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 August 2, 2026
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 September 7, 2026, there were 14,423,433 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 the registered word trademarks of LOVESAC, DESIGNED FOR LIFE FURNITURE CO., DESIGNED FOR LIFE, DFL, ALWAYS FITS, FOREVER NEW, TOTAL COMFORT, THE WORLD'S MOST ADAPTABLE COUCH, SACTIONALS, LOVESOFT, SIDE, STEALTHTECH, DON'T JUST HEAR IT, FEEL IT, SACTIONALS POWER HUB, THE WORLD'S MOST VERSATILE TABLE, ANYTABLE, THE WORLD'S MOST COMFORTABLE SEAT, SACS, SAC, SUPERSAC, MOVIESAC, PILLOWSAC, CITYSAC, GAMERSAC, SQUATTOMAN, DURAFOAM, FOOTSAC, ROOM FOR TWO, REWRITING THE RULES OF COMFORT, and various registered design trademarks and registered trade dress. 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; the costs of defending against class-action, derivative and other litigation or other legal or governmental proceedings, and any resulting liability that might arise from it; 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 our 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, as well as our efforts to onshore manufacturing for a portion of our Sactionals production or other products; 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; cybersecurity and vulnerability to electronic break-ins and other similar disruptions or other system interruptions or failures in our technology infrastructure needed to service our customers, process transactions and fulfill orders; 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, as well as our ability to collect on our claims for refunds of tariffs previously paid and any other costs or liabilities we might incur as a result of those efforts; 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; any inability to implement and maintain effective internal controls over financial reporting; 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)	August 2, 2026	February 1, 2026
Assets		
Current Assets		
Cash and cash equivalents	$ 68,804	$ 101,853
Trade accounts receivable, net	16,681	11,733
Merchandise inventories, net	130,165	106,317
Prepaid expenses	15,657	10,473
Other current assets	7,507	6,260
Total Current Assets	238,814	236,636
Property and equipment, net	88,759	86,400
Operating lease right-of-use assets	161,166	163,322
Goodwill	144	144
Intangible assets, net	2,748	2,373
Deferred tax asset	14,706	13,387
Other assets	32,624	32,420
Total Assets	$ 538,961	$ 534,682
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 60,214	$ 43,736
Accrued expenses	44,178	38,788
Payroll payable	15,009	21,936
Customer deposits	12,532	11,544
Current operating lease liabilities	24,648	24,111
Sales taxes payable	5,586	6,996
Total Current Liabilities	162,167	147,111
Operating lease liabilities, long-term	166,376	168,400
Income tax payable, long-term	464	464
Line of credit	—	—
Total Liabilities	329,007	315,975
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 August 2, 2026 and February 1, 2026.	—	—
Common Stock $0.00001 par value, 40,000,000 shares authorized, 14,422,288 shares issued and outstanding as of August 2, 2026 and 14,617,238 shares issued and outstanding as of February 1, 2026.	—	—
Additional paid-in capital	197,028	194,843
Accumulated earnings	12,926	23,864
Stockholders' Equity	209,954	218,707
Total Liabilities and Stockholders' Equity	$ 538,961	$ 534,682

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		Twenty-six weeks ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Net sales	$ 161,245	$ 160,530	$ 299,441	$ 298,903
Cost of merchandise sold	50,975	69,922	117,197	133,925
Gross profit	110,270	90,608	182,244	164,978
Operating expenses:				
Selling, general and administrative expenses	72,316	72,114	140,884	139,231
Advertising and marketing	22,803	23,481	39,402	42,075
Depreciation and amortization	4,209	3,836	8,390	7,449
Total operating expenses	99,328	99,431	188,676	188,755
Operating income (loss)	10,942	(8,823)	(6,432)	(23,777)
Interest and other income, net	1,212	100	1,878	425
Net income (loss) before taxes	12,154	(8,723)	(4,554)	(23,352)
Income tax (expense) benefit	(4,725)	2,073	890	5,862
Net income (loss)	$ 7,429	$ (6,650)	$ (3,664)	$ (17,490)
Net income (loss) per common share:				
Basic	$ 0.51	$ (0.45)	$ (0.25)	$ (1.19)
Diluted	$ 0.51	$ (0.45)	$ (0.25)	$ (1.19)
Weighted average shares outstanding:				
Basic	14,652,167	14,623,823	14,660,096	14,707,952
Diluted	14,652,167	14,623,823	14,660,096	14,707,952

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

THE LOVESAC COMPANY
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

	Thirteen weeks ended				
	Common				
	Shares	Amount	Additional Paid-in Capital	Accumulated Earnings	Total Shareholders' Equity
Balance - May 3, 2026	14,638,550	$ —	$ 195,123	$ 10,411	$ 205,534
Net income	—	—	—	7,429	7,429
Equity-based compensation	—	—	2,262	—	2,262
Vested restricted stock units	58,164	—	—	—	—
Repurchases of common stock	(274,426)	—	—	(4,914)	(4,914)
Taxes paid for net share settlement of equity awards	—	—	(357)	—	(357)
Balance - August 2, 2026	14,422,288	$ —	$ 197,028	$ 12,926	$ 209,954
Balance - May 4, 2025	14,549,250	$ —	$ 192,267	$ 8,947	$ 201,214
Net loss	—	—	—	(6,650)	(6,650)
Equity-based compensation	—	—	3,266	—	3,266
Vested restricted stock units	50,575	—	—	—	—
Repurchases of common stock	—	—	—	10	10
Taxes paid for net share settlement of equity awards	—	—	(379)	—	(379)
Balance - August 3, 2025	14,599,825	$ —	$ 195,154	$ 2,307	$ 197,461

	Twenty-six weeks ended				
	Common				
(amounts in thousands, except share amounts)	Shares	Amount	Additional Paid-in Capital	Accumulated Earnings	Total Shareholders' Equity
Balance - February 1, 2026	14,617,238	$ —	$ 194,843	$ 23,864	$ 218,707
Net loss	—	—	—	(3,664)	(3,664)
Equity-based compensation	—	—	4,362	—	4,362
Vested restricted stock units	220,958	—	—	—	—
Repurchases of common stock	(415,908)	—	—	(7,274)	(7,274)
Taxes paid for net share settlement of equity awards	—	—	(2,177)	—	(2,177)
Balance - August 2, 2026	14,422,288	$ —	$ 197,028	$ 12,926	$ 209,954
Balance - February 2, 2025	14,786,934	$ —	$ 190,510	$ 25,845	$ 216,355
Net loss	—	—	—	(17,490)	(17,490)
Equity-based compensation	—	—	5,767	—	5,767
Vested restricted stock units	119,216	—	—	—	—
Repurchases of common stock	(306,325)	—	—	(6,048)	(6,048)
Taxes paid for net share settlement of equity awards	—	—	(1,123)	—	(1,123)
Balance - August 3, 2025	14,599,825	$ —	$ 195,154	$ 2,307	$ 197,461

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

THE LOVESAC COMPANY
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

(amounts in thousands)	Twenty-six weeks ended August 2, 2026	Twenty-six weeks ended August 3, 2025
Cash Flows from Operating Activities		
Net loss	$ (3,664)	$ (17,490)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization of property and equipment	8,180	7,306
Amortization of other intangible assets	210	143
Amortization of deferred financing fees	30	37
Net loss on disposal of property and equipment	56	34
Impairment of long-lived assets	—	1,541
Equity based compensation	4,362	5,767
Non-cash lease expense	14,083	13,374
Deferred income taxes	(1,319)	(5,979)
Change in operating assets and liabilities:		
Trade accounts receivable	(4,948)	2,709
Merchandise inventories	(23,848)	350
Prepaid expenses and other current assets	(6,461)	4,133
Other assets	(204)	2,170
Accounts payable	17,590	(16,742)
Accrued expenses and other payables	(3,070)	(16,430)
Operating lease liabilities	(13,414)	(12,438)
Customer deposits	988	2,303
Net cash used in operating activities	(11,429)	(29,212)
Cash Flows from Investing Activities		
Purchase of property and equipment	(11,592)	(12,910)
Payments for patents and trademarks	(612)	(286)
Net cash used in investing activities	(12,204)	(13,196)
Cash Flows from Financing Activities		
Taxes paid for net share settlement of equity awards	(2,177)	(1,123)
Repurchases of common stock	(7,239)	(6,000)
Payment of deferred financing costs	—	(12)
Net cash used in financing activities	(9,416)	(7,135)
Net change in cash and cash equivalents	(33,049)	(49,543)
Cash and cash equivalents - Beginning	101,853	83,734
Cash and cash equivalents - Ending	$ 68,804	$ 34,191
Supplemental Cash Flow Data:		
Cash paid for taxes	$ 879	$ 9,077
Cash paid for interest	$ 38	$ 71
Non-cash investing and financing activities:		
Asset acquisitions not yet paid for at period end	$ 726	$ 731
Leasehold improvements acquired through lease incentive	$ —	$ 1,824
Excise tax on share repurchases, accrued but not paid	$ 35	$ 48

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

THE LOVESAC COMPANY

CONDENSED NOTES TO FINANCIAL STATEMENTS

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 1, 2026, which has been derived from our audited financial statements as of and for the 52-week year ended February 1, 2026, 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 1, 2026.

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 twenty-six weeks ended August 2, 2026 and August 3, 2025 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. 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 and online directly at www.lovesac.com. As of August 2, 2026, the Company operated 284 showrooms 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 Adopted

Credit Losses. In July 2025, the FASB issued ASU 2025-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU provides a practical expedient that allows entities to assume that current conditions do not change for the remaining life of the asset when developing reasonable and supportable forecasts for expected credit losses. The Company adopted this ASU effective February 2, 2026, and elected to apply the practical expedient. Due to the nature of the Company's trade receivable balance, the adoption of this ASU did not have a material impact on its condensed financial statements.

Recent Accounting Pronouncements Not Yet Adopted

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 $1.8 million and $2.1 million during the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and $ 4.0 million and $4.3 million for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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 $13.4 million and $28.6 million during the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and $ 47.4 million and $55.8 million for the twenty-six weeks ended August 2, 2026 and August 3, 2025, respectively. See **Note 6. Commitments and Contingencies** for further details on the impact of International Emergency Economic Powers Act ("IEEPA") tariff refunds on shipping and handling costs.

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 to net sales and cost of sales on the condensed statement of operations and an increase in inventory and customer returns liability on the condensed balance sheet. As of August 2, 2026 and February 1, 2026, there was a returns allowance recorded on the condensed balance sheet in the amount of $6.9 million and $8.5 million, respectively, which was included in accrued expenses, and sales returns of $1.7 million and $1.9 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 August 2, 2026 and February 1, 2026, the Company recorded customer deposit liabilities in the amount of $ 12.5 million and $11.5 million respectively. During the twenty-six weeks ended August 2, 2026 and August 3, 2025, the Company recognized $ 11.5 million and $11.3 million, respectively, related to customer deposits from fiscal 2026 and 2025, 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 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		Twenty-six weeks ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Showrooms	$ 114,135	$ 109,071	$ 211,187	$ 205,541
Internet	40,228	42,499	75,910	75,827
Other	6,882	8,960	12,344	17,535
Total net sales	$ 161,245	$ 160,530	$ 299,441	$ 298,903

The Company has no foreign operations and had no sales to foreign countries for the thirteen weeks ended August 2, 2026 and August 3, 2025. There were no sales to foreign countries for the twenty-six weeks ended August 2, 2026, and net sales to foreign countries was less than 0.01% of total net sales for the twenty-six weeks ended August 3, 2025. The Company had no customers that comprise more than 10% of total net sales for the thirteen and twenty-six weeks ended August 2, 2026 and August 3, 2025.

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 twenty-six weeks ended August 2, 2026 or August 3, 2025. As of August 2, 2026 and February 1, 2026, the Company had $2.8 million and $2.2 million, respectively, of unused media credits expected to be utilized in the next fiscal year classified as current, and the remaining balance of $28.9 million and $30.4 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 twenty-six weeks ended August 2, 2026 or August 3, 2025. 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 August 2, 2026 and August 3, 2025, the Company recorded an income tax expense of $4.7 million and an income tax benefit of $2.1 million, respectively, which reflects an effective tax rate of 38.9% and 23.8%, respectively. For the twenty-six weeks ended August 2, 2026 and August 3, 2025, the Company recorded an income tax benefit of $0.9 million and $5.9 million, respectively, which reflects an effective tax rate of 19.5% and 25.1%, respectively. The effective tax rate for the thirteen and twenty-six weeks ended August 2, 2026 and August 3, 2025 varies from the 21% federal statutory tax rate primarily due to income state taxes and covered employees compensation limitation under Section 162m.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 twenty-six weeks ended August 2, 2026 and August 3, 2025, 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.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA") was signed into law. The OBBBA includes various changes to U.S. federal income tax law, including extensions of several expiring provisions from the Tax Cuts and Jobs Act of 2017. The OBBBA has multiple effective dates, with certain provisions effective in 2025. The OBBBA did not have a material impact on the Company's effective tax rate for the thirteen and twenty-six weeks ended August 2, 2026.

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		Twenty-six weeks ended	
(amounts in thousands, except per share data and share amounts)	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Net income (loss)	$ 7,429	$ (6,650)	$ (3,664)	$ (17,490)
Weighted-average number of common shares outstanding, basic	14,652,167	14,623,823	14,660,096	14,707,952
Effect of dilutive securities[1][2]	—	—	—	—
Weighted-average number of common shares outstanding, diluted	14,652,167	14,623,823	14,660,096	14,707,952
Basic net income (loss) per share	$ 0.51	$ (0.45)	$ (0.25)	$ (1.19)
Diluted net income (loss) per share	$ 0.51	$ (0.45)	$ (0.25)	$ (1.19)

[1] The effect of dilutive securities includes unvested restricted stock units and stock options.

[2] The Company prospectively corrected the diluted earnings per share calculation. The impact to previous years was not material.

For the thirteen weeks ended August 2, 2026, unvested restricted stock units of 1,559,583 and the effects of 385,285 stock options outstanding were excluded from the computation of diluted net income per share because their effects would have been anti-dilutive. For the twenty-six weeks ended August 2, 2026, unvested restricted stock units of 1,559,583 and the effects of 385,285 stock options outstanding were excluded from the computation of diluted net loss per share because their effects would have been anti-dilutive. For the thirteen and twenty-six weeks ended August 3, 2025, unvested restricted stock units of 1,646,041 and the effects of 495,366 stock options outstanding were excluded from the computation of diluted net loss per share because their effects would have been anti-dilutive.

Note 5. Leases

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

	Thirteen weeks ended		Twenty-six weeks ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Operating lease expense	$ 9,582	$ 9,282	$ 19,537	$ 18,584
Variable and short term lease expense	1,397	1,162	2,264	2,135
Total lease expense	$ 10,979	$ 10,444	$ 21,801	$ 20,719

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 twenty-six weeks ended August 2, 2026 and August 3, 2025, 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):

	Twenty-six weeks ended	
(amounts in thousands)	August 2, 2026	August 3, 2025
Operating cash flow information:		
Amounts paid on operating lease liabilities	$ 19,977	$ 18,986
Non-cash activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 9,494	$ 18,526
Weighted average remaining lease term - operating leases	6.7 years	7.1 years
Weighted average discount rate - operating leases	5.73 %	5.45 %

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 to 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 condensed 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 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.

On August 26, 2025, a putative class action complaint related to alleged wage and hour violations was filed against the Company. On October 27, 2025, Plaintiff filed a first amended class action and PAGA complaint. The lawsuit, captioned *Guerrero v. The Lovesac Company*, was filed in the Superior Court of California, County of San Diego. The complaint generally alleges that the Company (1) failed to pay minimum wages, (2) failed to pay overtime, (3) failed to provide meal periods, (4) failed to permit rest breaks, (5) failed to indemnify necessary business expenses, (6) failed to timely pay final wages, (7) failed to provide accurate wage statements, (8) unfair business practices, and (9) civil penalties under PAGA . The plaintiff seeks, among other things, an unspecified amount of monetary damages, such as general unpaid minimum and overtime wages, pre-judgment interest, statutory penalties, civil penalties, attorneys' fees and costs and injunctive relief.

On November 24, 2025, the Company filed an answer to the first amended complaint. On July 29, 2026, the parties mediated this matter. The parties were unable to come to an agreement at the July 29 mediation. The litigation is in its early stages and the final determinations of liability arising from this litigation matter will only be made following comprehensive investigations and litigation processes. The Company believes the resolution will not have a material impact to the financial statements.

In the opinion of management for the Company, there is no litigation in which the outcome will have a material effect on the financial statements as of August 2, 2026.

Tariff Matters

On February 20, 2026, the U.S. Supreme Court ruled that tariffs imposed under the IEEPA were unlawful. On April 20, 2026, U.S. Customs and Border Protection ("CBP") launched the Consolidated Administration and Processing of Entries ("CAPE") process to permit importers to seek refunds of previously paid IEEPA tariffs. The Company submitted refund claims under the CAPE process in April 2026.

The Company began receiving refunds in the second quarter of fiscal 2027 and recognizes such refunds in accordance with the gain contingency guidance in ASC 450-30, Gain Contingencies. Accordingly, refunds are recognized only when realized or realizable and collection is deemed probable.

As of August 2, 2026, the Company had received $21.0 million of IEEPA tariff refunds, including related interest. Of this amount, $20.0 million was recognized as a reduction of cost of merchandise sold, $0.3 million was recorded as a reduction of inventory, and $0.7 million was recognized as interest income within interest and other income, net. The tariff refunds were recorded consistent with the original classification of the underlying tariff costs, while the related interest was recognized separately as compensation for the time value of money rather than as a recovery of product costs.

Subsequent to August 2, 2026, CBP advanced Phase III of the refund process by accepting the Company's CAPE Phase III registration. The Phase III portal did not open in August 2026 as anticipated, and CBP has not announced a revised launch date. The Company is required to submit declarations and refund claims through the portal once it becomes available. The amount of the claims to be submitted, including related interest, is immaterial. Accordingly, the Company has not submitted a CAPE Phase III Declaration or related refund claim, the applicable entries have not been reliquidated, and no Phase III refunds have been received. The timing of any refunds and the total amount ultimately received remains uncertain and may differ materially from the amounts claimed. The Company will reevaluate its assessment at each reporting period based on any new information.

Note 7. Financing Arrangements

Revolving Line of Credit

We are party to a credit agreement providing for an asset-based revolving credit facility with the lenders party thereto, and Wells Fargo Bank, National Association ("Wells"), as administrative agent, that matures July 29, 2029. The maximum revolver commitment is $40.0 million, subject to borrowing base and availability restrictions, and also includes an uncommitted accordion feature that allows the Company, subject to certain customary conditions, to increase the size of the revolving credit facility by $10.0 million. 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.

As of August 2, 2026 and February 1, 2026, the Company's borrowing availability under the line of credit with Wells was $ 34.0 million and $36.0 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 June 2, 2022, 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.

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 generally vest over a one to three year period on the anniversaries of the grant date, contingent upon the achievement of specified performance targets established at the beginning of the performance period and 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.

In March 2023, Shawn Nelson, our Chief Executive Officer, received a one-time performance and retention long-term incentive grant of 235,000 PSU awards (the "PSU Grant") pursuant to the 2017 Equity Plan and Mr. Nelson's Restricted Stock Units Agreement and Grant Notice (the "PSU Agreement"). The PSU 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 PSU Grant will be settled in shares of common stock of the Company on the first anniversary of the applicable vesting date. The PSU 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 PSU awards shall vest. The expense will be recognized on a straight-line basis over the explicit service period.

The following table summarizes the Company's PSU awards activity during the twenty-six weeks ended August 2, 2026:

	Number of shares	Weighted average grant date fair value
Unvested at February 1, 2026	1,046,994	$ 22.05
Granted	263,891	17.67
Forfeited	(172,339)	21.40
Vested	(149,419)	21.65
Unvested at August 2, 2026	989,127	$ 21.06

During the twenty-six weeks ended August 3, 2025, 330,314 PSU awards were granted with a weighted-average grant date fair value of $19.87. During the twenty-six weeks ended August 2, 2026 and August 3, 2025, the total fair value of PSU awards vested was $3.2 million and $0.6 million, respectively.

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.

The following table summarizes the Company's RSU awards activity during the twenty-six weeks ended August 2, 2026:

	Number of shares	Weighted average grant date fair value
Unvested at February 1, 2026	504,488	$ 20.37
Granted	356,956	16.45
Forfeited	(75,345)	18.55
Vested	(215,643)	21.32
Unvested at August 2, 2026	570,456	$ 17.80

During the twenty-six weeks ended August 3, 2025, 357,277 RSU awards were granted with a weighted-average grant date fair value of $19.64. During the twenty-six weeks ended August 2, 2026 and August 3, 2025, the total fair value of RSU awards vested was $4.6 million and $4.1 million, respectively.

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, canceled, or forfeited for the thirteen and twenty-six weeks ended August 2, 2026 and August 3, 2025. As of August 2, 2026, 385,285 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 2.8 years, and no intrinsic value. As of August 3, 2025, 495,366 stock options remain outstanding with a weighted average exercise price of $38.10, a weighted average remaining contractual life of 3.8 years and no intrinsic value.

For the thirteen weeks ended August 2, 2026 and August 3, 2025, the Company recognized equity-based compensation expense of $2.3 million and $3.3 million, respectively, and for the twenty-six weeks ended August 2, 2026 and August 3, 2025, the Company recognized equity based compensation expense of $ 4.4 million and $5.8 million, respectively. For the thirteen and twenty-six weeks ended August 2, 2026, the income tax benefit for the vesting of our equity-based

compensation awards was $0.4 million and $0.3 million, respectively. For the thirteen and twenty-six weeks ended August 3, 2025, the income tax benefit for the vesting of our equity-based compensation awards was $0.6 million and $1.0 million, respectively. The total unrecognized equity-based compensation cost related to unvested RSU and PSU awards was approximately $17.5 million as of August 2, 2026 and will be recognized in operations over a weighted average period of 2.3 years.

Share Repurchase Program

On June 11, 2024, our Board of Directors approved a $40.0 million share repurchase program. Repurchases may be made through open market purchases, privately negotiated transactions, and accelerated share repurchases. 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.

On March26,2026, our Board of Directors authorized the repurchase of an additional $ 40.0 million of our outstanding common stock under the share repurchase program.

During the thirteen weeks ended August 2, 2026, we repurchased and subsequently retired 274,426 shares of common stock, costing $4.9 million, including broker commissions and fees. We did not repurchase any shares of common stock during the thirteen weeks ended August 3, 2025. During the twenty-six weeks ended August 2, 2026 and August 3, 2025, we repurchased and subsequently retired 415,908 and 306,325 shares of common stock for $7.2 million and $6.0 million, respectively, 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 twenty-six weeks ended August 2, 2026 and August 3, 2025, the excise tax on net share repurchases was not material.

As of August 2, 2026, approximately $46.9 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 within the Company's one reportable segment were as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(amounts in thousands)	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Sactionals	$ 146,933	$ 149,487	$ 272,495	$ 276,808
Sacs	8,231	9,004	15,534	18,431
Other[1]	6,081	2,039	11,412	3,664
Total net sales	$ 161,245	$ 160,530	$ 299,441	$ 298,903

[1] Includes our product platform Snugg.

Interest income, net is as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(amounts in thousands)	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Interest income, net[1]	$ 1,212	$ 100	$ 1,878	$ 427

[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.

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 1, 2026. 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 January 31, 2027 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, a recently launched platform of premium seating called Snugg™, and various accessories. Innovation is at the center of our design philosophy with all of our core products protected by a robust portfolio of utility and design 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 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.

Tariff Refunds

In February 2026, the U.S. Supreme Court ruled that the International Emergency Economic Powers Act ("IEEPA") tariffs were unlawful, and in April 2026, U.S. Customs and Border Protection ("CBP") launched a phased refund process for previously paid IEEPA tariffs. Accordingly, we submitted refund claims through the Consolidated Administration and Processing of Entries ("CAPE") process in April 2026. During the second quarter of fiscal 2027, we received and recognized $21.0 million of IEEPA tariff refunds and related interest, consisting of $20.0 million recognized as a reduction of cost of merchandise sold, $0.3 million recognized as a reduction of inventory, and $0.7 million recognized as interest income.

Subsequent to August 2, 2026, CBP advanced Phase III of the refund process by accepting the Company's CAPE Phase III registration. The Phase III portal did not open as anticipated in August 2026, and CBP has not announced a revised launch date. As no declarations or refund claims have been submitted and no entries have been reliquidated, no amounts have been recognized in accordance with ASC 450-30. See Note 6. Commitments and Contingencies 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.

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 over 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 91.1% and 93.1% of our net sales for the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and 91.0% and 92.6% of our net sales for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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. We also offer Satellite Subwoofers as an add-on to the Sound + Charge System,

enhancing the existing StealthTech setup with improved 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 Sacs 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 5.1% and 5.6% of our net sales for the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and 5.2% and 6.2% of our net sales for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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 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. Similar to 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 284 showroom locations strategically situated at top tier malls, lifestyle centers, and street locations in 45 states in the U.S. We carefully select what we believe are 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 70.8% and 67.9% of total net sales for the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and 70.5% and 68.8% of our net sales for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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 24.9% and 26.5% of total net sales for the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and 25.4% and 25.4% of our net sales for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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 August 2, 2026 and August 3, 2025, we operated 172 and 157 in store pop-up-shops, respectively, and 6 and 3 online pop-up-shops on Costco.com, respectively, and for the twenty-six weeks ended August 2, 2026 and August 3, 2025, we operated 331 and 328 in store pop-up-shops, respectively, and 15 and 5 online pop-up-shops on Costco.com, respectively.

- **Shop-in-shops**. Prior to discontinuing this touchpoint at the end of fiscal 2026, shop-in-shops were designed to be in permanent locations carrying the same digital technology of our showrooms and were also staffed with associates trained to demonstrate and sell our products. In June 2025, the Company discontinued its partnership with Best Buy, resulting in the closure of all remaining shop-in-shop locations as of the end of fiscal 2026. Prior to the discontinuation of the partnership, we operated 43 Best Buy shop-in-shops as of August 3, 2025.

- **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. Our barter inventory arrangement permits us from time to time 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 August 2, 2026.

- **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 as of August 2, 2026, is currently available in 30 select states nationwide.

Other net sales, which includes pop-up-shop sales, shop-in-shop sales, barter inventory transactions, and the Loved by Lovesac program, accounted for 4.3% and 5.6% of our total net sales for the thirteen weeks ended August 2, 2026 and August 3, 2025, respectively, and 4.1% and 5.8% of our net sales for the twenty-six weeks ended August 2, 2026 and August 3, 2025, 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.

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.

We are pursuing initiatives to increase domestic manufacturing of Sactionals (or certain products) as part of our broader supply chain strategy. These efforts are intended to enhance supply chain reliability, mitigate tariff and logistics risks, and improve operational efficiency through automation and reduced transportation distances. Implementation is expected to occur in phases and requires upfront investment and operational execution. The ultimate impact on our cost structure and operating results will depend on a number of factors, and there can be no assurance that anticipated benefits will be realized.

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. 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 gross margin may not be comparable to other companies.

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 expenses 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 twenty-six weeks ended August 2, 2026 and August 3, 2025:

	Thirteen weeks ended		Thirteen weeks ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
	(in thousands)		*(Percentage of net sales)*	
Net sales				
Showrooms	$ 114,135	$ 109,071	70.8 %	67.9 %
Internet	40,228	42,499	24.9 %	26.5 %
Other	6,882	8,960	4.3 %	5.6 %
Total net sales	161,245	160,530	100.0 %	100.0 %
Cost of merchandise sold	50,975	69,922	31.6 %	43.6 %
Gross profit	110,270	90,608	68.4 %	56.4 %
Operating expenses:				
Selling, general and administrative expenses	72,316	72,114	44.8 %	44.9 %
Advertising and marketing	22,803	23,481	14.1 %	14.6 %
Depreciation and amortization	4,209	3,836	2.6 %	2.4 %
Total operating expenses	99,328	99,431	61.5 %	61.9 %
Operating income (loss)	10,942	(8,823)	6.9 %	(5.5)%
Interest and other income, net	1,212	100	0.8 %	0.1 %
Net income (loss) before taxes	12,154	(8,723)	7.7 %	(5.4)%
Income tax (expense) benefit	(4,725)	2,073	(2.9)%	1.3 %
Net income (loss)	$ 7,429	$ (6,650)	4.8 %	(4.1)%

	Twenty-six weeks ended		Twenty-six weeks ended	
	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
	(in thousands)		*(Percentage of net sales)*	
Net sales				
Showrooms	$ 211,187	$ 205,541	70.5 %	68.8 %
Internet	75,910	75,827	25.4 %	25.4 %
Other	12,344	17,535	4.1 %	5.8 %
Total net sales	299,441	298,903	100.0 %	100.0 %
Cost of merchandise sold	117,197	133,925	39.1 %	44.8 %
Gross profit	182,244	164,978	60.9 %	55.2 %
Operating expenses:				
Selling, general and administrative expenses	140,884	139,231	47.0 %	46.6 %
Advertising and marketing	39,402	42,075	13.2 %	14.1 %
Depreciation and amortization	8,390	7,449	2.8 %	2.5 %
Total operating expenses	188,676	188,755	63.0 %	63.2 %
Operating loss	(6,432)	(23,777)	(2.1)%	(8.0)%
Interest and other income, net	1,878	425	0.6 %	0.1 %
Net loss before taxes	(4,554)	(23,352)	(1.5)%	(7.9)%
Income tax benefit	890	5,862	0.3 %	2.0 %
Net loss	$ (3,664)	$ (17,490)	(1.2)%	(5.9)%

Other Operational Data

Our recent showroom growth is summarized in the following table:

	Thirteen weeks ended		Twenty-six weeks ended	
Showroom Count:	August 2, 2026	August 3, 2025	August 2, 2026	August 3, 2025
Showrooms open at beginning of period	281	267	278	257
Showrooms opened	5	6	11	17
Showrooms closed	(2)	(3)	(5)	(4)
Showrooms open at end of period[(1)]	284	270	284	270
Showroom remodels	2	1	2	2

[(1)] During the second quarter of fiscal 2026, the Company made the decision to repurpose its 2 mobile concierges, and subsequently closed its last remaining kiosk in the fourth quarter of fiscal 2026. Showrooms open as of August 3, 2025 included 1 kiosk.

Thirteen weeks ended August 2, 2026 compared to the thirteen weeks ended August 3, 2025

Net sales

Net sales increased $0.7 million, or 0.4%, in the thirteen weeks ended August 2, 2026 compared to the prior year period driven by new showroom openings, partially offset by a 1.9% decrease in omni-channel comparable net sales and the closure of the Company's Best Buy shop-in-shop locations. In the thirteen weeks ended August 2, 2026, the number of repeat and new customers decreased by 0.5% and 1.9%, respectively. In the comparable prior year period, the number of repeat customers increased by 8.6%, partially offset by a 7.4% decline in new customers.

Showroom net sales increased $5.1 million, or 4.6%, in the thirteen weeks ended August 2, 2026 compared to the prior year period.

Internet net sales (sales made directly to customers through our ecommerce channel) decreased $2.3 million, or 5.3%, in the thirteen weeks ended August 2, 2026 compared to the prior year period.

Other net sales, which include pop-up-shop sales, shop-in-shop sales, and the Loved by Lovesac program, decreased $2.1 million, or 23.2%, in the thirteen weeks ended August 2, 2026 compared to the prior year period. The decrease was primarily attributable to 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 increased $19.7 million, or 21.7% in the thirteen weeks ended August 2, 2026 compared to the prior year period. Gross margin increased 1,200 basis points to 68.4% of net sales in the thirteen weeks ended August 2, 2026 from 56.4% of net sales in the prior year period. Gross margin increased primarily due to recoveries of IEEPA tariffs, which contributed 1,240 basis points, and a 250 basis point improvement in product margin driven primarily by price increases, partially offset by higher promotional discounting. These favorable impacts were partially offset by increases of 160 basis points in inbound transportation and tariff costs and 130 basis points in outbound transportation and warehousing costs. During the quarter, we received $21.0 million of IEEPA tariff refunds and related interest. Approximately $20.0 million was recognized through cost of merchandise sold, $0.3 million reduced inventory, and $0.7 million was recognized as interest income.

Selling, general and administrative (SG&A) expenses

SG&A expenses increased $0.2 million, or 0.3%, in the thirteen weeks ended August 2, 2026 compared to the prior year period. The increase was primarily related to increases of $1.9 million in payroll associated with severance and higher incentive compensation and $0.8 million in other overhead expenses, partially offset by $1.5 million of impairment charges related to the Best Buy partnership termination that were recognized in the prior year period, and a $1.0 million decrease in equity-based compensation. As a percentage of net sales, SG&A was 44.8% for the thirteen weeks ended August 2, 2026 compared to 44.9% in the prior year period.

Advertising and marketing expenses

Advertising and marketing expenses decreased $0.7 million, or 2.9%, in the thirteen weeks ended August 2, 2026 compared to the prior year period, primarily due to the strategic timing of marketing investments and continued emphasis on efficiency. Advertising and marketing expenses were 14.1% of net sales in the thirteen weeks ended August 2, 2026 compared to 14.6% of net sales in the prior year period.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.4 million, or 9.7%, in the thirteen weeks ended August 2, 2026 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 $1.2 million for the thirteen weeks ended August 2, 2026 compared to $0.1 million in the prior year period. The increase in interest income was primarily the result of interest earned on IEEPA tariff refunds and higher cash deposits in the Company's interest-bearing bank accounts.

Income tax (expense) benefit

Income tax expense was $4.7 million for the thirteen weeks ended August 2, 2026, compared to an income tax benefit of $2.1 million in the prior year period. The change in the tax provision was primarily attributable to the Company's generation of pre-tax income in the current quarter compared to a pre-tax loss in the prior-year period, and an increase in the effective tax rate.

Twenty-six weeks ended August 2, 2026 compared to the twenty-six weeks ended August 3, 2025

Net sales

Net sales increased $0.5 million, or 0.2%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period driven by new showroom openings, partially offset by the closure of the Company's Best Buy shop-in-shop locations and a decrease of 1.3% in omni-channel comparable net sales. In the twenty-six weeks ended August 2, 2026, the numbers of repeat and new customers decreased by 1.3% and 2.6%, respectively. In the comparable prior year period, the number of repeat customers increased by 14.8%, partially offset by a 3.9% decline in new customers.

Showroom net sales increased $5.6 million, or 2.7%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period.

Internet net sales (sales made directly to customers through our ecommerce channel) increased $0.1 million, or 0.1%, in the twenty-six weeks ended August 2, 2026 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 $5.2 million, or 29.6%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period. The decrease was primarily attributable to 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 increased $17.3 million, or 10.5%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period. Gross margin increased 570 basis points to 60.9% of net sales in the twenty-six weeks ended August 2, 2026 from 55.2% of net sales in the prior year period. Gross margin increased primarily due to recoveries of IEEPA tariffs, which contributed 670 basis points, and a 280 basis point improvement in product margin driven primarily by price increases, partially offset by higher promotional discounting. These favorable impacts were partially offset by increases of 260 basis points in inbound transportation and tariff costs and 120 basis points in outbound transportation and warehousing costs.

Selling, general and administrative (SG&A) expenses

SG&A expenses increased $1.7 million, or 1.2%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period. The increase was primarily related to increases of $2.9 million in payroll associated with severance and higher incentive compensation, $1.0 million in new product innovation costs, and $0.7 million in other overhead expenses, partially offset by $1.5 million of impairment charges related to the Best Buy partnership termination that were recognized in the prior year period, and a $1.4 million decrease in equity-based compensation. As a percentage of net sales, SG&A was 47.0% in the twenty-six weeks ended August 2, 2026, compared to 46.6% in the prior year period.

Advertising and marketing expenses

Advertising and marketing expenses decreased $2.7 million, or 6.4%, in the twenty-six weeks ended August 2, 2026 compared to the prior year period, primarily due to the strategic timing of marketing investments and continued emphasis on efficiency. Advertising and marketing expenses were 13.2% of net sales in the twenty-six weeks ended August 2, 2026 compared to 14.1% of net sales in the prior year period.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $0.9 million, or 12.6%, in the twenty-six weeks ended August 2, 2026 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 $1.9 million for the twenty-six weeks ended August 2, 2026, compared to $0.4 million in the prior year period. The increase in interest income was primarily the result of interest earned on IEEPA tariff refunds and higher cash deposits in the Company's interest-bearing bank accounts.

Income tax benefit

Income tax benefit was $0.9 million for the twenty-six weeks ended August 2, 2026, compared to $5.9 million in the prior year period. The change in benefit was primarily driven by lower pre-tax loss and a decrease in the effective tax rate.

Liquidity and Capital Resources

General

Our business relies on cash flows from operations, our revolving line of credit (see "Revolving Line of Credit" below) and securities issuances as our primary sources of liquidity. At August 2, 2026, we had $68.8 million in cash and cash equivalents. 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. Our long-term cash needs will depend on, among other things, our profitability and our ability to manage working capital requirements, and if needed, our ability to identify and secure other potential sources to fund future working capital needs and meet capital expenditure requirements.

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 $12.2 million in the twenty-six weeks ended August 2, 2026.

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:

	Twenty-six weeks ended	
(amounts in thousands)	August 2, 2026	August 3, 2025
Net cash used in operating activities	$ (11,429)	$ (29,212)
Net cash used in investing activities	(12,204)	(13,196)
Net cash used in financing activities	(9,416)	(7,135)
Net change in cash and cash equivalents	(33,049)	(49,543)
Cash and cash equivalents at the end of the period	68,804	34,191

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 $11.4 million in the twenty-six weeks ended August 2, 2026, compared to $29.2 million in the prior year period. The decrease was primarily attributable to the receipt of IEEPA tariff refunds and net working capital changes, including the timing of vendor payments and strategic investments in inventory to support future demand.

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 twenty-six weeks ended August 2, 2026, net cash used in investing activities was $12.2 million, primarily driven by continued investments in new showrooms. For the twenty-six weeks ended August 3, 2025, net cash used in investing activities was $13.2 million, primarily driven by one-time capital expenditures related to our new corporate office and 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 twenty-six weeks ended August 2, 2026 and August 3, 2025, net cash used in financing activities was $9.4 million and $7.1 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

We are party to a credit agreement providing for an asset-based revolving credit facility with the lenders party thereto, and Wells Fargo Bank, National Association ("Wells"), as administrative agent, that matures July 29, 2029. The maximum revolver commitment is $40.0 million, subject to borrowing base and availability restrictions, and also includes an uncommitted accordion feature that allows the Company, subject to certain customary conditions, to increase the size of the revolving credit facility by $10.0 million. 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.

For additional information regarding our line of credit with Wells, see Note 7. Financing Arrangements. As of August 2, 2026 and February 1, 2026, the Company's borrowing availability under the line of credit was $34.0 million and $36.0 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. On March26,2026, our Board of Directors authorized the repurchase of an additional $40.0 million of our outstanding common stock under the share repurchase program. Repurchases may be made through open market purchases, privately negotiated transactions, and accelerated share repurchases. 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 thirteen weeks ended August 2, 2026, we repurchased and subsequently retired 274,426 shares of common stock, costing $4.9 million, including broker commissions and fees. We did not repurchase any shares of common stock during the thirteen weeks ended August 3, 2025. During the twenty-six weeks ended August 2, 2026 and August 3, 2025, we repurchased and subsequently retired 415,908 and 306,325 shares of common stock for $7.2 million and $6.0 million, respectively, including broker commissions and fees.

As of August 2, 2026, approximately $46.9 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 August 2, 2026, 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 1, 2026 for a complete description of our significant accounting policies. There have been no material changes to the critical accounting policies during the twenty-six weeks ended August 2, 2026.

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 I 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 second quarter of fiscal 2027 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 August 2, 2026, 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 August 2, 2026 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 1, 2026.

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

Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity for the thirteen weeks ended August 2, 2026:

	Total Number of Shares Purchased	Average Price Paid Per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program [2]
				(in thousands)
May 4, 2026 to May 31, 2026	—	$ —	—	$ 51,729
June 1, 2026 to July 5, 2026	—	$ —	—	$ 51,729
July 6, 2026 to August 2, 2026	274,426	$ 17.74	274,426	$ 46,860
Total	274,426	$ 17.74	274,426	

[1] Average price paid per share excludes broker commission fees and the 1% excise tax incurred under the Inflation Reduction Act of 2022.

[2] On June 11, 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. This authorization was subsequently increased by an additional $40.0 million on March 26, 2026. 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 August 2, 2026.

Item 6. Exhibits

Exhibit Number	Description of Exhibit	Filed / Incorporated by Reference from Form **	Incorporated by Reference from Exhibit Number	Date Filed
3.1	Amended and Restated Certificate of Incorporation	8-K	3.1	6/7/2021
3.2	Amended and Restated Bylaws	8-K	3.2	12/1/2023
10.1	Separation Agreement by and between The Lovesac Company and Keith Siegner	8-K	10.1	6/15/2026
10.2+	Offer Letter between The Lovesac Company and Andrew Farag, dated April 1, 2026	8-K	10.2	6/15/2026
10.3+	Employment Agreement by and between The Lovesac Company and Andrew Farag dated June 15, 2026	8-K	10.3	6/15/2026
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.

+ Indicates a management contract or compensatory plan.

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: September 10, 2026

By: /s/ Andrew Farag

Andrew Farag

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: September 10, 2026