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 November 2, 2025
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-38555

THE LOVESAC COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**32-0514958**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
421 Atlantic Street **Stamford, Connecticut**	**06901**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(888) 636-1223**

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(s)**	**Name of each exchange on which registered**
Common Stock, $0.00001 par value per share	LOVE	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of December 8, 2025, there were 14,617,106 shares of common stock, $0.00001 par value per share, outstanding.

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TRADEMARKS

The Lovesac Company owns or has rights to use multiple trademarks that it uses in conjunction with the operation of its business. The trademarks of The Lovesac Company, which are registered in U.S. Patent and Trademark Office, are LOVESAC, DESIGNED FOR LIFE FURNITURE CO., DESIGNED FOR LIFE, DFL, ALWAYS FITS, FOREVER NEW, PILLOWSAC, TOTAL COMFORT, THE WORLD'S MOST ADAPTABLE COUCH, SACTIONALS, LOVESOFT, SIDE, STEALTHTECH, SACTIONALS POWER HUB, THE WORLD'S MOST COMFORTABLE SEAT, SACS, SAC, SUPERSAC, MOVIESAC, CITYSAC, GAMERSAC, SQUATTOMAN, DURAFOAM, FOOTSAC, ROOM FOR TWO, and REWRITING THE RULES OF COMFORT. Solely for convenience, the Company only uses the ™ or ® symbols the first time any trademark or trade name is mentioned. Such references are not intended to indicate in any way that the Company will not assert, to the fullest extent permitted under applicable law, its rights to its trademarks and trade names. Each trademark or trade name of any other company appearing in this Quarterly Report on Form 10-Q is, to the Company's knowledge, owned by such other company.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other legal authority, which statements may involve substantial risk and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results, financial position and liquidity, our business strategy and plans, market growth and trends, and our objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions.

You should not place undue reliance on forward looking statements. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeframe. The cautionary statements set forth in this Quarterly Report on Form 10-Q, including in Part I – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere, identify important factors which you should consider in evaluating our forward-looking statements. These factors include, among other things: business disruptions or other consequences of economic instability,recession, political instability, civil unrest, armed hostilities and global conflict, natural and man-made disasters, pandemics or other public health crises, or other catastrophic events; the impact of changes or declines in consumer spending and increases in interest rates and inflation on our business, sales, results of operations and financial condition; cybersecurity and vulnerability to electronic break-ins and other similar disruptions; active, pending or threatened litigation; our ability to manage and sustain our growth and profitability effectively, including in our ecommerce business, forecast our operating results, and manage inventory levels; our cash flows, changes in the market price of the Company's common stock, global economic and market conditions and other considerations that could impact the specific timing, price and size of repurchases under our stock repurchase program or our ability to fund any stock repurchases; our ability to improve our products and develop and launch new products; our ability to successfully open and operate new showrooms; our ability to advance, implement or achieve the goals set forth in our ESG Report; our ability to realize the expected benefits of investments in our supply chain and infrastructure; disruption in our supply chain and dependence on foreign manufacturing and imports for our products; execution of our share repurchase program and its expected benefits for enhancing long-term shareholder value; our ability to acquire new customers and engage existing customers; reputational risk associated with increased use of social media; our ability to attract, develop and retain highly skilled associates and employees; system interruption or failures in our technology infrastructure needed to service our customers, process transactions and fulfill orders; any inability to implement and maintain effective internal control over financial reporting; unauthorized disclosure of sensitive or confidential information through breach of our computer system; the ability of third-party providers to continue uninterrupted service; the impact of changes in diplomatic and trade relations, as well as tariffs, and the countermeasures and tariff mitigation initiatives; the regulatory environment in which we operate; our ability to maintain, grow and enforce our brand and intellectual property rights and avoid infringement or violation of the intellectual property rights of others; and our ability to compete and succeed in a highly competitive and evolving industry.

We caution you that the foregoing list may not contain all of the factors that may impact the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections

about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur at all or on a specified timeline, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

THE LOVESAC COMPANY
CONDENSED BALANCE SHEETS
(unaudited)

(amounts in thousands, except share and per share amounts)	November 2, 2025	February 2, 2025
Assets		
Current Assets		
Cash and cash equivalents	$ 23,722	$ 83,734
Trade accounts receivable, net	16,960	16,781
Merchandise inventories, net	129,681	124,333
Prepaid expenses	13,098	14,807
Other current assets	2,525	6,942
Total Current Assets	185,986	246,597
Property and equipment, net	86,726	77,990
Operating lease right-of-use assets	163,081	157,750
Goodwill	144	144
Intangible assets, net	2,104	1,586
Deferred tax asset	26,368	15,277
Other assets	31,105	32,906
Total Assets	$ 495,514	$ 532,250
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 45,548	$ 51,814
Accrued expenses	41,402	51,986
Payroll payable	14,009	9,501
Customer deposits	8,727	11,250
Current operating lease liabilities	22,730	22,662
Sales taxes payable	4,582	7,897
Total Current Liabilities	136,998	155,110
Operating lease liabilities, long-term	168,785	160,361
Income tax payable, long-term	424	424
Line of credit	—	—
Total Liabilities	306,207	315,895
Commitments and Contingencies (see Note 6)		
Stockholders' Equity		
Preferred Stock $0.00001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of November 2, 2025 and February 2, 2025.	—	—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 14,615,785 shares issued and outstanding as of November 2, 2025 and 14,786,934 shares issued and outstanding as of February 2, 2025.	—	—
Additional paid-in capital	197,549	190,510
Accumulated (deficit) earnings	(8,242)	25,845
Stockholders' Equity	189,307	216,355
Total Liabilities and Stockholders' Equity	$ 495,514	$ 532,250

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

THE LOVESAC COMPANY
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

(amounts in thousands, except per share data and share amounts)	Thirteen weeks ended		Thirty-nine weeks ended	
	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Net sales	$ 150,166	$ 149,905	$ 449,069	$ 439,138
Cost of merchandise sold	65,929	62,266	199,854	187,085
Gross profit	84,237	87,639	249,215	252,053
Operating expenses:				
Selling, general and administrative expenses	74,964	71,749	214,195	213,826
Advertising and marketing	21,075	19,947	63,150	61,253
Depreciation and amortization	4,002	3,666	11,451	10,924
Total operating expenses	100,041	95,362	288,796	286,003
Operating loss	(15,804)	(7,723)	(39,581)	(33,950)
Interest and other income, net	206	701	631	2,139
Net loss before taxes	(15,598)	(7,022)	(38,950)	(31,811)
Income tax benefit	5,047	2,092	10,909	8,060
Net loss	$ (10,551)	$ (4,930)	$ (28,041)	$ (23,751)
Net loss per common share:				
Basic	$ (0.72)	$ (0.32)	$ (1.91)	$ (1.53)
Diluted	$ (0.72)	$ (0.32)	$ (1.91)	$ (1.53)
Weighted average shares outstanding:				
Basic	14,655,495	15,574,293	14,692,182	15,567,442
Diluted	14,655,495	15,574,293	14,692,182	15,567,442

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

THE LOVESAC COMPANY
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2025 AND NOVEMBER 3, 2024
(unaudited)

	Thirteen weeks ended				
	Common				
	Shares	Amount	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Total Shareholders' Equity
Balance - August 3, 2025	14,599,825	$ —	$ 195,154	$ 2,307	$ 197,461
Net loss	—	—	—	(10,551)	(10,551)
Equity-based compensation	—	—	2,434	—	2,434
Vested restricted stock units	15,960	—	—	—	—
Repurchases of common stock	—	—	—	2	2
Taxes paid for net share settlement of equity awards	—	—	(39)	—	(39)
Balance - November 2, 2025	14,615,785	—	197,549	(8,242)	$ 189,307
Balance - August 4, 2024	15,558,682	$ —	$ 186,562	$ 15,580	$ 202,142
Net loss	—	—	—	(4,930)	(4,930)
Equity-based compensation	—	—	2,783	—	2,783
Vested restricted stock units	3,525	—	—	—	—
Repurchases of common stock	(131,424)	—	—	(3,449)	(3,449)
Taxes paid for net share settlement of equity awards	—	—	(50)	—	(50)
Balance - November 3, 2024	15,430,783	$ —	$ 189,295	$ 7,201	$ 196,496

	Thirty-nine weeks ended				
	Common				
(amounts in thousands, except share amounts)	Shares	Amount	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Total Shareholders' Equity
Balance - February 2, 2025	14,786,934	$ —	$ 190,510	$ 25,845	$ 216,355
Net loss	—	—	—	(28,041)	(28,041)
Equity-based compensation	—	—	8,201	—	8,201
Vested restricted stock units	135,176	—	—	—	—
Repurchases of common stock	(306,325)	—	—	(6,046)	(6,046)
Taxes paid for net share settlement of equity awards	—	—	(1,162)	—	(1,162)
Balance - November 2, 2025	14,615,785	$ —	$ 197,549	$ (8,242)	$ 189,307
Balance - February 4, 2024	15,489,364	$ —	$ 183,095	$ 34,401	$ 217,496
Net loss	—	—	—	(23,751)	(23,751)
Equity-based compensation	—	—	6,687	—	6,687
Vested restricted stock units	72,843	—	—	—	—
Repurchases of common stock	(131,424)	—	—	(3,449)	(3,449)
Taxes paid for net share settlement of equity awards	—	—	(487)	—	(487)
Balance - November 3, 2024	15,430,783	$ —	$ 189,295	$ 7,201	$ 196,496

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

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

(amounts in thousands)	Thirty-nine weeks ended November 2, 2025	Thirty-nine weeks ended November 3, 2024
Cash Flows from Operating Activities		
Net loss	$ (28,041)	$ (23,751)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization of property and equipment	11,223	10,610
Amortization of other intangible assets	228	314
Amortization of deferred financing fees	55	112
Net loss on disposal of property and equipment	279	74
Impairment of long-lived assets	1,541	—
Equity based compensation	8,201	6,687
Non-cash lease expense	20,212	18,741
Deferred income taxes	(11,091)	(8,316)
Change in operating assets and liabilities:		
Trade accounts receivable	(179)	(2,652)
Merchandise inventories	(5,348)	(15,005)
Prepaid expenses and other current assets	6,083	(2,983)
Other assets	1,801	(5,389)
Accounts payable	(7,695)	19,332
Accrued expenses and other payables	(9,964)	2,688
Operating lease liabilities	(18,875)	(13,888)
Customer deposits	(2,523)	8,380
Net cash used in operating activities	(34,093)	(5,046)
Cash Flows from Investing Activities		
Purchase of property and equipment	(18,211)	(15,739)
Payments for patents and trademarks	(534)	(339)
Net cash used in investing activities	(18,745)	(16,078)
Cash Flows from Financing Activities		
Taxes paid for net share settlement of equity awards	(1,162)	(487)
Repurchases of common stock	(6,000)	(3,431)
Payment of deferred financing costs	(12)	(303)
Net cash used in financing activities	(7,174)	(4,221)
Net change in cash and cash equivalents	(60,012)	(25,345)
Cash and cash equivalents - Beginning	83,734	87,036
Cash and cash equivalents - Ending	$ 23,722	$ 61,691
Supplemental Cash Flow Data:		
Cash paid for taxes	$ 9,152	$ 8,383
Cash paid for interest	$ 91	$ 92
Non-cash investing and financing activities:		
Asset acquisitions not yet paid for at period end	$ 1,956	$ 1,344
Leasehold improvements acquired through lease incentive	$ 1,824	$ —
Excise tax on share repurchases, accrued but not paid	$ 46	$ 18

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

THE LOVESAC COMPANY

CONDENSED NOTES TO FINANCIAL STATEMENTS

FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2025 AND NOVEMBER 3, 2024

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The balance sheet of The Lovesac Company (the "Company", "we", "us" or "our") as of February 2, 2025, which has been derived from our audited financial statements as of and for the 52-week year ended February 2, 2025, and the accompanying interim unaudited condensed financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. Certain information and note disclosures normally included in annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), have been condensed or omitted pursuant to those rules and regulations. The financial information presented herein, which is not necessarily indicative of results to be expected for the full current fiscal year, reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the interim unaudited condensed financial statements. Such adjustments are of a normal, recurring nature. These condensed financial statements should be read in conjunction with the Company's financial statements filed in its Annual Report on Form 10-K for the fiscal year ended February 2, 2025.

Due to the seasonality of the Company's business, with the majority of our activity occurring in the fourth quarter of each fiscal year, the results of operations for the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024 are not necessarily indicative of results to be expected for the full fiscal year.

Nature of Operations

We are a technology driven company that designs, manufactures and sells unique, high quality furniture derived through our proprietary "Designed for Life" approach which results in products that are built to last a lifetime and designed to evolve as our customers' lives do. Our current product offering is comprised of modular couches called Sactionals, premium foam beanbag chairs called Sacs, the immersive surround sound home theater system called StealthTech, the PillowSac™ Chair, the Sactionals Reclining Seat and the most recently launched platform of premium seating called Snugg™. Innovation is at the center of our design philosophy with all of our core products protected by a robust portfolio of utility patents. We market and sell our products through an omni-channel platform that includes direct-to-consumer touch points in the form of our own showrooms, kiosks, and online directly at www.lovesac.com. We believe that our ecommerce centric approach, coupled with our ability to deliver our large upholstered products through express couriers, is unique to the furniture industry. As of November 2, 2025, the Company operated 275 showrooms, including one kiosk, located throughout the United States. The Company was formed as a Delaware corporation on January 3, 2017, in connection with a corporate reorganization with SAC Acquisition LLC, a Delaware limited liability company, the predecessor entity to the Company.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company evaluates its estimates and judgments on an ongoing basis based on historical experience, expectations of future events and various other factors we believe to be reasonable under the circumstances and revise them when necessary in the period the change is determined. Actual results may differ from the original or revised estimates.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

Income Taxes. In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid and to improve the effectiveness of income tax disclosures. This accounting standards update will be effective for us for fiscal year 2026 and interim periods beginning in the first quarter of fiscal 2027, with early adoption permitted. The Company expects this ASU to only impact its disclosures with no impacts to its results of operations, cash flows or financial condition.

Intangibles-Goodwill and Internal-Use Software. In September 2025, the FASB issued ASU 2025-06 Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), which updates the cost capitalization threshold for internal-use software developments costs by removing all references to software project development stages and providing new guidance on how to evaluate whether the probable-to-complete recognition threshold has been met. This ASU is effective for annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating this ASU to determine the impact of adoption on its Condensed Financial Statements and related disclosures.

Disaggregation of income statement expenses. In November 2024, the FASB issued ASU No. 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), which requires additional disclosure of certain costs and expenses within the notes to the financial statements. This accounting standards update will be effective for us for fiscal year 2028 and interim periods beginning in the first quarter of fiscal 2029, with early adoption permitted. The Company expects this ASU to only impact its disclosures with no impacts to its results of operations, cash flows or financial condition.

The Company has reviewed all other recently issued accounting pronouncements and concluded that such pronouncements are either not applicable to the Company or no material impact is expected in the consolidated financial statements as a result of future adoption.

Research and Development Expenses

Research and development costs are charged to expense in the period incurred. Research and development expenses were $2.3 million during each of the thirteen weeks ended November 2, 2025 and November 3, 2024, and $6.6 million and $6.8 million for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

Note 2. Revenue Recognition

The Company's revenue consists substantially of product net sales. The Company reports product net sales net of discounts and recognizes them at the point in time when control transfers to the customer, which generally occurs upon our delivery to a third-party carrier.

Shipping and handling charges billed to customers are included in revenue. The Company recognizes shipping and handling expense as fulfillment activities (rather than a promised good or service) when the activities are performed. Accordingly, the Company records the expenses for shipping and handling activities at the same time the Company recognizes revenue. Shipping and handling costs incurred are included in cost of merchandise sold and include inbound freight and tariff costs relative to inventory sold, warehousing, and last mile shipping to our customers. Shipping and handling costs were $31.3 million and $26.1 million during the thirteen weeks ended November 2, 2025 and November 3, 2024, respectively, and $87.1 million and $79.9 million for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

Estimated refunds for returns and allowances are recorded using our historical return patterns, adjusting for any changes in returns policies. The Company records estimated refunds for net sales returns on a monthly basis as a reduction of net sales and cost of sales on the condensed statement of operations and an increase in inventory and customers returns liability on the condensed balance sheet. As of November 2, 2025 and February 2, 2025, there was a returns allowance recorded on the condensed balance sheet in the amount of $5.8 million and $9.2 million, respectively, which was included in accrued expenses, and sales returns of $1.3 million and $2.4 million, respectively, included in merchandise inventories.

In some cases, deposits are received before the Company transfers control, resulting in contract liabilities. These contract liabilities are reported as customer deposits on the Company's condensed balance sheet. As of November 2, 2025 and February 2, 2025, the Company recorded customer deposit liabilities in the amount of $8.7 million and $11.3 million respectively. During the thirty-nine weeks ended November 2, 2025 and November 3, 2024, the Company recognized $11.3 million and $8.3 million, respectively, related to customer deposits from fiscal 2025 and 2024, respectively.

The Company offers its products through an inventory lean omni-channel platform that provides a seamless and meaningful experience to its customers in showrooms, kiosks, and through the internet. The Other channel predominantly represents net sales through the use of online and in store pop-up-shops, shop-in-shops, barter inventory transactions and the Loved by Lovesac program. In store pop-up-shops and shop-in-shops are staffed with associates trained to demonstrate and sell our product. The following represents net sales disaggregated by channel:

(amounts in thousands)	Thirteen weeks ended		Thirty-nine weeks ended	
	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Showrooms	$ 102,665	$ 91,008	$ 308,206	$ 271,400
Internet	37,298	44,867	113,125	125,796
Other	10,203	14,030	27,738	41,942
Total net sales	$ 150,166	$ 149,905	$ 449,069	$ 439,138

The Company has no foreign operations and had no sales to foreign countries for the thirteen weeks ended November 2, 2025. The Company's net sales to foreign countries was less than 0.01% of total net sales for the thirty-nine weeks ended November 2, 2025 and the thirteen and thirty-nine weeks ended November 3, 2024. The Company had no customers that comprise more than 10% of total net sales for the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024.

See Note 9. Segment Information for sales disaggregated by product.

Barter Arrangements

The Company has a bartering arrangement with a third-party vendor. The Company has the option to repurpose returned open-box inventory in exchange for media credits, which are being used to support our advertising initiatives to create brand awareness and drive net sales growth. Barter transactions with commercial substance are recorded at a transaction price based on the estimated fair value of the non-cash consideration of the media credits to be received, and the revenue is recognized when control of inventory is transferred, which is when the inventory is picked up in our warehouse. Fair value is estimated using various considerations, including the cost of similar media advertising if transacted directly, the expected sales price of product given up in exchange for the media credits, and the expected usage of media credits prior to expiration based on forecasted media spend subject to media credits under the barter arrangement. The Company recognizes an asset for media credits which is subsequently evaluated for impairment at each reporting period for any changes in circumstances. As the barter credits are expected to be utilized at various dates through their expiration dates, the Company classifies the amount expected to be utilized in the next fiscal year as current, which is included in Prepaid expenses, with the remaining balance included as part of Other assets on the balance sheet.

The Company did not recognize any barter sales in exchange for media credits during the thirteen and thirty-nine weeks ended November 2, 2025, compared to $2.5 million and $9.0 million recognized during the thirteen and thirty-nine weeks ended November 3, 2024, respectively. As of November 2, 2025 and February 2, 2025, the Company had $4.4 million and $5.3 million, respectively, of unused media credits expected to be utilized in the next fiscal year classified as current, and the remaining balance of $29.0 million and $31.4 million, respectively, classified as non-current. The credits expire from January 2034 through October 2034 and the Company expects to utilize all credits prior to expiration. The Company did not recognize any impairment during the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024. The difference between the opening and closing balances of the Company's prepaid barter credit primarily results from the utilization of media credits.

Note 3. Income Taxes

For the thirteen weeks ended November 2, 2025 and November 3, 2024, the Company recorded an income tax benefit of $5.0 million and $2.1 million, respectively, which reflects an effective tax rate of 32.4% and 29.8%, respectively. For the thirty-nine weeks ended November 2, 2025 and November 3, 2024, the Company recorded an income tax benefit of $10.9 million and $8.1 million, respectively, which reflects an effective tax rate of 28.0% and 25.3%, respectively. The effective tax rate for the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024 varies from the 21% federal statutory tax rate primarily due to state taxes.

The Company does not anticipate any material adjustments relating to unrecognized tax benefits within the next twelve months; however, the ultimate outcome of tax matters is uncertain and unforeseen results can occur. The Company had no material interest or penalties during the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024, and does not anticipate any such items during the next twelve months. The Company's policy is to record interest and penalties directly related to uncertain tax positions as income tax expense in the condensed statements of operations.

The Company has completed its initial assessment of the One Big Beautiful Bill Act ("OBBBA") corporate tax provisions which was enacted on July 4, 2025. OBBBA contained a number of U.S. corporate tax provisions, of which the Company elected to expense U.S. incurred research or experimental expenditures immediately and full bonus depreciation for certain assets placed into service after January 19, 2025. These planned elections are based on the Company's current projected taxable income estimates. As a result, the Company expects U.S. cash taxes to significantly decrease in 2025 with no material impact to the effective tax rate.

Note 4. Basic and Diluted Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income by the weighted average number of common shares outstanding plus dilutive potential common shares, including unvested restricted stock units, stock options, and warrants. Diluted net income per common share includes, in periods in which they are dilutive, the effect of those potentially dilutive securities under the treasury stock method, where the average market price of the common stock exceeds the exercise prices for the respective periods. In periods of loss, there are no potentially dilutive common shares to add to the weighted average number of common shares outstanding.

	Thirteen weeks ended		Thirty-nine weeks ended	
(amounts in thousands, except per share data and share amounts)	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Net loss	$ (10,551)	$ (4,930)	$ (28,041)	$ (23,751)
Weighted-average number of common shares outstanding, basic	14,655,495	15,574,293	14,692,182	15,567,442
Effect of dilutive securities[1]	—	—	—	—
Weighted-average number of common shares outstanding, diluted	14,655,495	15,574,293	14,692,182	15,567,442
Basic net loss per share	$ (0.72)	$ (0.32)	$ (1.91)	$ (1.53)
Diluted net loss per share	$ (0.72)	$ (0.32)	$ (1.91)	$ (1.53)

[1] The effect of dilutive securities includes unvested restricted stock units and stock options. For the thirteen weeks ended November 2, 2025 and November 3, 2024, unvested restricted stock units of 1,541,863 and 1,311,873, respectively, and the effects of 495,366 stock options outstanding were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive. For the thirty-nine weeks ended November 2, 2025 and November 3, 2024, unvested restricted stock units of 1,541,863 and 1,311,873, respectively, and the effects of 495,366 stock options outstanding were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive.

Note 5. Leases

Components of lease expense were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Operating lease expense	$ 9,481	$ 8,713	$ 28,065	$ 25,650
Variable and short term lease expense	1,290	1,540	3,425	4,436
Total lease expense	$ 10,771	$ 10,253	$ 31,490	$ 30,086

Variable lease expense includes percentage rent, maintenance, real estate taxes, insurance and other variable charges included in the lease as well as rental expenses related to short term leases.

During the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024, we did not recognize any impairment charges associated with showroom-level right-of-use assets.

Supplemental information related to our operating leases is as follows (in thousands):

	Thirty-nine weeks ended	
(amounts in thousands)	November 2, 2025	November 3, 2024
Operating cash flow information:		
Amounts paid on operating lease liabilities	$ 28,894	$ 25,690
Non-cash activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 24,125	$ 16,961
Weighted average remaining lease term - operating leases	7.0 years	7.0 years
Weighted average discount rate - operating leases	5.51 %	5.16 %

Note 6. Commitments and Contingencies

Legal Proceedings

We are subject to legal proceedings and claims that arise in the ordinary course of business, as well as certain other non-ordinary course proceedings, claims and investigations, as described below. We make a provision for a loss contingency when it is both probable that a material liability has been incurred and the amount of the loss can be reasonably estimated. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For proceedings in which an unfavorable outcome is reasonably possible but not probable and an estimate of the loss or range of losses arising from the proceeding can be made, we disclose such an estimate, if material. If such a loss or range of losses is not reasonably estimable, we disclose that fact. We review any such loss contingency provisions at least quarterly and adjust them to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. We recognize insurance recoveries, if any, when they are probable of receipt. All associated costs due to third-party service providers and consultants, including legal fees, are expensed as incurred. Legal proceedings are inherently unpredictable. It is possible that our consolidated financial position, results of operations or cash flows could be materially negatively affected in any particular period by an unfavorable resolution of one or more of such legal proceedings.

On July 29, 2024, a putative shareholder derivative action captioned *Getz v. Nelson*, No. 3:24-cv-1260, was filed in the United States District Court for the District of Connecticut on behalf of the Company against certain of its current and former officers and directors. Two similar shareholder derivative actions, captioned *Valle v. Dellomo*, No. 3:24-cv-1327, and *McKinnon v. Nelson*, No. 3:24-cv-1343, were filed in the same court against the same defendants on August 19, 2024, and August 21, 2024, respectively. The cases assert claims on behalf of the Company for breach of fiduciary duty, violations of the Exchange Act, unjust enrichment, corporate waste, and aiding and abetting primary violations. The factual allegations underlying those claims are similar to those alleged in the securities class action. The plaintiffs seek, among

other things, an unspecified amount of damages and attorneys' fees, expert fees, and other costs. On September 20, 2024, the Court consolidated the three lawsuits under the caption *In re The Lovesac Company Derivative Litigation*, Lead Case No. 3:24-cv-01260-VAB (i.e., the "Derivative Action"). On May 19, 2025, the parties signed a definitive agreement to settle the Derivative Action. On June 2, 2025, plaintiffs' counsel filed an unopposed motion seeking preliminary approval of the settlement. On June 3, 2025, the Court granted the motion for preliminary approval. On October 2, 2025, the Court approved the settlement as submitted by the parties, concluding the litigation.

On March 21, 2024, a putative class action complaint related to the Company's pricing was filed against the Company. The lawsuit, captioned *Nguyen v. The Lovesac Company*, was filed in the Superior Court of California, County of Sacramento, and was removed to the United States District Court for the Eastern District of California. The complaint generally alleges that the Company falsely advertised discounts on certain products. The plaintiff seeks, among other things, an unspecified amount of monetary damages, including treble damages, punitive damages, injunctive relief related to the Company's sales practices, and attorneys' fees, expert fees, and other expenses. On June 24, 2024, the Company filed a motion to dismiss. On July 15, 2024, the plaintiff filed an amended complaint. On August 12, 2024, the Company filed a motion to dismiss the plaintiff's amended complaint. On November 26, 2024, the court entered an order to stay all proceedings in the case in light of a mediation of the dispute scheduled for January 23, 2025. The parties were unable to come to an agreement at the January 23, 2025 mediation. On February 7, 2025, the court unstayed the proceedings in the case for the purpose of ruling on the Company's pending motion to dismiss. On March 28, 2025, the court granted the Company's motion to dismiss with leave to amend, but dismissed the plaintiff's request for equitable relief, including injunctive relief, without leave to amend. On April 18, 2025, the plaintiff filed a second amended complaint. On June 2, 2025, the Company filed a motion to dismiss the plaintiff's second amended complaint. The Company's motion to dismiss the plaintiff's second amended complaint is pending a decision by the Court. At this time, we are unable to reasonably estimate the possible loss or range of loss from this proceeding.

Note 7. Financing Arrangements

Revolving Line of Credit

On February 6, 2018, the Company established a $25.0 million line of credit with Wells Fargo Bank, National Association ("Wells"). On March 25, 2022, the Company amended the credit agreement to extend the maturity date to March 25, 2024, and among other things, increase the maximum revolver commitment from $25.0 million to $40.0 million, subject to borrowing base and availability restrictions. Availability is based on eligible accounts receivable and inventory. The amended agreement contains a financial covenant that requires us to maintain undrawn availability under the credit facility of at least 10% of the lesser of (i) the aggregate commitments in the amount of $40.0 million and (ii) the amounts available under the credit facility based on eligible accounts receivable and inventory. Our credit agreement includes a $1.0 million sublimit for the issuance of letters of credit and a $4.0 million sublimit for swing line loans.

On March 24, 2023, the Company amended the credit agreement to extend the maturity date to September 30, 2024. On July 29, 2024, the Company amended the credit agreement to, among other things, add an uncommitted accordion feature that allows the Company, subject to certain customary conditions, increase the size of the revolving credit facility by $10.0 million and extend the maturity date of the loans made under the credit agreement from September 30, 2024 to July 29, 2029.

As of November 2, 2025 and February 2, 2025, the Company's borrowing availability under the line of credit with Wells was $36.0 million and $32.6 million, respectively, and there were no borrowings outstanding on this line of credit.

Note 8. Stockholders' Equity

Equity Incentive Plan

The Company adopted the Second Amended and Restated 2017 Equity Incentive Plan (the "2017 Equity Plan") which provides for awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares, performance based restricted stock units, cash-based awards and other stock-based awards. All awards shall be granted within 10 years from the effective date of the 2017 Equity Plan. In fiscal 2025, the 2017 Equity Plan was amended to increase the shares of our common stock authorized and reserved for issuance by 1,100,000 shares, which increased the number of shares of common stock reserved for issuance under the 2017 Equity Plan to 3,979,889 shares of common stock.

Time-Based Restricted Stock Units

Time-based restricted stock units ("RSU awards") granted under the 2017 Equity Plan are generally subject to only a service-based vesting condition. RSU awards vest equally over three years on the anniversary date of the grant date if employed at the time of vesting. The valuation of these RSU awards is based solely on the fair value of the Company's stock on the date of grant.

Performance Based Restricted Stock Units

Performance based restricted stock units ("PSU awards") granted under the 2017 Equity Plan are generally subject to both a service-based vesting condition and a performance-based vesting condition. PSU awards will vest upon the achievement of specified performance targets established at the beginning of the performance period and subject to continued service through the applicable vesting date. The stock-based compensation expense relating to PSU awards is recognized over the requisite service period when it is probable that the performance condition will be satisfied.

Stock Options

In June 2019, the Company granted 495,366 non-statutory stock options to certain officers of the Company with an exercise price of $38.10 per share. The market condition was met on June 5, 2021, which was the date on which the average closing price of the Company's common stock had been at least $75 for 40 consecutive trading days. The options vested and became exercisable on June 5, 2022 as the officers were still employed on that date. All expenses associated with the stock options were recognized in prior years.

There were no stock options issued, exercised, or expired and canceled for the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024. As of November 2, 2025, 495,366 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 3.6 years, and no intrinsic value. As of November 3, 2024, 495,366 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 4.6 years and no intrinsic value.

Performance and Time Based Restricted Stock Units

The following table summarizes the Company's PSU awards activity during the thirty-nine weeks ended November 2, 2025 and November 3, 2024:

	Number of shares	Weighted average grant date fair value
Unvested at February 2, 2025	960,055	$ 23.94
Granted	330,314	19.87
Forfeited	(217,387)	27.06
Vested	(30,980)	21.56
Unvested at November 2, 2025	1,042,002	$ 22.07

	Number of shares	Weighted average grant date fair value
Unvested at February 4, 2024	812,822	$ 31.01
Granted	605,263	21.27
Forfeited	(446,118)	33.19
Unvested at November 3, 2024	971,967	$ 23.94

The following table summarizes the Company's RSU awards activity during the thirty-nine weeks ended November 2, 2025 and November 3, 2024:

	Number of shares	Weighted average grant date fair value
Unvested at Unvested at February 2, 2025	328,947	$ 24.96
Granted	375,757	19.47
Forfeited	(42,764)	20.82
Vested	(162,079)	26.20
Unvested at Unvested at November 2, 2025	499,861	$ 20.79

	Number of shares	Weighted average grant date fair value
Unvested at Unvested at February 4, 2024	219,586	$ 32.91
Granted	241,571	21.93
Forfeited	(18,465)	26.99
Vested	(102,786)	33.08
Unvested at Unvested at November 3, 2024	339,906	$ 25.38

For the thirteen weeks ended November 2, 2025 and November 3, 2024, the Company recognized equity based compensation expense of $2.4 million and $2.8 million, respectively, and for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, the Company recognized equity based compensation expense of $8.2 million and $6.7 million, respectively.

The total unrecognized equity-based compensation cost related to unvested RSU and PSU awards was approximately $20.3 million as of November 2, 2025 and will be recognized in operations over a weighted average period of 2.2 years.

In March 2023, Shawn Nelson, our Chief Executive Officer, received a one-time performance and retention long-term incentive grant of 235,000 Restricted Stock Units (the "RSU Grant") pursuant to the 2017 Equity Plan and Mr. Nelson's Restricted Stock Units Agreement and Grant Notice (the "RSU Agreement"). The RSU Grant vests on the later to occur of (i) the fifth anniversary of the date of grant so long as, (x) on or prior to such date (subject to certain limited extensions), the Company has achieved a specified level of performance with respect to share price and net sales, and (y) Mr. Nelson remains in continuous service with the Company as Chief Executive Officer through such date; or (ii) if the specified level of performance with respect to net sales is not achieved on or prior to the fifth anniversary of the date of grant, but the other conditions in subclause (i) are achieved, the first date that such specified level of performance with respect to net sales is achieved, so long as it is achieved on or prior to the seventh anniversary of the date of grant and so long as Mr. Nelson remains in continuous service with the Company through such date. Except in the event of termination of employment as defined in the 2017 Equity Plan, the RSU Grant will be settled in shares of common stock of the Company on the first anniversary of the applicable vesting date. The RSU grant was valued using a Monte Carlo simulation model to account for the path dependent market conditions that stipulate when and whether or not the options shall vest. The expense will be recognized on a straight-line basis over the explicit service period.

Share Repurchase Program

On June 11, 2024, our Board of Directors approved a $40.0 million share repurchase program. Under the share repurchase program, we may repurchase shares from time to time in the open market, privately negotiated transactions and accelerated share repurchase. The timing, volume and nature of share repurchases, if any, will be at our sole discretion and will be dependent on market conditions, liquidity, applicable securities laws, and other factors. We may suspend or discontinue the share repurchase program at any time. The exact number of shares to be repurchased by the Company, if any, is not guaranteed. Depending on market conditions and other factors, these repurchases may be commenced or suspended at any time or periodically without prior notice.

During the thirteen weeks ended November 2, 2025, we did not repurchase shares of common stock. During the thirty-nine weeks ended November 2, 2025, we repurchased and subsequently retired 306,325 shares of common stock for $6.0 million, including broker commissions and fees. The Inflation Reduction Act imposed a nondeductible 1% excise tax on the net value of stock repurchases. During the thirteen and thirty-nine weeks ended November 2, 2025, the excise tax on net share repurchases was not material.

As of November 2, 2025, approximately $14.1 million remained available for future purchases under the share repurchase program.

Note 9. Segment Information

Segments are reflective of how the chief operating decision maker ("CODM") reviews operating results for the purpose of allocating resources and assessing performance. The CODM group of the Company is comprised of the Chief Executive Officer and the President.

The Company markets and sells its products through an omni-channel platform that provides a seamless and meaningful experience to its customers across multiple channels. The Company has one operating segment which aligns with the way our CODM group evaluates performance and allocates resources within the Company. As the Company's products and sales channels are complementary and analyzed in the same manner, the Company operates its business as one operating segment and therefore it has one reportable segment.

The CODM group regularly receives financial information presented on an entity-wide basis. The CODM group uses net sales and net income (loss) as reported on the condensed statements of operations to allocate resources, assess performance of our business, and evaluate earnings generated in deciding where to reinvest profits into its single reportable segment. Net sales and net income (loss) are used to monitor budget versus actual results. The significant expenses considered by the CODM group in evaluating the performance of our business are consistent with the financial information included on the Company's condensed statements of operations. There are no additional expense categories and amounts that meet the definition of significant expense items that are regularly provided to the CODM group and included in net income (loss). The CODM group may also evaluate financial performance based on net income (loss) adjusted for certain items that are unusual and non-recurring. While management uses these additional adjusted metrics in assessing and allocating resources to our business, management recognizes that US GAAP principles are the basis of our performance.

The Company’s net sales by product which are considered one reportable segment are as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(amounts in thousands)	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Sactionals	$ 135,641	$ 137,025	$ 412,449	$ 401,811
Sacs	9,839	10,809	28,270	31,295
Other[1]	4,686	2,071	8,350	6,032
Total net sales	$ 150,166	$ 149,905	$ 449,069	$ 439,138

[1] Includes our new product platform Snugg, which individually does not exceed 5% of total revenue.

Interest income, net is as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(amounts in thousands)	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Interest income, net[1]	$ 205	$ 701	$ 632	$ 2,139

[1] Interest income, net is included in Interest and other income, net on the statements of operations.

As the Company discloses a single reportable segment, total net sales is reported in the condensed statements of operations, segment assets are reported in the condensed balance sheets, and capital expenditures are reported in the condensed statements of cash flows. The Company has material long-lived assets, as stated on the condensed balance sheet, with immaterial long-lived assets located in foreign countries. The accounting policies of the reported segment are the same as those described in Note 1 to our financial statements included in our Annual Report on Form 10-K.

Refer to Note 2. Revenue Recognition for additional information on our sales channels, geographic areas, and major customers.

Note 10. Impairment

Our long-lived assets primarily consist of property and equipment and right-of-use assets from leases. These assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable

In June 2025, the Company initiated a cost-reduction plan that included the termination of its partnership with Best Buy. As part of this plan, the Company executed the wind down of its Best Buy shop-in-shop locations (the "Exit"), with closures and related workforce reductions. This process was substantially completed by the third quarter of fiscal 2026. As a result of the Exit, the Company assessed the recoverability of long-lived assets associated with the affected locations. For the thirty-nine weeks ended November 2, 2025, the Company recorded an impairment charge of $1.5 million related to property and equipment at the shop-in-shop locations. The $1.5 million impairment was recorded in the second quarter of fiscal 2026. There was no impairment recorded in the thirteen weeks ended November 2, 2025.

The impairment was determined by comparing the carrying amount of the assets to the estimated undiscounted future cash flows. As the carrying amounts were not recoverable, the assets were written down to their estimated fair values, which were determined using a discounted cash flow model based on historical performance and expected future profitability. These impairment charges are included within selling, general and administrative expense in the Statements of Operations.

As part of the Exit, the Company incurred severance and other one-time employee termination benefits, as well as costs associated with decommissioning the Best Buy shop-in-shop locations. These costs did not have a material impact on the financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended February 2, 2025. As discussed in the section titled "Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified in the Forward-Looking Statements section herein and those discussed in the section titled "Risk Factors" under Part I, Item 1A in our Annual Report on Form 10-K.

We operate on a 52 or 53-week fiscal year that ends on the Sunday closest to February 1. Each fiscal year generally is comprised of four 13-week fiscal quarters, although in the years with 53 weeks, the fourth quarter represents a 14-week period. The fiscal year ended February 1, 2026 will consist of 52 weeks.

Overview

We are a technology driven company that designs, manufactures and sells unique, high quality furniture derived through our proprietary "Designed for Life" approach which results in products that are built to last a lifetime and designed to evolve as our customers' lives do. Our current product offering is comprised of modular couches called Sactionals, premium foam beanbag chairs called Sacs, the immersive surround sound home theater system called StealthTech, the PillowSac™ Chair, the Sactionals Reclining Seat and the most recently launched platform of premium seating called Snugg™. Innovation is at the center of our design philosophy with all of our core products protected by a robust portfolio of utility patents. We market and sell our products through an omni-channel platform that includes direct-to-consumer touch points in the form of our own showrooms, kiosks, and online directly at www.lovesac.com. We believe that our

ecommerce centric approach, coupled with our ability to deliver our large upholstered products through express couriers, is unique to the furniture industry.

Macroeconomic Factors

There are a number of macroeconomic factors and uncertainties that in recent years have negatively affected the overall business environment and our business, including fluctuations in inflation, elevated interest rates, housing market conditions, consumer debt and available credit, increased tariff and trade restrictions, global conflicts and uncertainties in the global financial markets. These factors have had and continue to have a negative impact on us and the markets in which we operate, including the potential for an economic recession, a continued downturn in the housing market, and a reduction in consumer discretionary spending. We believe that these macroeconomic factors have contributed to the slowdown in demand that we have experienced in our business which may continue in future periods. We will continue to evaluate our sources and uses of capital to reflect changes in market conditions and our business, including further developments with respect to macroeconomic factors.

Product Overview

Our products serve as a set of building blocks that can be rearranged, restyled and re-upholstered for any new setting or occasion, mitigating constant changes in fashion and style. They are built to last and evolve throughout a customer's life.

- **Sactionals**. Our Sactional product line currently represents a majority of our net sales. We believe our Sactionals platform is unlike competing products in its adaptability yet is comparable aesthetically to similarly priced premium couches and sectionals. Our Sactional products include a number of patented features relating to their geometry and modularity, coupling mechanisms and other features. Utilizing primarily two, standardized pieces, "seats" and "sides," and approximately 200 high quality, tight-fitting cover options that are removable, washable, and changeable, customers can create numerous permutations of a sectional couch with minimal effort. Customization is further enhanced with our specialty-shaped modular offerings, such as our wedge seat, angled sides and roll or swept arms. In September 2024, we launched the AnyTable™, a versatile table that seamlessly enhances any Sactionals living space, and in November 2024, we launched the Sactionals Reclining Seat, an innovation that integrates advanced reclining technology and delivers unparalleled comfort and flexibility while maintaining the sleek, sophisticated aesthetic of our Sactionals. Our custom features and accessories can be added easily and quickly to a Sactional to meet endless design, style, storage and utility preferences, reflecting our Designed for Life philosophy. Sactionals are built to meet the highest durability and structural standards applicable to fixed couches. Sactionals are comprised of standardized units and we guarantee their compatibility over time, which we believe is a major pillar of their value proposition to the consumer. Our Sactionals represented 90.3% and 91.4% of our net sales for the thirteen weeks ended November 2, 2025 and November 3, 2024, respectively, and 91.8% and 91.5% of our net sales for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

  Our Sactionals StealthTech Sound + Charge product line complements our Sactionals as a unique innovation that features immersive surround sound by Harman Kardon and convenient wireless charging, all seamlessly embedded and hidden inside the adaptable Sactionals platform. The system includes two Sound + Charge Sides each with embedded front- and rear-firing Harman Kardon speakers, a Subwoofer that easily integrates into a Sactionals Seat Frame and a Center Channel, all working in unison to deliver captivating surround sound that is completely hidden from view. In May 2023, we introduced Satellite Subwoofers as an add-on to the Sound + Charge System. The Satellite Subwoofer is an upgrade to the existing StealthTech setup and enhances the bass and overall entertainment experience. In November 2024, we launched the StealthTech Charge Side, integrating wireless device charging into our Sactionals Sides without the need for our sound system.

- **Sacs**. We believe that our Sacs product line is a category leader in oversized beanbags. The Sac product line offers 5 different sizes ranging from 32 pounds to 95 pounds with capacity to seat 3+ people on the larger model Sacs. Filled with Durafoam, a proprietary blend of shredded foam, Sacs provide serene comfort and guaranteed durability. Their removable covers are machine washable and may be easily replaced with a wide selection of cover offerings. In May 2024, we launched the PillowSac™Chair, an accessory that elevates the style and comfort of our existing PillowSac. In October 2025, the Company launched the PillowSac™ Chair Jr. which delivers the same comfort and premium materials as the PillowSac™Chair, scaled for smaller spaces. Our Sacs represented 6.6% and 7.2% of our net sales for the thirteen weeks ended November 2, 2025 and November 3, 2024,

respectively, and 6.3% and 7.1% of our net sales for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

- **Other.** Our Other product line enhances the versatility of our Sacs and Sactionals, catering to the evolving demands and preferences of our customers. Our current offerings also include Sactional-specific drink holders, Footsac blankets, decorative pillows, fitted seat tables, ottomans in various styles and finishes, and the unique Sactionals Power Hub. These products provide our customers with the flexibility to personalize their furnishings with both decorative and practical add-ons, ensuring they can adapt to meet changing style preferences.

  In May 2025, the Company launched Snugg™ (previously referred to as EverCouch™), a new platform of premium seating. Snugg™ combines the familiar shape of a sofa, loveseat, or chair with durable quality and flexible design. Like Lovesac's Sactionals seating solution, Snugg™ includes washable fabrics, changeable covers, adaptable arm styles, and customizable fill. Snugg™ can be moved as a single unit like a traditional couch, or disassembled and reassembled for easier transport, providing comfortable seating and a versatile fit for a range of spaces.

Sales Channels

We offer our products through an omni-channel platform that provides a seamless and meaningful experience to our customers online and in-store. Our distribution strategy allows us to reach customers through three distinct, brand-enhancing channels.

- **Showrooms**. We market and sell our products through 275 showroom locations at top tier malls, lifestyle centers, kiosks, and street locations in 44 states in the U.S. We carefully select the best small-footprint showroom locations in high-end malls and lifestyle centers for our showrooms. Compared to traditional retailers, our showrooms require significantly less square footage because of our need to have only a few in-showroom sample configurations for display and our ability to stock our inventory for immediate sale. The architecture and layout of these showrooms are designed to communicate our brand personality and key product features. Our goal is to educate first-time customers, creating an environment where people can touch, feel, read, and understand the technology behind our products. Our showroom concept emphasizes our unique product platform and utilizes technology in more experiential ways to increase traffic and net sales. Net sales generated by this channel accounted for 68.4% and 60.7% of total net sales for the thirteen weeks ended November 2, 2025 and November 3, 2024, respectively, and 68.6% and 61.8% of our net sales for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

- **Ecommerce**. Through our ecommerce channel, we believe we are able to significantly enhance the consumer shopping experience for home furnishings, driving deeper brand engagement and loyalty, while also realizing more favorable margins than our showroom locations. We believe our robust technological capabilities position us well to benefit from the growing consumer preference to transact at home and via mobile devices. Our net sales generated by this channel accounted for 24.8% and 29.9% of total net sales for the thirteen weeks ended November 2, 2025 and November 3, 2024, respectively, and 25.2% and 28.6% of our net sales for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

- **Other touchpoints**. We augment our showrooms with other touchpoint strategies including online and in store pop-up-shops, shop-in-shops, barter inventory transactions, and the Loved by Lovesac program.

  - **In store and online pop-up-shops**. We utilize in store pop-up-shops to increase the number of locations where customers can experience and purchase our products, a low cost alternative to drive brand awareness, in store net sales, and ecommerce net sales. These in store pop-up-shops are typically 10-day shows and are staffed similarly to our showrooms with associates trained to demonstrate and sell our products and promote our brand. For the thirteen weeks ended November 2, 2025 and November 3, 2024, we operated 161 and 165 in store pop-up-shops, respectively, and 3 and 2 online pop-up-shops on Costco.com, respectively, and for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, we operated 489 and 423 in store pop-up-shops, respectively, and 8 and 7 online pop-up-shops on Costco.com, respectively.

  - **Shop-in-shops**. Shop-in-shops are designed to be in permanent locations carrying the same digital technology of our showrooms and are also staffed with associates trained to demonstrate and sell our

products. Shop-in-shops require less capital expenditure to open a productive space to drive brand awareness and touchpoint opportunities for demonstrating and selling our products. In June 2025, the Company discontinued its partnership with Best Buy, resulting in the closure of all remaining Best Buy shop-in-shop locations as of November 2, 2025. Prior to the discontinuation of the partnership, we operated 49 Best Buy shop-in-shops as of November 3, 2024.

- **Barter inventory transactions**. Our barter inventory transactions with a third party vendor are part of our Circular Operations ("CO"), Designed for Life, and Environmental, Social and Governance ("ESG") initiatives. CO is a way of doing business that is meant to reduce our footprint, while dramatically extending the life of products through more looped, localized, long-term, and sustainable practices, policies, and programs. We have the option to repurpose returned open-box inventory in exchange for media credits, which are being used to support our advertising initiatives to create brand awareness and drive net sales growth. See Note 2. Revenue Recognition— Barter Arrangements in the notes to the condensed financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for more information about our unused media credits as of November 2, 2025.

- **Loved by Lovesac.** In June 2025, we launched the Loved by Lovesac program which enables customers to purchase quality-assured, revitalized open-box products through our dedicated resale platform at www.lovedbylovesac.com. All items are inspected and verified for resale prior to listing. We believe this initiative aligns with our Designed for Life philosophy and supports our commitment to sustainability by extending the lifecycle of our products and reducing environmental impact. The Company has initiated a limited launch of Loved by Lovesac, which is currently available in select states.

Other net sales, which includes pop-up-shop sales, shop-in-shop sales, barter inventory transactions, and the Loved by Lovesac program, accounted for 6.8% and 9.4% of our total net sales for the thirteen weeks ended November 2, 2025 and November 3, 2024, respectively, and 6.2% and 9.6% of our net sales for the thirty-nine weeks ended November 2, 2025 and November 3, 2024, respectively.

How We Assess the Performance of Our Business

We consider a variety of financial and operating measures, including the following, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue less returns and discounts. Net sales made at Company operated showrooms, including shop-in-shops and pop-up-shops, and via the web are recognized, typically at the point of transference of title when the goods are shipped.

Omni-channel Comparable Net Sales

Omni-channel comparable net sales is a measure that highlights the performance of our existing locations and websites by measuring the change in net sales for a period over the comparable prior-period of equivalent length. Comparable net sales includes sales at all retail locations and online, open greater than 12 months (including remodels and relocations) and excludes closed showrooms. Comparable net sales is intended only as supplemental information and is not a substitute for net sales presented in accordance with US GAAP.

New Customer

We define a customer as new when the customer has completed a transaction at Lovesac either at a showroom or internet channel only for the first time.

Cost of Merchandise Sold

Cost of merchandise sold includes the direct cost of sold merchandise; inventory shrinkage; inventory adjustments due to obsolescence, including excess and slow-moving inventory and lower of cost or net realizable value reserves; inbound freight; freight costs to ship merchandise to our showrooms, and warehousing and all logistics costs associated with

shipping product to our customers. Certain competitors and other retailers may report gross profit differently than we do, by excluding from gross profit some or all of the costs related to their distribution network and instead including them in selling, general and administrative expenses. As a result, the reporting of our gross profit and profit margin may not be comparable to other companies.

The primary drivers of our cost of merchandise sold are raw materials costs, labor costs in the countries where we source our merchandise, and logistics costs. We expect gross profit to increase to the extent that we successfully grow our net sales and continue to realize scale economics with our manufacturing partners. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise and use product markdowns to efficiently sell these products. The timing and level of markdowns are driven primarily by customer acceptance of our merchandise.

Gross Profit

Gross profit is equal to our net sales less cost of merchandise sold. Gross profit as a percentage of our net sales is referred to as gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs, other than advertising and marketing expense and depreciation and amortization, not included in cost of merchandise sold. These expenses include all payroll and payroll-related expenses; showroom expenses, including occupancy costs related to showroom operations, such as rent and common area maintenance; occupancy and expenses related to many of our operations at our headquarters, including utilities, equity based compensation, financing related expense; public company expenses; customer financing fees; and credit card transaction fees. Selling, general and administrative expenses as a percentage of net sales is usually higher in lower volume quarters and lower in higher volume quarters because a significant portion of the costs are relatively fixed.

Historically, our revenue growth has been accompanied by higher selling, general and administrative expenses, primarily related to payroll and rent. We expect these expenses to increase as we continue to grow our business. As net sales volumes expand, we anticipate leveraging selling, general and administrative expenses as a percentage of net sales. To support our growth, we continue to invest in infrastructure, including research and development for existing and future products and foundational technology initiatives. These investments may reduce the degree of expense leverage during the investment period. We expect to realize greater leverage following these investments, with the most significant impact expected in the fourth quarter.

Advertising and Marketing Expense

Advertising and marketing expense include digital, social, and traditional advertising and marketing initiatives, that cover all of our business channels. Advertising and marketing expenses are projected to rise as the Company drives net sales growth, supported by ongoing investments in these areas and careful monitoring to ensure efficient resource allocation.

Results of Operations

The following tables summarize key components of our results of operations for the thirteen and thirty-nine weeks ended November 2, 2025 and November 3, 2024:

	Thirteen weeks ended		Thirteen weeks ended	
	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
	(in thousands)		*(Percentage of net sales)*	
Net sales				
Showrooms	$ 102,665	$ 91,008	68.4 %	60.7 %
Internet	37,298	44,867	24.8 %	29.9 %
Other	10,203	14,030	6.8 %	9.4 %
Total net sales	150,166	149,905	100.0 %	100.0 %
Cost of merchandise sold	65,929	62,266	43.9 %	41.5 %
Gross profit	84,237	87,639	56.1 %	58.5 %
Operating expenses:				
Selling, general and administrative expenses	74,964	71,749	49.9 %	47.9 %
Advertising and marketing	21,075	19,947	14.0 %	13.3 %
Depreciation and amortization	4,002	3,666	2.7 %	2.4 %
Total operating expenses	100,041	95,362	66.6 %	63.6 %
Operating loss	(15,804)	(7,723)	(10.5) %	(5.1) %
Interest and other income, net	206	701	0.1 %	0.5 %
Net loss before taxes	(15,598)	(7,022)	(10.4) %	(4.6) %
Income tax benefit	5,047	2,092	3.4 %	1.4 %
Net loss	$ (10,551)	$ (4,930)	(7.0) %	(3.2) %

	Thirty-nine weeks ended		Thirty-nine weeks ended	
	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
	(in thousands)		*(Percentage of net sales)*	
Net sales				
Showrooms	$ 308,206	$ 271,400	68.6 %	61.8 %
Internet	113,125	125,796	25.2 %	28.6 %
Other	27,738	41,942	6.2 %	9.6 %
Total net sales	449,069	439,138	100.0 %	100.0 %
Cost of merchandise sold	199,854	187,085	44.5 %	42.6 %
Gross profit	249,215	252,053	55.5 %	57.4 %
Operating expenses:				
Selling, general and administrative expenses	214,195	213,826	47.7 %	48.7 %
Advertising and marketing	63,150	61,253	14.1 %	13.9 %
Depreciation and amortization	11,451	10,924	2.5 %	2.5 %
Total operating expenses	288,796	286,003	64.3 %	65.1 %
Operating loss	(39,581)	(33,950)	(8.8) %	(7.7) %
Interest and other income, net	631	2,139	0.1 %	0.5 %
Net loss before taxes	(38,950)	(31,811)	(8.7) %	(7.2) %
Income tax benefit	10,909	8,060	2.4 %	1.8 %
Net loss	$ (28,041)	$ (23,751)	(6.3) %	(5.4) %

Other Operational Data

Our recent showroom growth is summarized in the following table:

	Thirteen weeks ended		Thirty-nine weeks ended	
Showroom Count:	November 2, 2025	November 3, 2024	November 2, 2025	November 3, 2024
Showrooms open at beginning of period	270	254	257	230
Showrooms opened	5	5	22	39
Showrooms closed	—	(1)	(4)	(11)
Showrooms open at end of period[(1)]	275	258	275	258
Showroom remodels	—	—	2	—

[(1)] Showrooms open at the end of the period include 1 kiosk as of November 2, 2025 and November 3, 2024. Showrooms open as of November 3, 2024 also include 2 mobile concierges. During the second quarter of fiscal 2026, the Company made the decision to repurpose the mobile concierges for marketing related activity and are included in the showrooms closed within the thirty-nine weeks ended November 2, 2025.

Thirteen weeks ended November 2, 2025 compared to the thirteen weeks ended November 3, 2024

Net sales

Net sales increased $0.3 million, or 0.2%, in the thirteen weeks ended November 2, 2025 compared to the prior year period driven by new showroom openings, partially offset by a decrease of 1.2% in omni-channel comparable net sales. In the thirteen weeks ended November 2, 2025, the number of repeat and new customers decreased by 2.3% and 16.4%, respectively. In the comparable prior year period, the number of repeat and new customers increased by 23.4% and 6.9%, respectively.

Showroom net sales increased $11.7 million, or 12.8%, in the thirteen weeks ended November 2, 2025 compared to the prior year period.

Internet net sales (sales made directly to customers through our ecommerce channel) decreased $7.6 million, or 16.9%, in the thirteen weeks ended November 2, 2025 compared to the prior year period.

Other net sales, which include pop-up-shop sales, shop-in-shop sales, barter inventory transactions, and the Loved by Lovesac program, decreased $3.8 million, or 27.3%, in the thirteen weeks ended November 2, 2025 compared to the prior year period. The decrease was primarily attributable to the Company’s decision not to engage in any barter transactions during the current period, and the closure of the Company's Best Buy shop-in-shop locations as a result of the discontinuation of its partnership with Best Buy.

Gross profit

Gross profit decreased $3.4 million, or 3.9% in the thirteen weeks ended November 2, 2025 compared to the prior year period. Gross margin decreased 240 basis points to 56.1% of net sales in the thirteen weeks ended November 2, 2025 from 58.5% of net sales in the prior year period primarily driven by increases of 320 basis points in inbound transportation and tariff costs and 20 basis points in outbound transportation and warehousing costs, partially offset by an increase of 100 basis points in product margin driven by cost reduction initiatives from our vendors in response to changes in the tariff environment.

Selling, general and administrative (SG&A) expenses

SG&A expenses increased $3.2 million, or 4.5%, in the thirteen weeks ended November 2, 2025 compared to the prior year period. The increase was primarily related to increases of $4.1 million in payroll, including an out-of-period $1.6 million expense pertaining to prior periods employee benefits, $1.0 million in licenses and registrations, $0.7 million in rent, and $0.8 million in other overhead costs. The increases were partially offset by decreases of $3.0 million in legal and professional fees and $0.4 million in equity-based compensation. As a percentage of net sales, SG&A was 49.9% for the thirteen weeks ended November 2, 2025 compared to 47.9% in the prior year period.

Advertising and marketing expenses

Advertising and marketing expenses increased $1.1 million, or 5.7%, in the thirteen weeks ended November 2, 2025 compared to the prior year period. Advertising and marketing expenses were 14.0% of net sales in the thirteen weeks ended November 2, 2025 compared to 13.3% of net sales in the prior year period.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.3 million, or 9.2%, in the thirteen weeks ended November 2, 2025 compared to the prior year period primarily driven by capital investments for new showrooms.

Interest and other income, net

Interest and other income, net was $0.2 million for the thirteen weeks ended November 2, 2025 compared to $0.7 million in the prior year period. The decrease in interest income was primarily the result of lower cash deposits in the Company's interest-bearing bank accounts.

Income tax benefit

Income tax benefit was $5.0 million for the thirteen weeks ended November 2, 2025, compared to $2.1 million in the prior year period. The change in benefit was primarily driven by a higher net loss before taxes.

Thirty-nine weeks ended November 2, 2025 compared to the thirty-nine weeks ended November 3, 2024

Net sales

Net sales increased $9.9 million, or 2.3%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period driven by an increase of 0.4% in omni-channel comparable net sales and new showroom openings. In the thirty-nine weeks ended November 2, 2025, the numbers of repeat customers increased by 8.9%, partially offset by a 8.5% decline in new customers. In the comparable prior year period, the number of repeat and new customers increased by 19.5% and 4.2%, respectively.

Showroom net sales increased $36.8 million, or 13.6%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period.

Internet net sales (sales made directly to customers through our ecommerce channel) decreased $12.7 million, or 10.1%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period.

Other net sales, which include pop-up-shop sales, shop-in-shop sales, barter inventory transactions, and the Loved by Lovesac program, decreased $14.2 million, or 33.9%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period. The decrease was primarily attributable to the Company’s decision not to engage in any barter transactions during the current period, and the closure of the Company's Best Buy shop-in-shop locations as a result of the discontinuation of its partnership with Best Buy.

Gross profit

Gross profit decreased $2.8 million, or 1.1%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period. Gross margin decreased 190 basis points to 55.5% of net sales in the thirty-nine weeks ended November 2, 2025 from 57.4% of net sales in the prior year period primarily driven by increases of 110 basis points in inbound transportation and tariff costs and 10 basis points in outbound transportation and warehousing costs, and a decrease of 70 basis points in product margin driven by higher promotional discounting.

Selling, general and administrative expenses

SG&A expenses increased $0.4 million, or 0.2%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period. The increase was primarily related to increases of $6.9 million in payroll, including an out-of-period $1.6 million expense pertaining to prior periods employee benefits, $1.7 million in rent, $1.5 million in equity-based compensation, and $1.5 million in impairment charges related to the Best Buy partnership discontinuation. The increases were partially offset by decreases of $8.9 million in legal and professional fees, $1.3 million in credit card fees, and $1.0 million in other overhead costs. As a percentage of net sales, SG&A was 47.7% in the thirty-nine weeks ended November 2, 2025, compared to 48.7% in the prior year period.

Advertising and Marketing

Advertising and marketing expenses increased $1.9 million, or 3.1%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period. Advertising and marketing expenses were 14.1% of net sales in the thirty-nine weeks ended November 2, 2025 compared to 13.9% of net sales in the prior year period.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.5 million, or 4.8%, in the thirty-nine weeks ended November 2, 2025 compared to the prior year period primarily driven by capital investments for new showrooms.

Interest and other income, net

Interest and other income, net was $0.6 million for the thirty-nine weeks ended November 2, 2025, compared to $2.1 million in the prior year period. The decrease in interest income was primarily the result of lower cash deposits in the Company's interest-bearing bank accounts.

Income tax benefit

Income tax benefit was $10.9 million for the thirty-nine weeks ended November 2, 2025, compared to $8.1 million in the prior year period. The change in benefit was primarily driven by a higher net loss before taxes.

Liquidity and Capital Resources

General

Our primary sources of liquidity are cash flows from operations, our current balances of cash and cash equivalents and our revolving line of credit (see "Revolving Line of Credit" below). At November 2, 2025, we had $23.7 million in cash and cash equivalents. We have pursued in the past, and may pursue in the future, additional strategies to generate capital to pursue opportunities and investments, including through issuing equity and/or debt securities. To the extent we choose to secure additional sources of liquidity through incremental equity or debt financing, there can be no assurances that we will be able to raise such financing on favorable terms, if at all, or that future financing requirements will not require us to raise money that could be dilutive to holders of our capital stock.

Our primary cash needs are for marketing and advertising, inventory, payroll, showroom rent, capital expenditures associated with opening new showrooms and updating existing showrooms, as well as infrastructure and information technology. We periodically use cash to repurchase shares of our common stock under our share repurchase program. The most significant components of our working capital are cash and cash equivalents, merchandise inventory, prepaid expenses, accounts payable, accrued expenses, customer deposits, and other current liabilities. We believe that cash expected to be generated from operations, the availability under our revolving line of credit and our existing cash balances are sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months.

Capital Expenditures

Historically, we have invested significant capital expenditures in opening new showrooms and updating existing showrooms. These capital expenditures have increased in the past and may continue to increase in future periods as we open additional showrooms. Capital expenditures are anticipated to support our showroom growth, including capital outlays for leasehold improvements, fixtures and equipment, and the construction of new showrooms. Capital expenditures also include patents and trademarks used in the normal course of our business. Cash paid for capital expenditures was $18.7 million in the thirty-nine weeks ended November 2, 2025.

Cash Flow Analysis

A summary of operating, investing, and financing activities during the periods indicated are shown in the following table:

Condensed Statement of Cash flow Data:

	Thirty-nine weeks ended	
(amounts in thousands)	November 2, 2025	November 3, 2024
Net cash used in operating activities	$ (34,093)	$ (5,046)
Net cash used in investing activities	(18,745)	(16,078)
Net cash used in financing activities	(7,174)	(4,221)
Net change in cash and cash equivalents	(60,012)	(25,345)
Cash and cash equivalents at the end of the period	23,722	61,691

Net cash used in operating activities

Cash from operating activities consists primarily of net income adjusted for certain non-cash items, including depreciation and amortization, equity-based compensation, non-cash lease expense, and deferred income taxes and the effect of changes in working capital and other activities.

Net cash used in operating activities was $34.1 million in the thirty-nine weeks ended November 2, 2025, compared to $5.0 million in the prior year period. The increase was primarily attributable to working capital fluctuations, driven by inventory purchases and the timing of payments to vendors.

Net cash used in investing activities

Investing activities consist primarily of investments related to capital expenditures for new showroom openings and the acquisition of intangible assets.

For the thirty-nine weeks ended November 2, 2025, net cash used in investing activities was $18.7 million, primarily driven by one-time capital expenditures related to our new corporate office and continued investments in new showrooms. For the thirty-nine weeks ended November 3, 2024, net cash used in investing was $16.1 million, primarily driven by the continued investments in new showrooms.

Net cash used in financing activities

Financing activities consist primarily of repurchases of our common stock, taxes paid for the net settlement of equity awards and payment of deferred financing costs.

For the thirty-nine weeks ended November 2, 2025 and November 3, 2024, net cash used in financing activities was $7.2 million and $4.2 million, respectively, mainly due to the repurchase of our common stock and taxes paid for the net share settlement of equity awards.

Revolving Line of Credit

On March 25, 2022, we amended our existing credit agreement providing for an asset-based revolving credit facility with the lenders party thereto, and Wells Fargo Bank, National Association ("Wells Fargo Bank"), as administrative agent. Pursuant to the amendment, the maturity date of our credit agreement was extended to March 25, 2024 and, among other things, the maximum revolver commitment was increased from $25.0 million to $40.0 million, subject to borrowing base and availability restrictions.

On March 24, 2023, we amended the credit agreement to, among other things, extend the maturity date to September 30, 2024. On July 29, 2024, we amended the credit agreement to add an uncommitted accordion feature that allows the Company, subject to certain customary conditions, to increase the size of the revolving credit facility by $10 million and, among other things, extend the maturity date of the loans made under the credit agreement from September 30, 2024 to July 29, 2029.

For additional information regarding our line of credit with Wells Fargo Bank, see Note 7. Financing Arrangements. As of November 2, 2025 and February 2, 2025, the Company’s borrowing availability under the line of credit was $36.0 million and $32.6 million, respectively, and there were no outstanding borrowings under our credit facility.

Share Repurchase

On June 11, 2024, our board of directors authorized a share repurchase program for up to $40.0 million of shares of our common stock. Under the share repurchase program, we may repurchase shares from time to time in the open market, privately negotiated transactions and accelerated share repurchase. The timing, volume and nature of share repurchases, if any, will be at our sole discretion and will be dependent on market conditions, liquidity, applicable securities laws, and other factors. We may suspend or discontinue the share repurchase program at any time. We plan on funding any repurchases in the future with our current cash and cash equivalents and future cash flows.

During the thirty-nine weeks ended November 2, 2025, we repurchased and subsequently retired 306,325 shares of common stock at a total cost of $6.0 million, including broker commissions and fees.

As of November 2, 2025, approximately $14.1 million remained available for future purchase under our share repurchase program. For additional information, see Note 8. Stockholders' Equity in the notes to the condensed financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of November 2, 2025, except for employment agreements entered in the ordinary course of business.

Critical Accounting Policies and Estimates

The discussion and analysis of financial condition and results of operations is based upon our condensed financial statements, which have been prepared in conformity with US GAAP. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Refer to Note 1 of our financial statements included on Form 10-K for the fiscal year ended February 2, 2025 for a complete description of our significant accounting policies. There have been no material changes to the significant accounting policies during the thirty-nine weeks ended November 2, 2025.

Recent Accounting Pronouncements

Refer to Note 1. Basis of Presentation and Summary of Significant Accounting Policies, contained in the Condensed Notes to Financial Statements in Item 1 of Part 1 of this Quarterly Report on Form 10-Q for a full description of the recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to a variety of market risks, including fluctuations in interest rates and inflation that could affect our financial position and results of operations.

Interest Rate Risk

Cash and cash equivalents and short-term investments were held primarily in cash deposits, certificates of deposit, money market funds, and investment grade corporate debt. The fair value of our cash, cash equivalents and short-term investments will fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest.

Interest on the revolving line of credit incurred pursuant to the credit agreements described herein would accrue at a floating rate based on a formula tied to certain market rates at the time of occurrence; however, we do not expect that any changes in prevailing interest rates will have a material impact on our results of operations.

Inflation

In the third quarter of fiscal 2026, we continued to see normalization of inflationary pressures in the supply chain. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to be subject to more significant inflationary pressures, we may not be able to fully offset such higher costs through price increases or other cost efficiency measures. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of November 2, 2025, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended November 2, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding our legal proceedings, see Note 6. Commitments and Contingencies, included in Part I, Item 1, Unaudited Condensed Financial Statements, of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 2, 2025.

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

Issuer Purchases of Equity Securities

In June 2024, our board of directors authorized the repurchase of up to $40.0 million in shares of our outstanding common stock, and there is no expiration date. During the thirteen weeks ended November 2, 2025, the Company did not repurchase shares of common stock. As of November 2, 2025, approximately $14.1 million remained available for future purchases under the share repurchase program. For additional information, refer to Note 8. Stockholders' Equity in the notes to the condensed financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

Director and Officer Trading Arrangements

No directors or officers of the Company (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non- Rule 10b5-1 trading arrangement (each as defined in Item 408 (a) and (c) of Regulation S-K) during the thirteen weeks ended November 2, 2025.

Item 6. Exhibits

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Dated Filed
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended	Filed herewith.		
101.INS	XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			

* This certification is deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

SIGNATURES

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

The Lovesac Company

By: /s/ Shawn Nelson
Shawn Nelson
Chief Executive Officer
(Principal Executive Officer)

Date: December 11, 2025

By: /s/ Keith Siegner
Keith Siegner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: December 11, 2025