.4%	\$ 7	34.1%	\$ 5	43.2%	\$ 2	34.8%
Legal and Professional Fees <sup>3</sup>	500	0.2%	—	—%	780	0.2%	—	—%
Adjusted SG&A (a non-GAAP measure)	104,50		102,08		205,40		201,11	
	\$ 0	44.2%	\$ 7	34.1%	\$ 5	43.1%	\$ 2	34.8%

<sup>3</sup> This amount represents incremental legal and professional fees charged to earnings related to the vinyl CBP detentions. This does not include all legal costs incurred by the Company.

#### Operating (Loss) Income and Operating Margin

Operating loss was \$20.5 million in the second quarter of 2023, compared to operating income of \$4.7 million in the second quarter of 2022. Adjusted operating loss (a non-GAAP measure) of \$17.6 million decreased \$23.5 million from \$5.9 million adjusted operating income (a non-GAAP measure) in the second quarter of 2022. Operating margin of (8.7)% decreased 1,030 basis points compared to the second quarter of last year. Adjusted operating margin (a non-GAAP measure) of (7.5)% decreased 950 basis points compared to the second quarter of last year, which reflects the increased selling, general and administrative expenses and decreased gross profit as described in the above sections.

Operating loss was \$33.7 million in the first half of 2023, compared to operating income of \$9.7 million in the first half of 2022. Adjusted operating loss (a non-GAAP measure) of \$28.4 million decreased \$39.1 million from \$10.7 million adjusted operating income (a non-GAAP measure) in the first half of 2022. Operating margin of (7.1)% decreased 880 basis points compared to the first half of last year. Adjusted operating margin (a non-GAAP measure) of (5.9)% decreased 780 basis points compared to the first half of last year, which reflects the increased selling, general and administrative expenses and decreased gross profit as described in the above sections.

	Three Months Ended June 30, 2023		2022		Six Months Ended June 30, 2023		2022	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
(in thousands, except percentage data)								
Operating (Loss) Income, as reported (GAAP)	(20,46		(33,65		(20,46		(33,65	
	\$ 9)	(8.7)%	\$ 4,663	1.6%	\$ 4)	(7.1)%	\$ 9,717	1.7%
Gross Margin Adjustment Items:								
Vinyl Charges <sup>1</sup>	2,352	1.0%	—	—%	4,489	0.9%	—	—%
Antidumping and Countervailing Adjustments <sup>2</sup>	—	—%	1,218	0.4%	—	—%	977	0.2%
Gross Margin Adjustment Items Subtotal	2,352	1.0%	1,218	0.4%	4,489	0.9%	977	0.2%
SG&A Adjustment Items:								
Legal and Professional Fees <sup>3</sup>	500	0.2%	—	—%	780	0.2%	—	—%
SG&A Adjustment Items Subtotal	500	0.2%	—	—%	780	0.2%	—	—%
Adjusted Operating (Loss) Income/ Margin (a non-GAAP measure)	(17,61		(28,38		(17,61		(28,38	
	\$ 7)	(7.5)%	\$ 5,881	2.0%	\$ 5)	(5.9)%	\$ 10,694	1.9%

<sup>1,2,3</sup> See the Gross Profit and SG&A sections above for more detailed explanations of these individual items.



### Other Expense

In the second quarter of 2023, the Company had other expense of \$0.7 million compared to \$0.2 million in the second quarter of 2022. The prior year expense included interest expense associated with antidumping and countervailing duty rate changes. Excluding the antidumping and countervailing adjustment in the second quarter of 2022, adjusted other expense (a non-GAAP measure) of \$0.7 million in the second quarter of 2023 increased \$0.6 million from the second quarter of last year. The increase in other expense and adjusted other expense in the second quarter of 2023 is due to the interest on borrowings on our Credit Agreement.

In the first half of 2023, the Company had other expense of \$1.8 million compared to \$0.2 million in the first half of 2022. The prior year expense was favorably impacted by the reversal of interest expense associated with antidumping and countervailing duty rate changes. Excluding the antidumping and countervailing adjustment in the first half of 2022, adjusted other expense (a non-GAAP measure) of \$1.8 million in the first half of 2023 increased \$1.6 million from the first half of last year. The increase in other expense and adjusted other expense in the first half of 2023 is due to the interest on borrowings on our Credit Agreement. While both years included interest on borrowings under our Credit Agreement, the Company did not draw down on our Credit Agreement in the first quarter of 2022.

	Three Months Ended June 30,		2022		Six Months Ended June 30,		2022	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
(in thousands, except percentage data)								
Other Expense, as reported (GAAP)	\$ 675	0.3%	\$ 199	0.1%	\$ 1,834	0.4%	\$ 184	—%
Interest Impact Related to Antidumping and Countervailing Adjustments <sup>4</sup>	—	—%	83	—%	—	—%	(2)	—%
Adjusted Other Expense/Adjusted Other Expense as a % of Sales (a non-GAAP measure)	<u>\$ 675</u>	<u>0.3%</u>	<u>\$ 116</u>	<u>—%</u>	<u>\$ 1,834</u>	<u>0.4%</u>	<u>\$ 186</u>	<u>—%</u>

<sup>4</sup> This amount represents the interest income impact of certain antidumping and countervailing adjustments related to applicable prior-year shipments of engineered hardwood from China.

### Provision for Income Taxes

The Company calculates its quarterly tax provision pursuant to the guidelines in Accounting Standards Codification ("ASC") 740-270 "Income Taxes." Generally, ASC 740-270 requires companies to estimate the annual effective tax rate for current year ordinary income. The estimated annual effective tax rate represents the best estimate of the tax provision in relation to the best estimate of pre-tax ordinary income or loss. The estimated annual effective tax rate is then applied to year-to-date ordinary income or loss to calculate the year-to-date interim tax provision and is adjusted for discrete items that occur within the period.

For the three months ended June 30, 2023, the Company recognized income tax expense of \$17.9 million, which represented an effective tax rate of (84.5)%. For the three months ended June 30, 2022, the Company recognized income tax expense of \$1.7 million, which represented an effective tax rate of 38.7%. The change in effective tax rate in the current period primarily reflects the impact of recording a valuation allowance on deferred tax assets.

For the six months ended June 30, 2023, the Company recognized income tax expense of \$14.1 million, which represented an effective tax rate of (39.7)%. For the six months ended June 30, 2022, the Company recognized income tax expense of \$2.8 million, which represented an effective tax rate of 29.0%. The change in effective tax rate is caused by the same drivers of the change in effective tax rate for the quarter.

As of June 30, 2023, a full valuation allowance of \$23.2 million has been established against the Company's net deferred tax assets as it is presently deemed more likely than not that the benefit of such net tax assets will not be utilized. Due to recent cumulative losses, the Company did not rely upon projections of future taxable income in assessing the recoverability of deferred tax assets. The Company intends to maintain a valuation allowance on its deferred tax assets unless there is sufficient evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance could result in a significant decrease in income tax expense in the period that the release is recorded. However, the exact timing and amount of any reduction in our valuation

allowance are unknown at this time and will be subject to the earnings level we achieve in future periods and estimates of future taxable income and will be made in the period such determination is made.

#### Net (Loss) Income per Diluted Share

Net loss per diluted share was \$1.35 for the quarter ended June 30, 2023, compared to net income per diluted share of \$0.09 for the quarter ended June 30, 2022. Adjusted loss per diluted share was \$1.28 for the second quarter of 2023, compared to adjusted earnings per diluted share of \$0.13 for the second quarter of 2022.

Net loss per diluted share was \$1.72 for the six months ended June 30, 2023, compared to net income per diluted share of \$0.23 for the six months ended June 30, 2022. Adjusted loss per diluted share was \$1.59 for the six months ended June 30, 2023, compared to adjusted earnings per diluted share of \$0.26 for the six months ended June 30, 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
(in thousands, except per share data)				
Net (Loss) Income, as reported (GAAP)	\$ (39,002)	\$ 2,736	\$ (49,587)	\$ 6,773
Net (Loss) Income per Diluted Share (GAAP)	\$ (1.35)	\$ 0.09	\$ (1.72)	\$ 0.23
Gross Margin Adjustment Items:				
Vinyl Charges <sup>1</sup>	2,352	—	4,489	—
Antidumping and Countervailing Adjustments <sup>2</sup>	—	1,218	—	977
Gross Margin Adjustment Items Subtotal	2,352	1,218	4,489	977
SG&A Adjustment Items:				
Legal and Professional Fees <sup>3</sup>	500	—	780	—
SG&A Adjustment Items Subtotal	500	—	780	—
Other Expense Adjustment Items:				
Interest Impact Related to Antidumping and Countervailing Adjustments <sup>4</sup>	—	83	—	(2)
Other Expense Adjustment Items Subtotal	—	83	—	(2)
Income Tax Adjustment <sup>5</sup>	(750)	(344)	(1,386)	(257)
Adjusted (Loss) Earnings	\$ (36,900)	\$ 3,693	\$ (45,704)	\$ 7,491
Adjusted (Loss) Earnings per Diluted Share (a non-GAAP measure)	\$ (1.28)	\$ 0.13	\$ (1.59)	\$ 0.26

<sup>1,2,3,4</sup> See the Gross Profit, SG&A and Other Expense sections above for more detailed explanations of these individual items.

<sup>5</sup> Income tax adjustment is defined as the sum of gross margin, SG&A, and other expense adjustment items multiplied by the Company's federal incremental rate, which was 26.3% and 26.4% for the periods ended June 30, 2023 and 2022, respectively.

## Liquidity, Capital Resources and Cash Flows

### Sources of Liquidity

Cash flows from operations supplemented with our long-term borrowings remain sufficient to fund our operations while allowing us to fund our growth initiatives and position LL Flooring for long-term success. As of June 30, 2023, we had liquidity of \$145.5 million, consisting of excess availability under our Credit Agreement of \$137.8 million and cash and cash equivalents of \$7.7 million. This represents an increase in liquidity of \$9.9 million from December 31, 2022, primarily reflecting sell throughs of merchandise inventories and the impact of our working capital management on operating cash flows. We believe that cash flows from

operations, together with cash on hand, and the liquidity under our Credit Agreement will be sufficient to meet our obligations and fund our settlements, operations, anticipated capital expenditures, and potential share repurchases for the next 12 months.

The Company continues to navigate uncertainty in the macroeconomic environment due to consumer confidence, inflation, volatile mortgage rates impacting housing affordability and lower existing home sales. We prepare our forecasted cash flow and liquidity estimates based on assumptions that we believe to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

#### Capital Resources

As of June 30, 2023, our material contractual obligations consist of long-term debt and letters of credit under our Credit Agreement and leases. See Note 5 to the consolidated financial statements for further detail related to our Credit Agreement. For further detail related to leases, see the Form 10-K for the year ended December 31, 2022.

#### Cash Flows Summary

	Six Months Ended June 30,	
	2023	2022
	(in thousands)	
Net Cash Provided by (Used in) Operating Activities	\$ 38,962	\$ (75,982)
Net Cash Used in Investing Activities	(9,768)	(11,564)
Net Cash (Used in) Provided by Financing Activities	(32,274)	7,389
Net Decrease in Cash and Cash Equivalents	<u>\$ (3,080)</u>	<u>\$ (80,157)</u>

During the six months ended June 30, 2023, the Company generated \$39.0 million of cash flows from operating activities primarily driven by sell throughs of merchandise inventories rebuilt from the prior year end and reduced inventory purchases.

During the six months ended June 30, 2022, the Company used \$76.0 million of cash flows for operating activities, which was primarily the result of purchases of inventory (\$106.0 million), redemption of customer deposits and store credits (\$8.6 million), and payments for legal matters and settlements (\$8.0 million), partially offset by increased accounts payable (\$25.0 million) and net income (\$6.8 million).

Net cash flows used in investing activities included \$9.8 million and \$11.6 million in capital expenditures in the six months ended June 30, 2023 and 2022, respectively. Capital expenditures in the first half of 2023 were used primarily for investments in technology and digital enhancements to improve the customer experience. Capital expenditures in the first half of 2022 were used primarily for store rebranding, opening new stores, and investments in digital.

Net cash flows used in financing activities was \$32.3 million during the six months ended June 30, 2023, compared to net cash flows provided by financing activities of \$7.4 million during the six months ended June 30, 2022. The activity in the current year was primarily attributable to \$32.0 million of net repayments of outstanding debt under the Credit Agreement. Financing activities during the first six months of 2022 included \$15.0 million net borrowings under the Credit Agreement, partially offset by \$7.9 million of repurchases of common stock.

#### Merchandise Inventories

Our net sales fluctuate slightly as a result of seasonal factors, and we adjust merchandise inventories in anticipation of those factors, causing variations in our buildup of merchandise inventories. Generally, we experience higher-than-average net sales in the spring and fall when more home remodeling activities typically take place and lower-than-average net sales in the winter months and during the hottest summer months.

Merchandise inventories as of June 30, 2023 decreased \$46.3 million from December 31, 2022 as the Company began to sell through inventory rebuilt from the prior year and reduced inventory purchases. We consider merchandise inventories either "available for sale" or "in-transit," based on whether we have physically received and inspected the products at an individual store location, in our distribution centers or in another facility where we control and monitor inspection. As a result of our decision to return certain

vinyl flooring products detained as a consequence of the UFLPA to the vendor, the \$6.0 million of product that no longer represents saleable inventory has been reclassified to "Other Current Assets" on the consolidated balance sheet.

In-transit inventory generally varies due to the timing of certain international shipments and certain seasonal factors, including import holds, international holidays, rainy seasons, and specific merchandise category planning.

Merchandise inventories and available inventory for sale per store in operation were as follows:

	As of June 30, 2023	As of December 31, 2022 (in thousands)	As of June 30, 2022
Inventory – Available for Sale	\$ 263,286	\$ 307,730	\$ 314,124
Inventory – In-Transit	22,750	24,566	44,680
<b>Total Merchandise Inventories</b>	<b>\$ 286,036</b>	<b>\$ 332,296</b>	<b>\$ 358,804</b>
<b>Inventory Available for Sale Per Store</b>	<b>\$ 596</b>	<b>\$ 696</b>	<b>\$ 719</b>

Inventory available for sale per store as of June 30, 2023 decreased compared to December 31, 2022 due to the same drivers as merchandise inventories. Inventory available for sale per store decreased compared to June 30, 2022 reflecting the Company's strategy to utilize the merchandise inventories rebuilt in 2022.

### Related Party Transactions

Information with respect to related party transactions may be found in Note 8, "Related Party Transactions", to the consolidated financial statements in Item 1 of Part I, which is incorporated herein by reference.

### Critical Accounting Policies and Estimates

Critical accounting policies are those that we believe are both significant and that require us to make difficult, subjective, or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and we might obtain different estimates if we used different assumptions or conditions. We have had no significant changes in our Critical Accounting Policies and Estimates since our annual report on Form 10-K for the year ended December 31, 2022.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

#### Interest Rate Risk.

The Company can be exposed to interest rate risk because of variable rate borrowings under our Credit Agreement. To the extent the Company borrows at Term SOFR, financial results are subject to changes in the market rate of interest. As of June 30, 2023, we had \$40.0 million outstanding under our Revolving Credit Facility, which carried a weighted average interest rate of 6.3% repayable at any time. A hypothetical 1% increase in interest rates would cause an increase of \$0.4 million of annual interest if outstanding for the full year.

We currently do not engage in any interest rate hedging activity. However, in the future, to mitigate losses associated with interest rate risks, we may at times enter into derivative financial instruments, although we have not historically done so. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

**Item 4. Controls and Procedures.**

***Evaluation of disclosure controls and procedures.*** Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the quarter ended June 30, 2023. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

***Changes in Internal Control over Financial Reporting.*** There has been no change in our internal control over financial reporting that occurred during the most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

Information with respect to this item may be found in Note 7, "Commitments and Contingencies", to the consolidated financial statements in Item 1 of Part I, which is incorporated herein by reference.

### Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in our annual report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition or future results.

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

The following table presents our share repurchase activity for the quarter ended June 30, 2023 (in thousands, except per share data):

Period	Total Number of Shares Purchased <sup>2</sup>	Average Price Paid Per Share <sup>2</sup>	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares That May Yet Be Purchased as Part of Publicly Announced Programs <sup>1</sup>
April 1, 2023 to April 30, 2023	—	\$ -	—	\$ 43,000
May 1, 2023 to May 31, 2023	11	3.34	—	43,000
June 1, 2023 to June 30, 2023	2	4.44	—	43,000
Total	<u>13</u>	<u>\$ 3.49</u>	<u>—</u>	<u>\$ 43,000</u>

<sup>1</sup> In February 2012, the Company's board of directors adopted an authorization for the repurchase of up to a total of \$50.0 million of the Company's common stock, which it increased by \$50.0 million in each of November 2012 and January 2014. As of February 2022, the Company had purchased approximately \$135.3 million common stock with \$14.7 million remaining under this authorization, and the board of directors further increased this authority by an additional \$35.3 million for a total authorization to repurchase up to \$50.0 million of the Company's common stock on the open market or in private transactions. As of June 30, 2023, there remains \$43.0 million outstanding under the share repurchase authorization, which does not have an expiration date. The Company did not repurchase any shares under the authorization during the three and six months ended June 30, 2023.

<sup>2</sup> The table above reflects repurchases of 12.5 thousand shares of our common stock, at an average price of \$3.49 per share, in connection with the net settlement of restricted share awards that vested during the three months ended June 30, 2023.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

None.

### Item 5. Other Information.

None of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

**Item 6. Exhibits.**

The exhibits listed in the following exhibit index are furnished as part of this report.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1	<a href="#">LL Flooring Holdings, Inc. 2023 Equity Compensation Plan, (filed as Annex B to the Company's definitive proxy statement on Schedule 14A, filed on April 3, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.2	<a href="#">Form of Employee Performance-Based Stock Unit Award under the LL Flooring Holdings 2023 Equity Incentive Plan (filed as Exhibit 10.1 to the Company's current report on Form 8-K/A, filed on May 18, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.3	<a href="#">Form of Employee Restricted Stock Award Agreement under the LL Flooring Holdings 2023 Equity Incentive Plan (filed as Exhibit 10.2 to the Company's current report on Form 8-K/A, filed on May 18, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.4	<a href="#">Form of Non-Employee Director Restricted Stock Award under the LL Flooring Holdings 2023 Equity Incentive Plan (filed as Exhibit 10.3 to the Company's current report on Form 8-K/A, filed on May 18, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.5	<a href="#">Form of Non-Employee Director Restricted Stock Unit Award Agreement under the LL Flooring Holdings 2023 Equity Incentive Plan (filed as Exhibit 10.4 to the Company's current report on Form 8-K/A, filed on May 18, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.6	<a href="#">Offer Letter Agreement with Robert L. Madore, dated June 9, 2023 (filed as Exhibit 10.1 to the Company's current report on Form 8-K, filed on July 6, 2023 (file No. 001-33767), and incorporated by reference)</a>
10.7	<a href="#">Form of Restricted Stock Inducement Award Agreement (filed herewith)</a>
10.8	<a href="#">Form of Performance Stock Unit Inducement Award Agreement (filed herewith)</a>
31.1	<a href="#">Certification of Principal Executive Officer of LL Flooring Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Principal Financial Officer of LL Flooring Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer of LL Flooring Holdings, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101	The following financial statements from the Company's Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive (Loss) Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LL FLOORING HOLDINGS, INC.  
(Registrant)

Date: August 9, 2023

By: /s/ Robert L. Madore  
Robert L. Madore  
Chief Financial Officer  
(Principal Financial Officer)





4901 Bakers Mill Lane  
Richmond, Virginia 23230

[Date]

[Name]  
[Address]

RE: Employee Restricted Stock Inducement Award Agreement

Dear Participant:

As a material inducement for you to accept an offer of employment with LL Flooring Holdings, Inc. (the "Company"), the Company has designated you to be a recipient of restricted shares of the common stock of the Company, par value \$.001 per share ("Stock"). This Restricted Stock Inducement Award Agreement (this "Award Agreement") and the Award granted hereunder is made outside the terms of the LL Flooring Holdings, Inc. 2023 Equity Compensation Plan (the "Plan") and the share reserve thereunder, as an "employment inducement award" within the meaning of NYSE Manual 303A.08. Notwithstanding the foregoing, subject to the terms and conditions herein, the Award will be governed by the terms and conditions set forth in the Plan as if it had been granted under the Plan. The provisions of the Plan are hereby incorporated herein by reference. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

This Award and the Plan are administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board") and the Committee shall have all the rights and discretion with respect to the administration of this Award and Award Agreement as it has under the terms and conditions of the Plan. You and the Company agree that this Award is granted under and governed by the terms and conditions of this Award Agreement and will otherwise be subject to the Plan and will be governed as if it had been granted under the Plan, other than with respect to the share reserve under the Plan, which will not be affected by this Award. You have reviewed the Plan and this Award Agreement and fully understand all provisions of the Award Agreement, including the Plan. A copy of the Plan will be provided to you upon request.

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1.Grant. In consideration of your agreements contained in this Award Agreement, the Company hereby grants to you the following shares of Company Stock (the “Restricted Stock”) as of the following date (the “Grant Date”).

Grant Date [Date]

Target Number of Stock Units Granted [Number]

The Restricted Stock is subject to the vesting restrictions set forth in Section 2 below. Until the vesting restrictions have lapsed, the Restricted Stock is forfeitable and nontransferable.

2.Vesting. The grant of the Restricted Stock is subject to the following terms and conditions:

(a)The shares of Restricted Stock shall vest, and shall no longer be subject to restriction, upon your continued employment with the Company through the following Vesting Dates:

Vesting Date	Number of Shares
[Date]	[Number]
[Date]	[Number]
[Date]	[Number]

(b)If, as part of a Change in Control of the Company (as defined in the Plan) or during the two (2) year period following a Change in Control of the Company, your employment with the Company is terminated by you for Good Reason or is terminated by the Company and such termination is not a Termination for Cause, the Restricted Stock granted hereunder shall become 100% vested to the extent not already vested. “Good Reason” and “Termination for Cause” are defined in Section 18 of this Award Agreement.

(c)If you die or suffer a Disability (as determined by the Committee) while you are employed by the Company) and your employment with the Company is terminated as a result of such death or Disability and you are not otherwise 100% vested in the Restricted Stock granted hereunder, the total number of shares of Restricted Stock that shall be vested (including any shares in which you are already vested under this Award Agreement) shall equal the total number of shares listed above in Section 1 multiplied by a fraction (not to exceed 1), the numerator of which is the number of full months elapsed from the Grant Date until the date of your death or Disability, and the denominator of which is the number of months between the Grant Date and the final vesting date listed in the table in Section 2(a).

(d)Notwithstanding the foregoing, you must be employed by the Company on the relevant date for any Restricted Stock to vest. If your employment with the Company terminates for any reason, any rights you may have under this Award Agreement with regard to unvested Restricted Stock shall be null and void.

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3.Dividends. During the period beginning with the Grant Date and ending with the Vesting Date or the earlier forfeiture of your Restricted Stock, (a) dividends or other distributions paid in shares of Stock shall be subject to the same restrictions as set forth in Section 2 above, and (b) dividends paid or other distributions paid in cash shall be paid at the same time as such dividends are paid by the Company with respect to authorized and issued shares held by its other shareholders of record.

4.Forfeiture and Repayment Provision. If the Committee determines, in its sole discretion, that you have, at any time, willfully engaged in conduct that is harmful to the Company, the Committee may declare that all or a portion of this Restricted Stock award is immediately forfeited. If the Committee determines, in its sole discretion, that you have willfully engaged in conduct that is harmful to the Company, you shall repay to the Company all or any vested shares of Company Stock owned by you as a result of this Award Agreement or all or any of the amount realized as a result of the sale of Company Stock awarded to you under this Award Agreement, to the extent required by the Committee. Repayment or forfeiture required under this Section shall be enforced by the Board or its delegate, in the manner the Board or its delegate determines to be appropriate. Your acceptance of the Restricted Stock reflected in this Award Agreement constitutes acceptance of the forfeiture and repayment provisions of this Section.

5.Cancellation of Restricted Stock. To facilitate the cancellation of any Restricted Stock pursuant to Section 2 above, you hereby appoint the Chief Financial Officer of the Company as your attorney in fact, with full power of substitution, and authorize him or her, upon the occurrence of a forfeiture pursuant to Section 2 above, to notify the Company's registrar and transfer agent of the forfeiture of such shares and, if necessary, to deliver to the registrar and transfer agent the certificate representing such shares together with instructions to cancel the shares forfeited. The registrar and transfer agent shall be entitled to rely upon any notices and instructions delivered by your attorney in fact concerning a forfeiture under the terms of this Award Agreement.

6.Custody of Certificates. At the option of the Company, custody of stock certificates evidencing the Restricted Stock shall be retained by the Company or held in uncertificated form.

7.Rights as a Shareholder. Subject to the provisions of this Award Agreement, you generally will have all of the rights of a holder of Company Stock with respect to all of the Restricted Stock awarded to you under this Award Agreement from and after the Grant Date until the shares either vest or are forfeited, including the right to vote such shares and to receive dividends paid thereon in accordance with the provisions of Section 3.

8.Transfer Restrictions. You may not sell, assign, transfer, pledge, hypothecate or encumber the Restricted Stock awarded to you under this Award Agreement prior to the time such Restricted Stock becomes fully vested in accordance with this Award Agreement.

9.Fractional Shares. A fractional share of Company Stock will not be issued and the Committee shall determine in its sole discretion whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares of Common Stock or whether such fractional shares of Common Stock or any rights thereto shall be cancelled, terminated, or otherwise eliminated with or without consideration.

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10. Adjustments. If the number of outstanding shares of Company Stock is increased or decreased as a result of a stock dividend, stock split or combination of shares, recapitalization, merger in which the Company is the surviving corporation, or other change in the Company's capitalization without the receipt of consideration by the Company, the number and kind of your unvested Restricted Stock shall be proportionately adjusted by the Committee, whose determination shall be binding.

11. Notices. Any notice to be given to the Company under the terms of this Award Agreement shall be addressed to the Chief Financial Officer at LL Flooring Holdings, Inc., 4901 Bakers Mill Lane, Richmond, Virginia 23230. Any notice to be given to you shall be addressed to you at the address set forth above or your last known address at the time notice is sent. Notices shall be deemed to have been duly given if mailed first class, postage prepaid, addressed as above.

12. Applicable Withholding Taxes. No Restricted Stock shall be delivered to you until you have paid to the Company the amount that must be withheld under federal, state and local income and employment tax laws or you and the Company have made satisfactory arrangements for the payment of such taxes.

13. Applicable Securities Laws. You may be required to execute a customary written indication of your investment intent and such other agreements the Company deems necessary or appropriate to comply with applicable securities laws. The Company may delay delivery of the Restricted Stock until you have executed such indication or agreements.

14. Acceptance of Restricted Stock. By signing this Award Agreement, you indicate your acceptance of the Restricted Stock and your agreement to the terms and conditions set forth in this Award Agreement which, together with the terms of the Plan (which are incorporated herein by reference), shall become the Company's Restricted Stock Inducement Award Agreement with you. You also hereby acknowledge that a copy of the Plan has been made available and agree to all of the terms and conditions of the Plan (which are incorporated herein by reference), as it may be amended from time to time. Unless the Company otherwise agrees in writing, the Restricted Stock granted under this Award Agreement will not become vested if you do not accept this Award Agreement within thirty days of the Grant Date.

15. Clawback. If, as a result of material non-compliance with any financial information required to be reported under securities laws, the Company is required to prepare a restatement of its financial statements, then you will, with the approval of the Committee, forfeit or repay the proceeds of all or a portion of the Restricted Stock under this Agreement if it was awarded within the three fiscal year-period preceding the date of such restatement. The forfeited or repayment amount shall equal the difference between the Restricted Stock reflected in this Agreement and the amount, if any, that would have been granted based on the restated financial statements. The Committee shall determine and approve the amount of such forfeited or repayment amount. Repayment required under this Section shall be enforced by the Board or its delegate, in the manner the Board or its delegate determines to be appropriate. Further, this Restricted Stock is subject to such deductions and clawback as may be required by any applicable law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement). Your acceptance of the Restricted Stock reflected in this Award Agreement constitutes acceptance of the repayment provisions described in this Section.

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This Section 15 is intended to comply with Section 954 of Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and all regulations and rulemaking thereunder and should be interpreted accordingly.

16. Binding Effect. This Award Agreement shall be binding upon and inure to the benefit of your legatees, distributees, and personal representatives and the successors of the Company. Any references herein to the Company shall include any successor company.

17. Not an Employment Agreement. The award of Restricted Stock hereunder does not constitute an agreement by the Company to continue to employ you during the entire, or any portion of the, term of this Award Agreement, including but not limited to any period during which the Restricted Stock is outstanding.

18. Definitions. For purposes of this Award Agreement:

(a) "Good Reason" shall include (i) failure to pay or provide, or a material reduction in, your compensation or benefits, or (ii) a material reduction in your responsibilities within the Company.

(b) "Termination for Cause" shall mean termination of your employment for your (i) personal dishonesty, (ii) fraud, (iii) willful or repeated misconduct, (iv) gross negligence, (v) breach of a fiduciary duty to the Company, (vi) intentional failure to perform your duties, (vii) material violation of Company policy, (viii) unsatisfactory performance of your job duties; provided, however, that in such instances where the Company, at its sole discretion, deems such unsatisfactory performance curable, the Company shall give such notice and opportunity to cure as the Company deems reasonable, (ix) material noncompliance with financial reporting requirements under federal securities laws, (x) conviction of or plea of guilty or "no contest" to a felony or crime of moral turpitude under the laws of the United States or any state thereof, and/or (xi) action or inaction that materially diminishes or impairs the goodwill or reputation of the Company.

IN WITNESS WHEREOF, the Company has caused this Restricted Stock Inducement Award Agreement to be signed on its behalf by its duly-authorized officer on the day and year first indicated above.

**LL FLOORING HOLDINGS, INC.**

By:

Name:

Title:

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4901 Bakers Mill Lane  
Richmond, Virginia 23230

[Date]

[Name]  
[Address]

RE: Employee Performance-Based Stock Unit (PSU) Inducement Award Agreement

Dear Participant:

As a material inducement for you to accept an offer of employment with LL Flooring Holdings, Inc. (the "Company"), the Company has granted to you an Award of Stock Units. This Performance-Based Stock Unit Inducement Award Agreement (this "Award Agreement") and the Award granted hereunder is made outside the terms of the LL Flooring Holdings, Inc. 2023 Equity Compensation Plan (the "Plan") and the share reserve thereunder, as an "employment inducement award" within the meaning of NYSE Manual 303A.08. Notwithstanding the foregoing, subject to the terms and conditions herein, the Award will be governed by the terms and conditions set forth in the Plan as if it had been granted under the Plan. The provisions of the Plan are hereby incorporated herein by reference. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

This Award and the Plan are administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board") and the Committee shall have all the rights and discretion with respect to the administration of this Award and Award Agreement as it has under the terms and conditions of the Plan. You and the Company agree that this Award is granted under and governed by the terms and conditions of this Award Agreement, and will otherwise be subject to the Plan and will be governed as if it had been granted under the Plan, other than with respect to the share reserve under the Plan, which will not be affected by this Award. You have reviewed the Plan and this Award Agreement and fully understand all provisions of the Award Agreement, including the Plan. A copy of the Plan will be provided to you upon request.

1. Grant. In consideration of your agreements contained in this Award Agreement, the Company hereby grants to you the following number of Stock Units (the "Stock Units") (collectively the "Target Number" of Stock Units) as of the following date (the "Grant Date"), each Stock Unit corresponding to one share of the common stock of the Company, par value \$.001 per share (the "Stock").

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Grant Date [Date]

Target Number of Stock Units Granted [Number]

Subject to the terms and conditions of the Plan and this Award Agreement, each Stock Unit represents an unsecured promise of the Company to deliver, and your right to receive, one share of the Stock of the Company at the time and on the terms and conditions set forth herein. As a holder of Stock Units, you only have the rights of a general unsecured creditor of the Company. The Stock Units are subject to the performance and employment-based vesting restrictions and other terms set forth in this Award Agreement and the Plan. Until the performance and employment-based vesting restrictions have lapsed and the Stock Units are to be settled, the Stock Units are forfeitable and nontransferable.

2.Vesting. The Award of Stock Units is subject to the following performance and employment-based vesting terms and conditions:

(a) Except as otherwise set forth herein, the Stock Units shall be considered performance-based ("Performance-Based") and shall become vested and payable with respect to that number of Stock Units subject to this Award Agreement that correlates to the performance objective achieved for the three-year performance period beginning January 1, 2023 and ending December 31, 2025 (the "Performance Period") set forth on the attached Exhibit A, as determined by the Committee in its sole discretion, provided you remain continuously employed by the Company from the Date of Grant through the end of the Performance Period. Notwithstanding the foregoing, none of the Stock Units shall become vested and payable if the performance objective for the Performance Period set forth on Exhibit A is not achieved at or above the designated levels set forth therein.

(b) Upon a Change in Control before the end of the Performance Period, the Stock Units subject to this Award Agreement shall become eligible to vest and become payable with respect to the Target Number of Stock Units. In the event no provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units, then, contemporaneously with the Change in Control, the Stock Units shall become vested and payable with respect to the Target Number of Stock Units, to the extent not vested previously, subject to your continued employment with the Company until the date of the Change in Control. If provision is made for the continuance, assumption or substitution by the Company or its successor in connection with the Change in Control of the Stock Units subject to this Award Agreement, then the Stock Units shall become vested and payable with respect to the Target Number of Stock Units, to the extent not vested previously, subject to your continued employment with the Company through the last day of the Performance Period or, if earlier, contemporaneously with the termination of your employment with the Company if your employment is terminated by you for Good Reason or is terminated by the Company, and such termination is not a Termination for Cause, in each case on or after the Change in Control and on or before the end of the Performance Period. "Good Reason" and "Termination for Cause" are defined in Section 16 of this Award Agreement.

(c) If you die or suffer a Disability (as determined by the Committee) while you are employed by the Company, and your employment with the Company is terminated as a result of such death or Disability prior to the end of the Performance Period (or, if earlier, prior to a

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Change in Control in connection with which no provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units), the Stock Units subject to this Award Agreement shall remain outstanding until the end of the Performance Period (or, if earlier, until a Change in Control in connection with which no provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units) and shall become vested and payable as if you had remained employed with the Company until the end of the Performance Period (or, if earlier, a Change in Control in connection with which no provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units), with respect to the number of Stock Units that otherwise would have become vested and payable through the end of the Performance Period or, if earlier, Change in Control, multiplied by a fraction, the numerator of which is the number of full months elapsed from the first day of the Performance Period until the last day of the month which includes the date of your death or Disability, and the denominator of which is the number of full months between the first day of the Performance Period and the last day of the Performance Period or, if earlier, the last day of the month which includes the date of a Change in Control in connection with which no provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units). If you die or suffer a Disability (as determined by the Committee) while you are employed by the Company, and your employment with the Company is terminated as a result of such death or Disability after the end of the Performance Period, then, the Stock Units shall become vested and payable with respect to the number of Stock Units that are to become vested and payable for the Performance Period, notwithstanding your subsequent death or Disability. If you die or suffer a Disability (as determined by the Committee) while you are employed by the Company, and your employment with the Company is terminated as a result of such death or Disability before the end of the Performance Period and after the date of a Change in Control in connection with which provision is made for the continuance, assumption or substitution by the Company or its successor in connection with a Change in Control of the Stock Units, the Stock Units shall become vested and payable with respect to the Target Number of Stock Units multiplied by a fraction, the numerator of which is the number of full months elapsed from the first day of the Performance Period until the last day of the month which includes the date of your death or Disability, and the denominator of which is the number of full months in the Performance Period.

(d) Except as otherwise set forth above, you must be employed by the Company on the relevant date for any Stock Units to become vested and payable. If your employment with the Company terminates for any reason other than your death or Disability, and other than by you for Good Reason or by the Company on or after a Change in Control and on or before the end of the Performance Period, and such termination is not a Termination for Cause, any rights you may have under this Award Agreement with regard to unvested Stock Units shall be null and void. Any rights you may have under this Award Agreement with regard to unvested Stock Units shall be forfeited and become null and void at the earliest time at which the Stock Units may no longer become vested and payable pursuant to the terms hereof. The date upon which the Stock Units become vested and payable shall be referred to as the "Vesting Date."

3. Settlement of Award. Subject to the terms of Section 2 above, the Company shall issue to you one share of Stock for each Stock Unit that has become vested and payable under Section 2 above and shall deliver to you such shares of Stock as soon as practicable (and within thirty

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(30) days) after the Vesting Date. In its sole discretion, the Company may elect to deliver the Stock to you by book-entry in the Company's books or by electronic delivery to a brokerage account established for your benefit at a financial/brokerage firm selected by the Company. You agree to complete and sign any documents and take any additional action that the financial/brokerage firm designated by the Company may request to enable the Company to deliver the Stock on your behalf.

**4. Cash Dividends.** For so long as you hold outstanding Stock Units under this Award Agreement, if the Company pays any cash dividends on its Stock, then the Company will pay to you in cash for each outstanding Stock Unit covered by this Award Agreement as of the record date for such dividend, less any required withholding taxes, the per share amount of such dividend that you would have received had you owned the underlying shares of Stock as of the record date of the dividend if, and only if, the Stock Units become vested and payable and the related shares of Stock are issued to you pursuant to the terms of this Award Agreement. In that case, the Company shall pay such cash amounts to you, less any required withholding taxes, at the same time the related shares of Stock are delivered to you. The additional payments pursuant to this Section 4 shall be treated as a separate arrangement.

**5. Forfeiture and Repayment Provision.** If the Committee determines, in its sole discretion, that you have, at any time, willfully engaged in conduct that is harmful to the Company, the Committee may declare that all or a portion of this Award is immediately forfeited. If the Committee determines, in its sole discretion, that you have willfully engaged in conduct that is harmful to the Company, you shall repay to the Company all or any shares of Stock owned by you as a result of this Award Agreement or all or any of the amount realized as a result of the sale of Stock awarded to you under this Award Agreement, along with the gross amount, before withholdings, of any cash dividends paid to you under this Award Agreement, to the extent required by the Committee. Repayment or forfeiture required under this Section shall be enforced by the Board or its delegate, in the manner the Board or its delegate determines to be appropriate. Your acceptance of the Stock Units reflected in this Award Agreement constitutes acceptance of the forfeiture and repayment provisions of this Section.

**6. Rights as a Shareholder.** Except as set forth in Section 4 above, you shall not have any rights as a shareholder with respect to shares of Stock subject to these Stock Units until issuance of the shares of Stock.

**7. Transfer Restrictions.** You may not sell, assign, transfer, pledge, hypothecate or encumber the Stock Units awarded to you under this Award Agreement prior to the time such Stock Units become fully vested and payable in accordance with this Award Agreement and the shares of Stock are issued to you.

**8. Fractional Shares.** A fractional share of Stock will not be issued and the Committee shall determine in its sole discretion whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional shares of Common Stock or whether such fractional shares of Common Stock or any rights thereto shall be cancelled, terminated, or otherwise eliminated with or without consideration.

**9. Adjustments.** If the number of outstanding shares of Stock is increased or decreased as a result of a stock dividend, stock split or combination of shares, recapitalization, merger in which the Company is the surviving corporation, or other change in the Company's capitalization without the receipt of consideration by the Company, the number and kind of your

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unvested Stock Units shall be proportionately adjusted by the Committee, whose determination shall be binding.

10.Notices. Any notice to be given to the Company under the terms of this Award Agreement shall be addressed to the Corporate Secretary at LL Flooring Holdings, Inc., 4901 Bakers Mill Lane, Richmond, Virginia 23230. Any notice to be given to you shall be addressed to you at the address set forth above or your last known address at the time notice is sent. Notices shall be deemed to have been duly given if mailed first class, postage prepaid, addressed as above.

11.Applicable Withholding Taxes. No Stock Units shall become vested and payable until you have paid to the Company the amount that must be withheld under federal, state and local income and employment tax laws or you and the Company have made satisfactory arrangements for the payment of such taxes. As a condition to the settlement of the Award, you shall be required to pay any required withholding taxes attributable to the Award in cash or cash equivalent acceptable to the Committee. However, the Company in its discretion may, but is not required to, allow you to satisfy any such applicable withholding taxes (but only for the minimum required withholding that would not result in adverse financial accounting consequences) (i) by allowing you to surrender shares of Stock that you already own, (ii) through a cashless transaction through a broker, (iii) by means of a "net settlement" procedure, (iv) by such other medium of payment as the Committee shall authorize or (v) by any combination of the allowable methods of payment set forth herein.

12.Applicable Securities Laws. You may be required to execute a customary written indication of your investment intent and such other agreements the Company deems necessary or appropriate to comply with applicable securities laws. The Company may delay grant of the Award, and any delivery of shares of Stock to be issued under the Award, until you have executed such indication or agreements.

13.Acceptance of Stock Units. By signing this Award Agreement, you indicate your acceptance of the Stock Units and your agreement to the terms and conditions set forth in this Award Agreement which, together with the terms of the Plan (which are incorporated herein by reference), shall become the Company's Award Agreement with you. You also hereby acknowledge that a copy of the Plan has been made available and agree to all of the terms and conditions of the Plan (which are incorporated herein by reference), as it may be amended from time to time. Unless the Company otherwise agrees in writing, the Stock Units granted under this Award Agreement will not become vested or payable if you do not accept this Award Agreement by signing this Award Agreement within thirty (30) days after the Grant Date.

14.Clawback. The Stock Units are subject to such clawback as may be determined under the Company's Clawback Policy (as such Clawback Policy is in effect from time to time) or as may be required by any applicable law, government regulation or stock exchange listing requirement. Your acceptance of the Stock Units reflected in this Award Agreement constitutes acceptance of the clawback provisions described in this Section 14. This Section 14 is intended to comply with Section 954 of Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and all regulations and rulemaking thereunder and should be interpreted accordingly.

15.Binding Effect. This Award Agreement shall be binding upon and inure to the benefit of your legatees, distributees, and personal representatives and the successors of the Company. Any references herein to the Company shall include any successor company.

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16. Definitions. For purposes of this Award Agreement:

(a) "Good Reason" shall have the same meaning as under any employment, severance or change in control agreement between you and the Company, or if no such employment or severance agreement exists or such agreement does not contain any such definition, "Good Reason" shall mean your voluntary termination of employment with the Company based on (i) the company's failure to pay or provide, or a material reduction in, your base salary or annual target bonus opportunity, or (ii) a material reduction in your responsibilities within the Company, provided you give the Company which employs you notice of any event or condition that would constitute "Good Reason" within thirty (30) days of the event or condition which would constitute "Good Reason," and upon receipt of such notice the Company shall have thirty (30) days to remedy such event or condition, and if such event or condition is not remedied within such thirty (30)-day period, any termination of employment by you for "Good Reason" must occur within sixty (60) days after the period for remedying such condition or event has expired.

(b) "Termination for Cause" shall mean termination of your employment for "Cause" as defined under any employment, severance or change in control agreement between you and the Company or, if no such agreement exists or such agreement does not contain any such definition, "Cause" shall mean your (i) personal dishonesty, (ii) fraud, (iii) willful or repeated misconduct, (iv) gross negligence, (v) breach of a fiduciary duty to the Company, (vi) intentional failure to perform your duties, (vii) material violation of Company, (viii) unsatisfactory performance of your job duties; provided, however, that in such instances where the Company, at its sole discretion, deems such unsatisfactory performance curable, the Company shall give such notice and opportunity to cure as the Company deems reasonable, (ix) material noncompliance with financial reporting requirements under federal securities laws, (x) conviction of or plea of guilty or "no contest" to a felony or crime of moral turpitude under the laws of the United States or any state thereof, and/or (xi) action or inaction that materially diminishes or impairs the goodwill or reputation of the Company.

17. Section 409A. This Award is intended to be exempt from Section 409A of the Code as a short-term deferral, because settlement of the Award is to occur later than 2½ months after the later of (i) the end of the Company's fiscal year in which the Stock Units become vested or (y) the end of the calendar year in which the Stock Units become vested. Notwithstanding the preceding, the Company shall not be liable to you or any other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any payments hereunder are subject to taxes, penalties or interest as a result of failing to be exempt from, or comply with, Section 409A of the Code.

18. No Right to Continued Employment. Neither the Plan, the granting of this Award nor any other action taken pursuant to the Plan or this Award constitutes or is evidence of any agreement or understanding, express or implied, that the Company will retain you as an employee or other service provider for any period of time or at any particular rate of compensation.

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IN WITNESS WHEREOF, the Company has caused this Performance-Based Stock Unit Inducement Award Agreement to be signed on its behalf by its duly-authorized officer on the day and year first indicated above.

**LL FLOORING HOLDINGS, INC.**

By:  
Name:  
Title:

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**LL FLOORING HOLDINGS, INC.  
PERFORMANCE-BASED  
STOCK UNIT INDUCEMENT AWARD AGREEMENT**

**Exhibit A**

SUBJECT TO THE PROVISIONS OF THIS AWARD AGREEMENT, THE NUMBER OF STOCK UNITS COVERED BY THIS AWARD AGREEMENT THAT WILL VEST AND BECOME PAYABLE BASED ON PERFORMANCE ACHIEVED FOR THE PERFORMANCE PERIOD WILL BE DETERMINED AS FOLLOWS:

[Performance Criteria to be Approved by the Compensation Committee at Grant Each Year]

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## SECTION 302 CERTIFICATION

I, Charles E. Tyson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LL Flooring Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Charles E. Tyson  
Charles E. Tyson  
President and Chief Executive Officer  
(Principal Executive Officer)

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## SECTION 302 CERTIFICATION

I, Robert L. Madore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LL Flooring Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Robert L. Madore  
Robert L. Madore  
Chief Financial Officer  
(Principal Financial Officer)

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

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Charles E. Tyson, President and Chief Executive Officer of LL Flooring Holdings, Inc. (the "Registrant"), and Robert L. Madore, Chief Financial Officer of the Registrant, each hereby certifies that, to the best of his or her knowledge:

1. The Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2023, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Charles E. Tyson  
Charles E. Tyson  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Robert L. Madore  
Robert L. Madore  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 9, 2023

Date: August 9, 2023

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