Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 1, 2025

or

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

For the transition period from to

Commission file number: 001-35720



(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of December 5, 2025, 18,777,699 shares of the registrant's common stock were outstanding.

RH
INDEX TO FORM 10-Q

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	3
	Condensed Consolidated Balance Sheets (Unaudited) as of November 1, 2025 and February 1, 2025	3
	Condensed Consolidated Statements of Income (Unaudited) for the three and nine months ended November 1, 2025 and November 2, 2024	4
	Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended November 1, 2025 and November 2, 2024	5
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited) for the three and nine months ended November 1, 2025 and November 2, 2024	6
	Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended November 1, 2025 and November 2, 2024	8
	Notes to Condensed Consolidated Financial Statements (Unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	51
Item 4.	Controls and Procedures	52
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	53
Item 1A.	Risk Factors	53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 3.	Defaults Upon Senior Securities	54
Item 4.	Mine Safety Disclosures	54
Item 5.	Other Information	54
Item 6.	Exhibits	55
Signatures		56

PART I

ITEM 1. FINANCIAL STATEMENTS

RH

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 43,086	$ 30,413
Accounts receivable—net	63,138	63,484
Merchandise inventories	874,914	1,019,591
Prepaid expense and other current assets	143,262	177,843
Total current assets	1,124,400	1,291,331
Property and equipment—net	2,175,433	1,883,176
Operating lease right-of-use assets	726,556	617,103
Goodwill	143,755	140,943
Tradenames, trademarks and other intangible assets—net	79,708	76,118
Deferred tax assets	147,941	147,723
Equity method investments	121,404	126,909
Other non-current assets	274,544	271,386
Total assets	$ 4,793,741	$ 4,554,689
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Accounts payable and accrued expenses	$ 376,628	$ 413,406
Deferred revenue and customer deposits	348,932	291,815
Operating lease liabilities	107,011	100,944
Other current liabilities	113,676	98,961
Total current liabilities	946,247	905,126
Asset based credit facility	65,000	200,000
Term loan B—net	1,890,567	1,903,144
Term loan B-2—net	467,483	468,019
Real estate loans—net	15,280	15,524
Non-current operating lease liabilities	658,328	573,468
Non-current finance lease liabilities	721,613	630,655
Deferred tax liabilities	11,360	10,394
Other non-current liabilities	14,517	11,948
Total liabilities	4,790,395	4,718,278
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit)		
Preferred stock—$0.0001 par value per share, 10,000,000 shares authorized, no shares issued or outstanding as of November 1, 2025 and February 1, 2025	—	—
Common stock—$0.0001 par value per share, 180,000,000 shares authorized, 18,776,949 shares issued and outstanding as of November 1, 2025; 18,726,116 shares issued and outstanding as of February 1, 2025	2	2
Additional paid-in capital	399,809	362,348
Accumulated other comprehensive income (loss)	18,375	(15,087)
Accumulated deficit	(414,840)	(510,852)
Total stockholders' equity (deficit)	3,346	(163,589)
Total liabilities and stockholders' equity (deficit)	$ 4,793,741	$ 4,554,689

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

RH

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands, except share and per share amounts)			
Net revenues	$ 883,810	$ 811,732	$ 2,596,913	$ 2,368,347
Cost of goods sold	494,074	450,392	1,442,585	1,316,212
Gross profit	389,736	361,340	1,154,328	1,052,135
Selling, general and administrative expenses	283,806	259,872	863,611	799,877
Operating income	105,930	101,468	290,717	252,258
Other expenses				
Interest expense—net	57,152	57,590	171,113	173,624
Other (income) expense—net	694	27	(3,533)	529
Total other expenses	57,846	57,617	167,580	174,153
Income before taxes and equity method investments	48,084	43,851	123,137	78,105
Income tax expense	11,625	9,256	33,784	10,882
Income before equity method investments	36,459	34,595	89,353	67,223
Share of equity method investments (income) loss—net	194	1,427	(6,659)	8,728
Net income	$ 36,265	$ 33,168	$ 96,012	$ 58,495
Weighted-average shares used in computing basic net income per share	18,760,088	18,534,815	18,742,109	18,439,159
Basic net income per share	$ 1.93	$ 1.79	$ 5.12	$ 3.17
Weighted-average shares used in computing diluted net income per share	19,807,541	19,981,011	19,819,369	19,960,108
Diluted net income per share	$ 1.83	$ 1.66	$ 4.84	$ 2.93

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

RH

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Net income	$ 36,265	$ 33,168	$ 96,012	$ 58,495
Net gain (loss) from foreign currency translation	(4,246)	(862)	33,462	3,080
Comprehensive income	$ 32,019	$ 32,306	$ 129,474	$ 61,575

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

RH

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited)

	THREE MONTHS ENDED					
	COMMON STOCK					
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	(in thousands, except share amounts)					
Balances—August 2, 2025	18,744,120	$ 2	$ 387,582	$ 22,621	$ (451,105)	$ (40,900)
Stock-based compensation	—	—	11,308	—	—	11,308
Vested and delivered restricted stock units	192	—	(24)	—	—	(24)
Exercise of stock options	32,637	—	943	—	—	943
Net income	—	—	—	—	36,265	36,265
Net loss from foreign currency translation	—	—	—	(4,246)	—	(4,246)
Balances—November 1, 2025	18,776,949	$ 2	$ 399,809	$ 18,375	$ (414,840)	$ 3,346
Balances—August 3, 2024	18,482,697	$ 2	$ 321,214	$ 2,004	$ (557,937)	$ (234,717)
Stock-based compensation	—	—	11,684	—	—	11,684
Issuance of restricted stock	8,000	—	—	—	—	—
Vested and delivered restricted stock units	192	—	(37)	—	—	(37)
Exercise of stock options	70,281	—	7,755	—	—	7,755
Settlement of convertible senior notes	39,121	—	—	—	—	—
Net income	—	—	—	—	33,168	33,168
Net loss from foreign currency translation	—	—	—	(862)	—	(862)
Balances—November 2, 2024	18,600,291	$ 2	$ 340,616	$ 1,142	$ (524,769)	$ (183,009)

RH

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

(Unaudited)

	NINE MONTHS ENDED					
	COMMON STOCK					
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	(in thousands, except share amounts)					
Balances—February 1, 2025	18,726,116	$ 2	$ 362,348	$ (15,087)	$ (510,852)	$ (163,589)
Stock-based compensation	—	—	35,315	—	—	35,315
Issuance of restricted stock	4,690	—	—	—	—	—
Vested and delivered restricted stock units	1,212	—	(55)	—	—	(55)
Exercise of stock options	44,931	—	2,201	—	—	2,201
Net income	—	—	—	—	96,012	96,012
Net gain from foreign currency translation	—	—	—	33,462	—	33,462
Balances—November 1, 2025	18,776,949	$ 2	$ 399,809	$ 18,375	$ (414,840)	$ 3,346
Balances—February 3, 2024	18,315,613	$ 2	$ 287,806	$ (1,938)	$ (583,264)	$ (297,394)
Stock-based compensation	—	—	33,757	—	—	33,757
Issuance of restricted stock	15,829	—	—	—	—	—
Vested and delivered restricted stock units	1,009	—	(188)	—	—	(188)
Exercise of stock options	228,719	—	19,241	—	—	19,241
Settlement of convertible senior notes	39,121	—	—	—	—	—
Net income	—	—	—	—	58,495	58,495
Net gain from foreign currency translation	—	—	—	3,080	—	3,080
Balances—November 2, 2024	18,600,291	$ 2	$ 340,616	$ 1,142	$ (524,769)	$ (183,009)

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

RH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 96,012	$ 58,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	108,241	96,082
Non-cash operating lease cost	78,050	72,211
Stock-based compensation expense	35,315	33,757
Asset impairments	5,883	20,535
Non-cash finance lease interest expense	28,883	23,223
Product recall	1,913	—
Deferred income taxes	—	5,399
Share of equity method investments (income) loss—net	(6,659)	8,728
Distribution of return on equity method investment	4,630	—
Other non-cash items	4,631	6,529
Change in assets and liabilities:		
Accounts receivable	497	(7,917)
Merchandise inventories	155,251	(224,244)
Prepaid expense and other assets	(21,507)	13,084
Landlord assets under construction—net of tenant allowances	(64,691)	(33,032)
Accounts payable and accrued expenses	(30,070)	43,812
Deferred revenue and customer deposits	52,313	25,065
Other current liabilities	12,712	(9,974)
Current and non-current operating lease liabilities	(78,837)	(73,137)
Other non-current obligations	(26,392)	(22,747)
Net cash provided by operating activities	356,175	35,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(158,387)	(179,897)
Acquisition of business	(32,119)	—
Equity method investments	(374)	(9,620)
Acquisition of intangible asset	(3,171)	—
Receipt of promissory note repayment from equity method investee	1,750	—
Distribution of return of equity method investment	7,916	—
Proceeds from insurance recoveries	2,325	—
Net cash used in investing activities	(182,060)	(189,517)

RH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(Unaudited)

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under asset based credit facility	290,000	190,000
Repayments under asset based credit facility	(425,000)	—
Repayments under term loans	(18,750)	(18,750)
Repayments under real estate loans	(254)	(44)
Repayments of convertible senior notes	—	(41,904)
Debt issuance costs	(2,997)	—
Principal payments under finance lease agreements—net of tenant allowances	(7,789)	(19,609)
Repurchases of common stock—inclusive of excise taxes paid	—	(11,988)
Proceeds from exercise of stock options	2,201	19,241
Tax withholdings related to issuance of stock-based awards	(55)	(188)
Net cash provided by (used in) financing activities	(162,644)	116,758
Effects of foreign currency exchange rate translation on cash	1,202	214
Net increase (decrease) in cash and cash equivalents	12,673	(36,676)
Cash and cash equivalents		
Beginning of period	30,413	123,688
End of period	$ 43,086	$ 87,012
Non-cash transactions		
Property and equipment additions in accounts payable and accrued expenses at period-end	$ 29,140	$ 48,186
Landlord asset additions in accounts payable and accrued expenses at period-end	18,243	9,792

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

RH

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—THE COMPANY

Nature of Business

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

As of November 1, 2025, we operated a total of 73 RH Galleries and 43 RH Outlet stores, one RH Guesthouse, one RH Interior Design Office and 14 Waterworks Showrooms throughout the United States, Canada and Europe. We also have sourcing operations in Shanghai.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared from our records and, in our senior leadership team's opinion, include all adjustments, consisting of normal recurring adjustments, necessary to fairly state our financial position as of November 1, 2025, and the results of operations for the three and nine months ended November 1, 2025 and November 2, 2024. Our current fiscal year, which consists of 52 weeks, ends on January 31, 2026 ("fiscal 2025").

The condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries, as well as the financial information of variable interest entities ("VIEs") where we represent the primary beneficiary and have the power to direct the activities that most significantly impact the entity's performance (refer to Note 6—*Variable Interest Entities*). Accordingly, all intercompany balances and transactions have been eliminated through the consolidation process.

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

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

We have assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, using information that is reasonably available to us at this time. The accounting estimates and other matters we have assessed include, but were not limited to, sales return reserve, inventory reserve, allowance for doubtful accounts, goodwill, and intangible and other long-lived assets. Our current assessment of these estimates is included in the condensed consolidated financial statements as of and for the three and nine months ended November 1, 2025. As additional information becomes available to us, our future assessment of these estimates, as well as other factors, could change and the results of any such change could materially and adversely impact the condensed consolidated financial statements in future reporting periods.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 1, 2025 (the "2024 Form 10-K").

The results of operations for the three and nine months ended November 1, 2025, presented herein, are not necessarily indicative of the results to be expected for the full fiscal year.

NOTE 2—RECENTLY ISSUED ACCOUNTING STANDARDS

New Accounting Standards or Updates Adopted

Joint Venture Formations: Recognition and Initial Measurement

In August 2023, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update ("ASU") 2023-05—Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement* ("ASU 2023-05"). ASU 2023-05 applies to the formation of a "joint venture" or a "corporate joint venture" and requires a joint venture to initially measure all contributions received upon its formation at fair value. The guidance does not impact accounting by the venturers. We adopted this new guidance in the first quarter of fiscal 2025 on a prospective basis. While ASU 2023-05 is not currently applicable to us because our existing arrangements in variable interest entities do not meet the definition of joint ventures in the updated standard, we will apply this guidance to any future arrangements we enter into that meet the definition of a joint venture.

New Accounting Standards or Updates Not Yet Adopted

Income Taxes: Improvements to Income Tax Disclosures

In December 2023, the FASB issued *ASU 2023-09—Improvements to Income Tax Disclosures ("ASU 2023-09")*. This new guidance is designed to enhance the transparency and decision usefulness of income tax disclosures. The amendments of this update are related to the rate reconciliation and income taxes paid, requiring consistent categories and greater disaggregation of information in the rate reconciliation as well as income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. We expect to include additional disclosures within the annual financial statements for the fiscal year ended January 31, 2026 to comply with the requirements of ASU 2023-09.

Income Statement: Disaggregation of Income Statement Expenses

In November 2024, the FASB issued *ASU 2024-03—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*. This new guidance is designed to improve financial reporting by requiring public business entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods, including amounts and qualitative descriptions of inventory purchases, employee compensation, depreciation and intangible asset amortization, among other requirements. In January 2025, the FASB issued *ASU 2025-01—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*, which clarifies that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The guidance is required to be adopted on a prospective basis and early adoption is permitted. We are currently assessing the impact that adopting this ASU will have on the condensed consolidated financial statements.

Financial Instruments: Measurement of Credit Losses for Accounts Receivable and Contract Assets

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 new guidance provides all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025. We are currently assessing the impact that adopting this ASU will have on the condensed consolidated financial statements.

Intangibles—Goodwill and Other—Internal-Use Software: Improvements to Accounting for Internal-Use Software

In September 2025, the FASB issued *ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* ("ASU 2025-06"). This new guidance amends guidance related to accounting for internal-use software development costs and clarifies the criteria for capitalization. ASU 2025-06 is effective for fiscal years beginning after December 15, 2027. We are currently assessing the impact that adopting this ASU will have on the condensed consolidated financial statements.

NOTE 3—BUSINESS COMBINATION

On July 8, 2025, we acquired a home furnishings business operating under the brand names of Formations and Dennis & Leen for total consideration of $32 million, funded through available cash. The transaction was accounted for as a business combination under Accounting Standards Codification ("ASC") 805—*Business Combinations*. We believe that this addition to the RH platform further positions us as a leader in the luxury design market as we continue to enhance the RH product assortment.

During the nine months ended November 1, 2025, we incurred $2.3 million of acquisition-related costs associated with the transaction. These costs include fees associated with financial, legal and accounting advisors, and are included in *selling, general and administrative expenses* on the condensed consolidated statements of income.

The following table summarizes the preliminary purchase price allocation based on the fair value of the assets acquired and liabilities assumed as of July 8, 2025:

	PURCHASE PRICE ALLOCATION
	(in thousands)
Merchandise inventories	$ 5,451
Property and equipment	27,461
Operating lease right-of-use assets	4,443
Goodwill[(1)]	2,770
Other assets	981
Deferred revenue and customer deposits	(3,471)
Operating lease liabilities	(4,273)
Other liabilities	(1,243)
Total	$ 32,119

(1) Goodwill of $2.8 million, included in the RH Segment, represents the expected synergies from integrating the acquired business into our operations and is expected to be deductible for tax purposes.

The fair values assigned to assets acquired and liabilities assumed are preliminary based on our best estimates and assumptions as of the reporting date and may be subject to change as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date).

Results of operations of the acquired company have been included in our condensed consolidated statements of income since July 8, 2025, the acquisition date. Pro forma results of the acquired business have not been presented as the results were not considered material to our condensed consolidated financial statements for all periods presented and would not have been material had the acquisition occurred at the beginning of fiscal 2024.

NOTE 4—PREPAID EXPENSE AND OTHER ASSETS

Prepaid expense and other current assets consisted of the following:

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
Value added tax (VAT) receivable	$ 32,252	$ 9,866
Prepaid expenses	21,371	29,595
Vendor deposits	19,637	20,441
Capitalized cloud computing costs	11,419	9,851
Capitalized catalog costs	7,921	30,162
Tenant allowance receivable	6,744	12,668
Right of return asset for merchandise	6,548	6,237
Federal and state tax receivable[1]	4,106	24,729
Promissory notes receivable, including interest[2]	1,154	3,674
Other current assets	32,110	30,620
Total prepaid expense and other current assets	$ 143,262	$ 177,843

(1) As of February 1, 2025, includes $19 million related to a federal tax receivable from a carryback claim.

(2) Represents promissory notes, including principal and accrued interest, due from an affiliate of the managing member of the Aspen LLCs. Refer to Note 6—*Variable Interest Entities*.

Other non-current assets consisted of the following:

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
Landlord assets under construction—net of tenant allowances	$ 113,423	$ 138,701
Initial direct costs prior to lease commencement	82,503	80,897
Capitalized cloud computing costs—net[1]	29,304	22,738
Federal tax receivable—non-current[2]	19,483	—
Other deposits	8,354	7,754
Deferred financing fees	3,732	1,512
Vendor deposits—non-current	3,285	2,684
Other non-current assets	14,460	17,100
Total other non-current assets	$ 274,544	$ 271,386

(1) Presented net of accumulated amortization of $40 million and $30 million as of November 1, 2025 and February 1, 2025, respectively.

(2) Represents a federal tax receivable from a carryback claim.

NOTE 5—GOODWILL, TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS

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

	RH SEGMENT		WATERWORKS	
	GOODWILL	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS	GOODWILL[1]	TRADENAMES, TRADEMARKS AND OTHER INTANGIBLE ASSETS[2]
	(in thousands)			
February 1, 2025	$ 140,943	$ 59,118	$ —	$ 17,000
Additions	2,770	3,872	—	—
Other[3]	—	(282)	—	—
Foreign currency translation	42	—	—	—
November 1, 2025	$ 143,755	$ 62,708	$ —	$ 17,000

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

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

(3) Represents disposals and amortization of patents.

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

NOTE 6—VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities and Noncontrolling Interests

In fiscal 2022, we formed eight privately-held limited liability companies (each, a "Member LLC" and collectively, the "Member LLCs" or the "consolidated variable interest entities") for real estate development activities related to our Gallery transformation and global expansion strategies.

In fiscal 2024, one Member LLC became a wholly-owned subsidiary and is no longer a VIE.

As of November 1, 2025 and February 1, 2025, of the remaining seven Member LLCs, we hold a 50 percent membership interest in six of the Member LLCs, and the remaining noncontrolling interest of 50 percent in each Member LLC is held by the same development partner. In one Member LLC, we hold approximately 75 percent membership interest with the remaining noncontrolling interest of approximately 25 percent held by the same development partner.

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

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 1,597	$ 2,177
Prepaid expense and other current assets	1,073	980
Total current assets	2,670	3,157
Property and equipment—net[1]	286,631	259,057
Other non-current assets	7	6
Total assets	$ 289,308	$ 262,220
LIABILITIES		
Accounts payable and accrued expenses	$ 3,984	$ 4,867
Other current liabilities	368	333
Total current liabilities	4,352	5,200
Real estate loan—net[2]	15,280	15,524
Other non-current liabilities	986	929
Total liabilities	$ 20,618	$ 21,653

(1) Includes $76 million and $54 million of construction in progress as of November 1, 2025 and February 1, 2025, respectively.

(2) On September 9, 2022, a Member LLC as the borrower executed a Promissory Note (the "Promissory Note") with a third-party bank in an aggregate principal amount equal to $16 million with a maturity date of September 9, 2032. The Promissory Note bears interest at a fixed rate per annum equal to 5.37% until September 15, 2027, on which date the interest rate will reset based on the five-year treasury rate plus 2.00%, subject to a total interest rate floor of 3.00%. The Promissory Note is secured by the assets of the Member LLC and the creditor does not have recourse against RH's general assets.

Equity Method Investments

Equity method investments primarily represent our membership interests in three privately-held limited liability companies in Aspen, Colorado (each, an "Aspen LLC" and collectively, the "Aspen LLCs") that were formed for the purpose of acquiring, developing, operating and selling certain real estate projects in Aspen, Colorado. Additionally, Waterworks has membership interests in two European entities that are equity method investments.

In March 2025, the Aspen LLC in which we hold a 70 percent interest sold its sole real estate property. Subsequent to the property sale, we received $15 million from the Aspen LLC, which consisted of $2.9 million for the repayment of its outstanding promissory note to us, including accrued interest, and a capital distribution of $13 million. The capital distribution of $13 million represented a return of our contributed capital of $7.9 million and a return on investment of $4.6 million, which are included within cash flows from investing activities and cash flows from operating activities, respectively, on the condensed consolidated statements of cash flows. Following this capital distribution, the remaining net assets in this Aspen LLC are immaterial.

Other than as described above, we did not receive any distributions or have any undistributed earnings of equity method investments during the three or nine months ended November 1, 2025 and November 2, 2024.

Our maximum exposure to loss is the carrying value of each of the equity method investments as of November 1, 2025.

NOTE 7—ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consisted of the following:

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
Accounts payable	$ 178,672	$ 245,260
Accrued compensation	60,951	50,689
Accrued sales and use tax	35,215	27,685
Accrued occupancy	29,142	24,992
Accrued freight and duty	23,845	18,030
Accrued professional fees	13,536	5,281
Accrued legal contingencies[1]	2,570	3,029
Other accrued expenses	32,697	38,440
Total accounts payable and accrued expenses	$ 376,628	$ 413,406

(1) Refer to Note 14—*Commitments and Contingencies.*

Other current liabilities consisted of the following:

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
Allowance for sales returns	$ 25,730	$ 23,512
Current portion of term loans	25,000	25,000
Finance lease liabilities	20,737	21,135
Unredeemed gift card and merchandise credit liability	20,104	19,546
Federal tax payable	14,876	3,242
Foreign tax payable	1,790	1,980
Other current liabilities	5,439	4,546
Total other current liabilities	$ 113,676	$ 98,961

Supplier Finance Program

We facilitate a voluntary supply chain financing program (the "Financing Program") with a third-party financial institution (the "Bank") to provide participating suppliers with the opportunity to receive early payment on invoices, net of a discount charged to the supplier by the Bank. As of November 1, 2025 and February 1, 2025, we had $21 million and $35 million, respectively, of payment obligations outstanding under the Financing Program included in *accounts payable and accrued expenses* on the condensed consolidated balance sheets.

Reorganization

We implemented and completed a restructuring in the fourth quarter of fiscal 2024 and in the second quarter of fiscal 2025 that included workforce and expense reductions in order to improve and simplify our organizational structure, streamline certain aspects of our business operations and better position us for further growth. The workforce reduction associated with these initiatives included the elimination of numerous leadership and other positions throughout the organization. During the nine months ended November 1, 2025, we incurred total charges relating to the reorganization of $1.2 million, consisting primarily of severance costs and related taxes. As of November 1, 2025 and February 1, 2025, we had accruals of $0.8 million and $3.4 million, respectively, included within *accounts payable and accrued expenses* on the condensed consolidated balance sheets related to the reorganizations.

Contract Liabilities

We defer revenue associated with merchandise delivered via the home-delivery channel. We expect that substantially all of the deferred revenue and customer deposits as of November 1, 2025 will be recognized within the next six months as the performance obligations are satisfied. In addition, we defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards. During the three months ended November 1, 2025 and November 2, 2024, we recognized $4.5 million and $4.6 million, respectively, of revenue related to previous deferrals related to our gift cards. During the nine months ended November 1, 2025 and November 2, 2024, we recognized $16 million and $15 million, respectively, of revenue related to previous deferrals related to our gift cards. We expect that approximately 75 percent of the remaining gift card liabilities will be recognized when the gift cards are redeemed by customers.

NOTE 8—LEASES

Lease costs—net consisted of the following:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Operating lease costs[1]	$ 38,184	$ 32,891	$ 110,077	$ 99,129
Finance lease costs				
Amortization of leased assets[1]	15,605	13,264	45,153	38,582
Interest on lease liabilities[2]	10,690	7,894	28,883	23,223
Variable lease costs[3]	5,764	4,748	19,393	17,869
Sublease income[4]	(1,187)	(1,195)	(3,558)	(3,528)
Total lease costs—net	$ 69,056	$ 57,602	$ 199,948	$ 175,275

(1) Operating lease costs and amortization of finance lease right-of-use assets are included in *cost of goods sold* or *selling, general and administrative expenses* on the condensed consolidated statements of income based on our accounting policy.

(2) Included in *interest expense—net* on the condensed consolidated statements of income. Amounts include lease cost related to variable lease payments based on an index or rate that were not included in the measurement of the initial lease liability and right-of-use asset for finance leases, which were not material in either period presented.

(3) Represents variable lease payments under operating and finance lease agreements, primarily associated with contingent rent based on a percentage of retail sales over contractual levels of $3.5 million and $2.2 million for the three months ended November 1, 2025 and November 2, 2024, respectively, and $12 million and $9.7 million for the nine months ended November 1, 2025 and November 2, 2024, respectively, as well as charges associated with common area maintenance of $2.2 million and $2.6 million for the three months ended November 1, 2025 and November 2, 2024, respectively, and $7.7 million and $8.2 million for the nine months ended November 1, 2025 and November 2, 2024, respectively. Other variable costs, which include single lease cost related to variable lease payments based on an index or rate that were not included in the measurement of the initial lease liability and right-of-use asset, were not material in any period presented.

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

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

		NOVEMBER 1, 2025	FEBRUARY 1, 2025
		(in thousands)	
	Balance Sheet Classification		
Assets			
Operating leases	*Operating lease right-of-use assets*	$ 726,556	$ 617,103
Finance leases[1][2][3]	*Property and equipment—net*	1,191,150	1,007,088
Total lease right-of-use assets		$ 1,917,706	$ 1,624,191
Liabilities			
Current[4]			
Operating leases	*Operating lease liabilities*	$ 107,011	$ 100,944
Finance leases	*Other current liabilities*	20,737	21,135
Total lease liabilities—current		127,748	122,079
Non-current			
Operating leases	*Non-current operating lease liabilities*	658,328	573,468
Finance leases	*Non-current finance lease liabilities*	721,613	630,655
Total lease liabilities—non-current		1,379,941	1,204,123
Total lease liabilities		$ 1,507,689	$ 1,326,202

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

(2) Recorded net of accumulated amortization of $366 million and $320 million as of November 1, 2025 and February 1, 2025, respectively.

(3) Includes $33 million and $35 million as of November 1, 2025 and February 1, 2025, respectively, related to an RH Design Gallery lease with a landlord that is an affiliate of the managing member of the Aspen LLCs. Refer to Note 6—*Variable Interest Entities*.

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

The maturities of lease liabilities were as follows as of November 1, 2025:

FISCAL YEAR	OPERATING LEASES	FINANCE LEASES	TOTAL
		(in thousands)	
Remainder of fiscal 2025	$ 35,744	$ 15,264	$ 51,008
2026	147,829	61,431	209,260
2027	136,246	63,085	199,331
2028	105,390	62,237	167,627
2029	94,067	61,931	155,998
2030	85,165	62,966	148,131
Thereafter	470,030	1,186,003	1,656,033
Total lease payments[1][2]	1,074,471	1,512,917	2,587,388
Less—imputed interest[3]	(309,132)	(770,567)	(1,079,699)
Present value of lease liabilities	$ 765,339	$ 742,350	$ 1,507,689

(1) Total lease payments include future obligations for renewal options that are reasonably certain to be exercised and are included in the measurement of the lease liability. Total lease payments exclude $696 million of legally binding payments under the non-cancellable term for leases signed but not yet commenced under our accounting policy as of November 1, 2025, of which $5.6 million, $29 million, $36 million, $38 million, $41 million and $41 million will be paid in the remainder of fiscal 2025, fiscal 2026, fiscal 2027, fiscal 2028, fiscal 2029 and fiscal 2030, respectively, and $505 million will be paid subsequent to fiscal 2030.

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

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

Supplemental information related to leases consisted of the following:

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
Weighted-average remaining lease term (years)		
Operating leases	9.7	8.9
Finance leases	21.8	19.5
Weighted-average discount rate		
Operating leases	6.2 %	5.6 %
Finance leases	6.5 %	5.3 %

Other information related to leases consisted of the following:

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (109,076)	$ (97,068)
Operating cash flows from finance leases	(28,883)	(23,223)
Financing cash flows from finance leases—net[1]	(7,789)	(19,609)
Total cash outflows from leases	$ (145,748)	$ (139,900)
Non-cash transactions		
Lease right-of-use assets obtained in exchange for lease obligations—net of lease terminations		
Operating leases[2]	$ 161,674	$ 58,382
Finance leases	106,331	37,751
Reclassification from other non-current assets to finance lease right-of-use assets	129,337	71,874

(1) Presented net of tenant allowances received subsequent to lease commencement of $15 million in the nine months ended November 1, 2025. We did not receive any such tenant allowances in the nine months ended November 2, 2024.

(2) Right-of-use assets obtained in exchange for new operating lease liabilities exclude the impact from acquisitions of $4.3 million for the nine months ended November 1, 2025. Refer to Note 3—*Business Combinations*.

Long-Lived Asset Impairment

During the three months ended November 2, 2024, we recognized long-lived asset impairment charges of $19 million for our two Design Galleries in Germany due to the asset carrying value of each location exceeding the estimated fair market value of the long-lived assets over their respective remaining lease terms, both of which end in 2027. These impairment charges were comprised of lease right-of-use asset impairment of $13 million and property and equipment impairment of $5.6 million.

NOTE 9—CREDIT FACILITIES AND CONVERTIBLE SENIOR NOTES

The outstanding balances under our credit facilities were as follows:

	NOVEMBER 1, 2025				FEBRUARY 1, 2025		
	INTEREST RATE	OUTSTANDING AMOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	NET CARRYING AMOUNT	OUTSTANDING AMOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	NET CARRYING AMOUNT
		(dollars in thousands)					
Asset based credit facility[1]	5.83%	$ 65,000	$ —	$ 65,000	$ 200,000	$ —	$ 200,000
Term loan B[2]	6.58%	1,920,000	(9,433)	1,910,567	1,935,000	(11,856)	1,923,144
Term loan B-2[3]	7.31%	485,000	(12,517)	472,483	488,750	(15,731)	473,019
Total credit facilities		$ 2,470,000	$ (21,950)	$2,448,050	$ 2,623,750	$ (27,587)	$2,596,163

(1) Deferred financing fees associated with the asset based credit facility as of November 1, 2025 and February 1, 2025 were $3.7 million and $1.5 million, respectively, and are included in *other non-current assets* on the condensed consolidated balance sheets. The deferred financing fees are amortized on a straight-line basis over the life of the revolving line of credit. In July 2025, Restoration Hardware, Inc. entered into an amendment to the ABL Credit Agreement (defined below), which extended the maturity date of the revolving line of credit from July 29, 2026 to the earlier of (a) July 31, 2030 and (b) the date which is 91 days prior to the final stated maturity of the Term Loan Credit Agreement and any refinancing thereof.

(2) Represents the Term Loan Credit Agreement (defined below), of which outstanding amounts of $1,900 million and $1,915 million were included in *term loan B—net* on the condensed consolidated balance sheets as of November 1, 2025 and February 1, 2025, respectively, and $20 million was included in *other current liabilities* on the condensed consolidated balance sheets as of both November 1, 2025 and February 1, 2025.

(3) Represents the outstanding balance of the Term Loan B-2 (defined below) under the Term Loan Credit Agreement, of which outstanding amounts of $480 million and $484 million were included in *term loan B-2—net* on the condensed consolidated balance sheets as of November 1, 2025 and February 1, 2025, respectively, and $5.0 million was included in *other current liabilities* on the condensed consolidated balance sheets as of both November 1, 2025 and February 1, 2025.

Asset Based Credit Facility

On August 3, 2011, Restoration Hardware, Inc. ("RHI"), a wholly-owned subsidiary of RH, along with its Canadian subsidiary, Restoration Hardware Canada, Inc., entered into the Ninth Amended and Restated Credit Agreement (as amended prior to June 28, 2017, the "Original Credit Agreement") by and among RHI, Restoration Hardware Canada, Inc., certain other subsidiaries of RH named therein as borrowers or guarantors, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the "ABL Agent").

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

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

On July 31, 2025, RHI entered into an Amendment (the "Amendment") to the Twelfth Amended and Restated Credit Agreement, (as amended prior to the Amendment, the "Existing ABL Credit Agreement" and as amended by the Amendment, the "ABL Credit Agreement"). The Amendment, among other things, amends the ABL Credit Agreement to extend the maturity date of the ABL Credit Agreement to be the earlier of (a) July 31, 2030 and (b) the date which is 91 days prior to the final stated maturity of the Term Loan Credit Agreement and any refinancing thereof. Under the ABL Credit Agreement, RHI has a revolving line of credit with initial availability of up to $600 million, of which (i) $10 million is available to the RH subsidiary, Restoration Hardware Canada, Inc., and (ii) $100 million is available to the RH subsidiary, RH Geneva Sàrl. The ABL Credit Agreement includes a $ 300 million accordion feature under which the revolving line of credit may be expanded by agreement of the parties from $600 million to up to $900 million if and to the extent the lenders revise their credit commitments to encompass a larger facility. The ABL Credit Agreement provides that the $300 million accordion, or a portion thereof, may be added as a first-in, last-out term loan facility if and to the extent the lenders revise their credit commitments for such facility. The ABL Credit Agreement further provides that the borrowers may request a European sub-credit facility under the revolving line of credit or under the accordion feature for borrowing by certain European subsidiaries of RH Global Holdings, Inc. if certain conditions set out in the ABL Credit Agreement are met.

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

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

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

The ABL Credit Agreement does not contain any significant financial ratio covenants or coverage ratio covenants other than a consolidated fixed charge coverage ratio ("FCCR") covenant based on the ratio of (i) consolidated EBITDA to the amount of (ii) debt service costs plus certain other amounts, including dividends and distributions and prepayments of debt as defined in the ABL Credit Agreement (the "FCCR Covenant"). The FCCR Covenant only applies in certain limited circumstances, including when the unused availability under the ABL Credit Agreement drops below the greater of (A) $40 million and (B) an amount based on 10% of the total borrowing availability at the time. The FCCR Covenant ratio is set at 1.0 and measured on a trailing twelve-month basis. As of November 1, 2025, RHI was in compliance with the FCCR Covenant.

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

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

As of November 1, 2025, RHI had $65 million in outstanding borrowings and $428 million of availability under the revolving line of credit, net of $48 million in outstanding letters of credit. As a result of the FCCR Covenant that limits the last 10% of borrowing availability, actual incremental borrowing available to RHI and the other affiliated parties under the revolving line of credit would be $368 million as of November 1, 2025.

Term Loan Credit Agreement

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

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

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

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

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

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

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

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

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

$350 million 0.00% Convertible Senior Notes due 2024

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

In September 2024, upon the maturity of the 2024 Notes, the $42 million in aggregate principal amount of the 2024 Notes settled for $42 million in cash and were no longer outstanding as of February 1, 2025. During the nine months ended November 2, 2024 through the maturity of the 2024 Notes, we issued in aggregate 39,121 shares of common stock at a par value of $0.0001 per share and, as a result, recognized $0 in *additional paid-in capital* on the condensed consolidated statements of stockholders' equity (deficit) upon settlement of the 2024 Notes.

NOTE 10—FAIR VALUE MEASUREMENTS

Fair Value Measurements—Recurring

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

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

	NOVEMBER 1, 2025		FEBRUARY 1, 2025	
	FAIR VALUE	PRINCIPAL CARRYING VALUE[1]	FAIR VALUE	PRINCIPAL CARRYING VALUE[1]
	(in thousands)			
Term loan B	$ 1,860,000	$ 1,920,000	$ 1,920,488	$ 1,935,000
Term loan B-2	472,875	485,000	487,528	488,750
Real estate loans	17,392	17,583	17,118	17,838

(1) The principal carrying values of the Term Loan B and Term Loan B-2 represent the outstanding amount under each class and exclude discounts upon original issuance and third-party offering costs. The principal carrying value of the real estate loans represents the outstanding principal balance and exclude debt issuance costs.

The fair values of the Term Loan B and Term Loan B-2 were derived from observable bid prices (Level 1). The fair values of the real estate loans were derived from discounted cash flows using risk-adjusted rates (Level 2).

NOTE 11—INCOME TAXES

Our income tax expense and effective tax rates were as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(dollars in thousands)			
Income tax expense	$ 11,625	$ 9,256	$ 33,784	$ 10,882
Effective tax rate	24.3 %	21.8 %	26.0 %	15.7 %

The increase in our effective tax rates for the three and nine months ended November 1, 2025 compared to the three and nine months ended November 2, 2024 is primarily attributable to reporting higher net income in the current year and the impact of higher net excess tax benefits from stock-based compensation in fiscal 2024.

The Organization for Economic Cooperation and Development ("OECD") proposed model rules to ensure a minimal level of taxation (commonly referred to as Pillar II) and the European Union member states have agreed to implement Pillar II's proposed global corporate minimum tax rate of 15%. Many countries are actively considering, have proposed or have enacted, changes to their tax laws based upon the Pillar II proposals, which could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. To mitigate the administrative burden for multinational enterprises in complying with the OECD Global Anti-Base Erosion rules during the initial years of implementation, the OECD developed the temporary "Transitional Country-by-Country Safe Harbor." We considered the applicable tax law changes from Pillar II implementation in the relevant countries in which we operate, and there is no material impact to our tax provision for the three and nine months ended November 1, 2025. We will continue to evaluate the impact of these tax law changes in future reporting periods.

On July 4, 2025, the United States enacted tax legislation through the H.R.1 Reconciliation Act, commonly referred to as the One Big Beautiful Bill Act (the "OBBBA"), which implemented several corporate tax law changes, including, but not limited to, (1) limitations on deductions for interest expense, (2) changes to the taxation of foreign activity and (3) reinstatement of one hundred percent bonus depreciation for eligible property. A number of other provisions of the OBBBA will not take effect until the 2026 tax year, including various changes to existing international tax provisions. We did not identify any material discrete tax impacts related to our beginning-of-the-year deferred tax assets and liabilities or valuation allowances due to the enactment of the OBBBA. We will continue to monitor any future changes in our business or interpretations of the new tax law that could affect our tax position in subsequent periods.

NOTE 12—NET INCOME PER SHARE

The weighted-average shares used for net income per share were as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
Weighted-average shares—basic	18,760,088	18,534,815	18,742,109	18,439,159
Effect of dilutive stock-based awards	1,047,453	1,359,065	1,077,260	1,359,757
Effect of dilutive convertible senior notes[1]	—	87,131	—	161,192
Weighted-average shares—diluted	19,807,541	19,981,011	19,819,369	19,960,108

(1) The dilutive effect of the 2024 Notes is calculated under the if-converted method, which assumes share settlement of the entire convertible debt instrument. The 2024 Notes matured in September 2024 and did not have an impact on our diluted share count post-maturity. Refer to Note 9 —*Credit Facilities and Convertible Senior Notes.*

The following number of options and restricted stock units were excluded from the calculation of diluted net income per share because their inclusion would have been anti-dilutive:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
Options	2,150,940	1,938,194	2,107,573	1,830,068
Restricted stock units	7,550	11,176	8,551	11,904

NOTE 13—STOCK-BASED COMPENSATION

The Restoration Hardware 2012 Stock Incentive Plan (the "Stock Incentive Plan") was adopted on November 1, 2012. The Stock Incentive Plan provided for the grant of incentive stock options to our employees, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, cash-based awards and any combination thereof to our employees, directors and consultants and our parent and subsidiary corporations' employees, directors and consultants. The Restoration Hardware 2012 Stock Option Plan (the "Option Plan") was adopted on November 1, 2012. On November 1, 2022, both the Stock Incentive Plan and Option Plan expired.

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

As of November 1, 2025, there were a total of 1,958,647 shares issuable under the 2023 Stock Incentive Plan. Awards under the 2023 Stock Incentive Plan reduce the number of shares available for future issuance. Cancellations and forfeitures of awards previously granted under the Plans increase the number of shares available for future issuance. Shares issued as a result of award exercises under the 2023 Stock Incentive Plan will be funded with the issuance of new shares.

Equity Awards Under the Plans

Options outstanding, vested or expected to vest, and exercisable as of November 1, 2025 were as follows:

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING TERM *(in years)*	AGGREGATE INTRINSIC VALUE *(in thousands)*
Options outstanding	3,859,775	$ 210.08	4.9	$ 161,462
Options vested or expected to vest	3,594,434	206.74	4.6	160,728
Options exercisable	2,505,720	189.03	3.3	154,493

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Stock-based compensation expense[1]	$ 11,308	$ 11,684	$ 35,315	$ 33,757

(1) On October 18, 2020, our Board of Directors granted Mr. Friedman an option to purchase 700,000 shares of our common stock with an exercise price equal to $385.30 per share under the Stock Incentive Plan. The option resulted in aggregate non-cash stock compensation expense of $174 million, of which $0.9 million and $3.7 million was recognized during the nine months ended November 1, 2025 and November 2, 2024, respectively. Compensation expense for this award was fully recognized as of the first quarter of fiscal 2025.

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

As of November 1, 2025, the total unrecognized compensation expense and weighted average remaining term of equity awards were as follows:

	UNRECOGNIZED STOCK BASED COMPENSATION *(in thousands)*	WEIGHTED-AVERAGE REMAINING TERM *(in years)*
Unvested options	$ 136,340	4.6
Unvested restricted stock and restricted stock units	7,759	1.9
Total	$ 144,099	

NOTE 14—COMMITMENTS AND CONTINGENCIES

Commitments

We had no material off-balance sheet commitments as of November 1, 2025.

Contingencies

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

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

With respect to such contingencies, we review the need for any loss contingency reserves and establish reserves when, in the opinion of our senior leadership team, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. Loss contingencies determined to be probable and estimable are recorded in *accounts payable and accrued expenses* on the condensed consolidated balance sheets (refer to Note 7—*Accounts Payable, Accrued Expenses and Other Current Liabilities*). These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to each matter. In view of the inherent difficulty of predicting the outcome of certain matters, particularly in cases in which claimants seek substantial or indeterminate damages, it may not be possible to determine whether a liability has been incurred or to reasonably estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no reserve is established until that time. When and to the extent that we do establish a reserve, there can be no assurance that any such recorded liability for estimated losses will be for the appropriate amount, and actual losses could be higher or lower than what we accrue from time to time. Although we believe that the ultimate resolution of our current legal proceedings will not have a material adverse effect on the condensed consolidated financial statements, the outcome of legal matters is subject to inherent uncertainty.

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

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

NOTE 15—SEGMENT REPORTING

We define reportable and operating segments on the same basis that we use to evaluate our performance internally by the chief operating decision maker ("CODM"), which we have determined is our Chief Executive Officer. We have three operating segments: RH Segment, Waterworks and Real Estate. The RH Segment and Waterworks operating segments (the "retail operating segments") include all sales channels accessed by our customers, including sales through retail locations and outlets, including hospitality, websites, Sourcebooks, and the Trade and Contract channels. The Real Estate segment represents operations associated with certain of our equity method investments and consolidated VIEs that have operations, which are not directly related to the activities of the retail operating segments.

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

Segment Information

The CODM uses segment adjusted operating income to evaluate segment profitability for the retail operating segments and to allocate resources and analyze variances of actual performance to our forecasts when making decisions. Operating income is defined as net income before interest expense—net, other (income) expense—net, income tax expense and our share of equity method investments (income) loss—net. Segment adjusted operating income excludes (i) certain asset impairments, (ii) product recall, (iii) severance costs associated with a reorganization, (iv) non-cash compensation amortization related to an option grant made to Mr. Friedman in October 2020, (v) contract termination settlement—net and (vi) legal settlements—net. These items are excluded from segment adjusted operating income in order to provide better transparency of segment operating results. Accordingly, these items are not presented by segment because they are excluded from the segment profitability measure that the CODM and our senior leadership team review.

Segment net revenues, which represent our disaggregated net revenues in accordance with ASC 606, significant segment expenses and segment adjusted operating income, by reportable segment, were as follows:

	THREE MONTHS ENDED						NINE MONTHS ENDED					
	NOVEMBER 1, 2025			NOVEMBER 2, 2024			NOVEMBER 1, 2025			NOVEMBER 2, 2024		
	RH SEGMENT	WATERWORKS	TOTAL[1]	RH SEGMENT	WATERWORKS	TOTAL[1]	RH SEGMENT	WATERWORKS	TOTAL[1]	RH SEGMENT	WATERWORKS	TOTAL[1]
	(in thousands)											
Net revenues	$ 835,821	$ 47,989	$883,810	$ 768,063	$ 43,669	$811,732	$2,447,536	$ 149,377	$2,596,913	$2,226,054	$ 142,293	$2,368,347
Cost of goods sold	472,171	21,903	494,074	429,121	21,271	450,392	1,373,186	69,399	1,442,585	1,248,680	67,532	1,316,212
Advertising expense	35,976	775	36,751	16,040	852	16,892	99,064	2,433	101,497	93,770	2,564	96,334
Other segment expenses[2]	230,525	19,905	250,430	204,112	18,462	222,574	697,932	59,963	757,895	632,856	56,848	689,704
Segment adjusted operating income[1]	97,149	5,406	102,555	118,790	3,084	121,874	277,354	17,582	294,936	250,748	15,349	266,097
Asset impairments			—			19,545			3,597			19,545
Product recall			—			—			1,913			—
Reorganization related costs			—			—			1,233			—
Non-cash compensation			—			861			851			3,669
Contract termination settlement—net			(3,375)			—			(3,375)			—
Legal settlements—net			—			—			—			(9,375)
Operating income			105,930			101,468			290,717			252,258
Interest expense—net			57,152			57,590			171,113			173,624
Other (income) expense—net			694			27			(3,533)			529
Income before taxes and equity method investments			$ 48,084			$ 43,851			$ 123,137			$ 78,105

(1) All intercompany transactions are immaterial and have been eliminated.

(2) Other segment expenses primarily include compensation and occupancy costs classified as selling, general and administrative expenses, and other general and administrative expenses.

In the three months ended November 1, 2025 and November 2, 2024, the Real Estate segment share of equity method investments loss, which is the measure of segment profitability reviewed by the CODM to evaluate performance internally for the Real Estate segment, was $0.4 million and $1.8 million, respectively. In the nine months ended November 1, 2025 and November 2, 2024, the Real Estate segment share of equity method investment operations was income of $6.2 million and loss of $8.5 million, respectively. The share of (income) loss from equity method investments for the Waterworks segment was immaterial in all fiscal periods presented.

Depreciation and amortization for our segments was as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
RH Segment	$ 37,207	$ 31,428	$ 103,947	$ 91,429
Waterworks	1,169	1,570	4,294	4,653
Real Estate[1]	—	—	—	—
Total depreciation and amortization	$ 38,376	$ 32,998	$ 108,241	$ 96,082

(1) There is no depreciation and amortization for the Real Estate segment since all assets represent construction in progress.

Balance sheet information for our segments consisted of the following:

	NOVEMBER 1, 2025				FEBRUARY 1, 2025			
	RH SEGMENT	WATERWORKS	REAL ESTATE	TOTAL	RH SEGMENT	WATERWORKS	REAL ESTATE	TOTAL
	(in thousands)							
Goodwill[1]	$ 143,755	$ —	$ —	$ 143,755	$ 140,943	$ —	$ —	$ 140,943
Tradenames, trademarks and other intangible assets[2]	62,708	17,000	—	79,708	59,118	17,000	—	76,118
Equity method investments[3]	—	4,153	117,251	121,404	—	3,276	123,633	126,909
Total assets	4,472,820	166,900	154,021	4,793,741	4,228,829	165,442	160,418	4,554,689

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

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

(3) The Waterworks segment balance represents membership interests in two European entities, one entity in which we hold a 50 percent membership interest and another entity in which we increased our membership interest from approximately 25 percent as of February 1, 2025 to approximately 28 percent as of November 1, 2025. We are not the primary beneficiary of either of these VIEs.

We are domiciled in the United States and primarily operate our retail locations and outlets in the United States. As of November 1, 2025, we operated the following number of retail locations and outlets outside the United States:

	COUNT
Canada	5
United Kingdom	3
Germany	2
Belgium	1
France	1
Spain	1
Total[1]	13

(1) Geographic revenues generated outside of the United States did not exceed 10% of total consolidated net revenues in either fiscal period presented.

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

The following discussion and analysis of our financial condition and the results of our operations should be read together with the condensed consolidated financial statements and the related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and the related notes included in our 2024 Form 10-K.

Management's discussion and analysis of financial condition and results of operations ("MD&A") contains forward-looking statements that are subject to risks and uncertainties. Refer to "Special Note Regarding Forward-Looking Statements and Market Data" below and *Item 1A—Risk Factors* in our 2024 Form 10-K for a discussion of the risks, uncertainties and assumptions associated with these statements. MD&A should be read in conjunction with our historical consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, but not limited to, those listed in our 2024 Form 10-K.

The discussion of our financial condition and changes in our results of operations, liquidity and capital resources is presented in this section for the three and nine months ended November 1, 2025, and a comparison to the three and nine months ended November 2, 2024. The discussion related to cash flows for the nine months ended November 2, 2024, has been omitted from this Quarterly Report on Form 10-Q, but is included in *Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations* on our Form 10-Q for the quarter ended November 2, 2024, filed with the Securities and Exchange Commission ("SEC") on December 12, 2024.

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

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

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This quarterly report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “short-term,” “non-recurring,” “one-time,” “unusual,” “should,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

Forward-looking statements are subject to risk and uncertainties that may cause actual results to differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our actual results. Matters that we identify as “short term,” “non-recurring,” “unusual,” “one-time” or other words and terms of similar meaning may, in fact, not be short term and may recur in one or more future financial reporting periods. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the section entitled *Risk Factors* in our 2024 Form 10-K and *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in Part I of this quarterly report, in our Quarterly Report on Form 10-Q for the quarterly periods ended May 3, 2025 and August 2, 2025 and in our 2024 Form 10-K. All forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements, as well as other cautionary statements. You should evaluate all forward-looking statements made in this quarterly report in the context of these risks and uncertainties.

We cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect, or that future developments affecting us will be those that we have anticipated. The forward-looking statements included in this quarterly report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Overview

We are a leading retailer and luxury lifestyle brand operating primarily in the home furnishings market. Our curated and fully integrated assortments are presented consistently across our sales channels, including our retail locations, websites and Sourcebooks. We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and baby, child and teen furnishings. Our retail business is fully integrated across our multiple channels of distribution. We position our Galleries as showrooms for our brand, while our websites and Sourcebooks act as virtual and print extensions of our physical spaces, respectively. We operate our retail locations throughout the United States, Canada and Europe, and have an integrated RH Hospitality experience in 24 of our Design Gallery locations, which includes restaurants and wine bars.

We have recently undertaken efforts to introduce the most prolific collection of new products in our history, with a substantial number of new furniture and upholstery collections across RH Interiors, RH Modern, RH Outdoor, RH Baby & Child and RH TEEN. These new collections reflect a level of design and quality inaccessible in our current market and a value proposition that we believe will be disruptive across multiple markets.

As of November 1, 2025, we operated the following number of locations:

	COUNT
RH	
North America	
Design Galleries	37
Legacy Galleries	26
Outdoor Galleries	2
Modern Gallery	1
Baby & Child and TEEN Gallery	1
Interior Design Office	1
Total RH retail locations—North America	68
Europe Design Galleries	6
Total RH retail locations	74
Outlets	43
Guesthouse	1
Waterworks Showrooms	14

Business Conditions

In recent years, our business has been negatively affected and limited by macroeconomic conditions, including high interest rates and mortgage rates, volatility in the global financial markets and the slowdown in the luxury home market, as well as other negative factors related to the effects of lingering higher inflation and increased costs, including higher construction expenses.

Since the majority of our product assortment is imported from vendors outside the U.S., we also face uncertainty and risks related to tariffs and other trade policies, which may continue to increase the costs of securing products from our vendors. Tariffs and other non-tariff trade practices and policies may adversely affect our business in other ways beyond increased costs for our products. We have taken steps to move our supply chain away from countries with higher tariff rates in favor of other jurisdictions, but these countermeasures may prove to be ineffective and the ability to predict tariff rates in different countries may be difficult as policies may change on short notice. Uncertainty about trade policy, tariff rates and other changes in practices affecting international trade might have an adverse effect on our business and results of operation and we may face challenges in implementing the optimal responses to changing trade conditions.

In addition, there is meaningful uncertainty related to the confluence of different macroeconomic factors that could influence business conditions in the U.S. While our expectation is that these different factors will moderate in the future, the timing and precise outlook for these improvements is uncertain. We also believe we have positioned the business to take advantage of any favorable progression in macroeconomic conditions.

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

Strategic Initiatives

We are in the process of implementing a number of significant business initiatives that have had, and will continue to have, an impact on our results of operations. As a result, we have experienced in the past, and may experience in the future, significant period-to-period variability in our financial performance and results of operations. While we anticipate that these initiatives will support the growth of our business, costs and timing issues associated with pursuing these initiatives can negatively affect our growth rates in the short term and may amplify fluctuations in our growth rates from quarter to quarter. Delays in the rate of opening new Galleries and pursuit of our international expansion have resulted in delays in the corresponding increase in net revenues that we ordinarily experience as new Design Galleries are introduced. In addition, we anticipate that our net revenues, adjusted net income and other performance metrics will remain variable as our business model continues to emphasize high growth and numerous, concurrent and evolving business initiatives.

For more information, refer to the sections entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Risk Factors* in our 2024 Form 10-K.

Key Value-Driving Strategies

In order to achieve our long-term strategies of product transformation, platform expansion and cash generation as well as drive growth across our business, we are focused on the following key strategies and business initiatives:

Product Elevation. We believe we have built the most comprehensive and compelling collection of luxury home furnishings under one brand in the world. Our products are presented across multiple collections, categories and channels that we control, and we believe their desirability and exclusivity have enabled us to achieve strong revenues and margins. Our customers know our brand concepts as RH Interiors, RH Modern, RH Outdoor, RH Beach House, RH Ski House, RH Baby & Child, RH TEEN and Waterworks. Our strategy is to continue to elevate the design and quality of our product. Beginning with the mailing of our RH Interiors Sourcebook in the fall of 2023 and with additional Sourcebook mailings throughout 2024 and 2025, we have introduced the most prolific collection of new products in our history. In addition, over the next few years, we plan to introduce RH Couture, RH Bespoke and RH Color.

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

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

Global Expansion. We believe that our luxury brand positioning and unique aesthetic have strong international appeal and that pursuit of global expansion will provide RH with a substantial opportunity to build over time a projected $20 to $25 billion global brand in terms of annual revenues. Our view is that the competitive environment globally is more fragmented and primed for disruption than the North American market, and there is no direct competitor of scale that possesses the product, operational platform and brand strength of RH. As such, we are actively pursuing the expansion of the RH brand globally, which began with the opening of RH England, RH Munich and RH Düsseldorf in 2023, followed by the opening of RH Brussels and RH Madrid in 2024. In September 2025, we opened RH Paris, The Gallery on the Champs-Élysées, located just off the Avenue Montaigne, which stands at the global epicenter of fashion and luxury. The Gallery, spanning seven levels connected by a soaring atrium of floating cast medallion stairs, features a freestanding RH Interior Design Studio opposite the spectacular six-meter cast medallion bronze doors marking the entrance, and two restaurants. We believe the opening of RH Paris marks a major step forward in the European expansion of our business. We are also under construction in London and Milan in inspiring spaces that will celebrate the heritage of the historic structures and will integrate full expressions of our hospitality experiences. In addition, we plan to open RH Sydney, The Gallery in Double Bay, in Australia in the coming years.

Digital Reimagination. Our strategy is to digitally reimagine the RH brand and business model both internally and externally. Internally, our multiyear effort began with the reimagination of our Center of Innovation to incorporate digitally integrated visuals and decision data designed to amplify the creative process from product ideation to product presentation. Externally, our strategy comes to life digitally through The World of RH, an online portal where customers can explore and be inspired by the depth and dimension of our brand. We expect to continue to elevate the customer experience on The World of RH with further enhancements to content, navigation and search functionality. We believe an opportunity exists to create similar strategic separation online as we have with our Galleries offline, reconceptualizing what a website can and should be. We are making meaningful investments to elevate and differentiate our online experience with plans to upgrade our website throughout 2025.

Basis of Presentation and Results of Operations

The following table sets forth the condensed consolidated statements of income:

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	NOVEMBER 1, 2025	% OF NET REVENUES	NOVEMBER 2, 2024	% OF NET REVENUES	NOVEMBER 1, 2025	% OF NET REVENUES	NOVEMBER 2, 2024	% OF NET REVENUES
	(dollars in thousands)							
Net revenues	$ 883,810	100.0 %	$ 811,732	100.0 %	$ 2,596,913	100.0 %	$ 2,368,347	100.0 %
Cost of goods sold	494,074	55.9	450,392	55.5	1,442,585	55.5	1,316,212	55.6
Gross profit	389,736	44.1	361,340	44.5	1,154,328	44.5	1,052,135	44.4
Selling, general and administrative expenses	283,806	32.1	259,872	32.0	863,611	33.3	799,877	33.7
Operating income	105,930	12.0	101,468	12.5	290,717	11.2	252,258	10.7
Other expenses								
Interest expense—net	57,152	6.5	57,590	7.1	171,113	6.6	173,624	7.4
Other (income) expense—net	694	0.1	27	0.0	(3,533)	(0.1)	529	0.0
Total other expenses	57,846	6.6	57,617	7.1	167,580	6.5	174,153	7.4
Income before taxes and equity method investments	48,084	5.4	43,851	5.4	123,137	4.7	78,105	3.3
Income tax expense	11,625	1.3	9,256	1.1	33,784	1.3	10,882	0.5
Income before equity method investments	36,459	4.1	34,595	4.3	89,353	3.4	67,223	2.8
Share of equity method investments (income) loss—net	194	0.0	1,427	0.2	(6,659)	(0.3)	8,728	0.3
Net income	$ 36,265	4.1 %	$ 33,168	4.1 %	$ 96,012	3.7 %	$ 58,495	2.5 %

How We Assess the Performance of Our Business

Demand

Demand is an operating metric that we use in reference to the dollar value of orders placed (orders convert to net revenue upon a customer obtaining control of the merchandise) and excludes exchanges, shipping fees and cancellations. Demand represents the demand generated from all of our businesses including RH Interiors, RH Modern, RH Contemporary, RH Outdoor, RH Baby & Child, RH TEEN, RH Contract, Membership, Dmitriy & Co, Joseph Jeup and Waterworks, as well as sales from RH Hospitality and RH Outlet.

Non-GAAP Financial Measures

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

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

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

Reconciliation of GAAP Net Income to Operating Income and Adjusted Operating Income

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Net income	$ 36,265	$ 33,168	$ 96,012	$ 58,495
Interest expense—net[1]	57,152	57,590	171,113	173,624
Other (income) expense—net[1]	694	27	(3,533)	529
Income tax expense[1]	11,625	9,256	33,784	10,882
Share of equity method investments (income) loss—net[1]	194	1,427	(6,659)	8,728
Operating income	105,930	101,468	290,717	252,258
Asset impairments[2]	—	19,545	3,597	19,545
Product recall[3]	—	—	1,913	—
Reorganization related costs[4]	—	—	1,233	—
Non-cash compensation[5]	—	861	851	3,669
Contract termination settlement—net[6]	(3,375)	—	(3,375)	—
Legal settlements—net[7]	—	—	—	(9,375)
Adjusted operating income	$ 102,555	$ 121,874	$ 294,936	$ 266,097

(1) Refer to discussion "Three Months Ended November 1, 2025 Compared to Three Months Ended November 2, 2024" and "Nine Months Ended November 1, 2025 Compared to Nine Months Ended November 2, 2024" below for a discussion of our results of operations for the three and nine months ended November 1, 2025 and November 2, 2024.

(2) The adjustment in the nine months ended November 1, 2025 includes inventory impairment of $2.6 million and property and equipment impairment of $1.0 million, primarily related to Galleries under construction. The adjustment in the three and nine months ended November 2, 2024 includes $19 million of long-lived asset impairment for our two Design Galleries in Germany (refer to "Long-Lived Asset Impairment" within Note 8—*Leases*), as well as impairment of pre-acquisition costs related to an unsuccessful joint venture arrangement of $1.0 million.

(3) Represents costs and inventory charges associated with a product recall initiated in the second quarter of fiscal 2025.

(4) Represents severance costs and related payroll taxes associated with a reorganization.

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

(6) Represents favorable contract termination settlement of $3.8 million, partially offset by costs related to the early termination.

(7) Represents favorable legal settlements received of $10 million, partially offset by costs incurred in connection with one of the matters.

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

Reconciliation of GAAP Net Income to Adjusted Net Income

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Net income	$ 36,265	$ 33,168	$ 96,012	$ 58,495
Adjustments pre-tax:				
Asset impairments[1]	—	19,545	3,597	19,545
Product recall[1]	—	—	1,913	—
Reorganization related costs[1]	—	—	1,233	—
Non-cash compensation[1]	—	861	851	3,669
Contract termination settlement—net[1]	(3,375)	—	(3,375)	—
Legal settlements—net[1]	—	—	—	(9,375)
Subtotal adjusted items	(3,375)	20,406	4,219	13,839
Impact of income tax items[2]	883	(5,652)	799	(5,576)
Share of equity method investments (income) loss—net[1]	194	1,427	(6,659)	8,728
Adjusted net income	$ 33,967	$ 49,349	$ 94,371	$ 75,486

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

(2) We exclude the GAAP tax provision and apply a non-GAAP tax provision based upon (i) adjusted pre-tax net income, (ii) the projected annual adjusted tax rate and (iii) the exclusion of material discrete tax items that are unusual or infrequent. The adjustments for the three months ended November 1, 2025 and November 2, 2024 are based on adjusted tax rates of 24.0% and 23.2%, respectively. The adjustments for the nine months ended November 1, 2025 and November 2, 2024 are based on adjusted tax rates of 25.9% and 17.9%, respectively.

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

Reconciliation of GAAP Net Income to EBITDA and Adjusted EBITDA

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Net income	$ 36,265	$ 33,168	$ 96,012	$ 58,495
Depreciation and amortization	38,376	32,998	108,241	96,082
Interest expense—net	57,152	57,590	171,113	173,624
Income tax expense	11,625	9,256	33,784	10,882
EBITDA	143,418	133,012	409,150	339,083
Non-cash compensation[(1)]	11,308	11,684	35,315	33,757
Capitalized cloud computing amortization[(2)]	3,571	2,852	9,727	8,017
Asset impairments[(3)]	—	19,545	3,597	19,545
Product recall[(3)]	—	—	1,913	—
Reorganization related costs[(3)]	—	—	1,233	—
Share of equity method investments (income) loss—net[(3)]	194	1,427	(6,659)	8,728
Other (income) expense—net[(3)]	694	27	(3,533)	529
Contract termination settlement—net[(3)]	(3,375)	—	(3,375)	—
Legal settlements—net[(3)]	—	—	—	(9,375)
Adjusted EBITDA	$ 155,810	$ 168,547	$ 447,368	$ 400,284

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

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

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

Adjusted Capital Expenditures. We define adjusted capital expenditures as capital expenditures from investing activities and cash outflows of capital related to construction activities to design and build landlord-owned leased assets, net of tenant allowances received.

Reconciliation of Adjusted Capital Expenditures

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Capital expenditures	$ 158,387	$ 179,897
Landlord assets under construction—net of tenant allowances	64,691	33,032
Adjusted capital expenditures	$ 223,078	$ 212,929

In addition, we also received landlord tenant allowances under finance leases subsequent to lease commencement of $15 million in the nine months ended November 1, 2025, which are reflected as a reduction to *principal payments under finance leases—net of tenant allowances* within financing activities on the condensed consolidated statements of cash flows. We did not receive any such tenant allowances in the nine months ended November 2, 2024.

Retail Metrics

Our retail location square footage metrics and activity were as follows:

	NINE MONTHS ENDED			
	NOVEMBER 1, 2025		NOVEMBER 2, 2024	
	COUNT	TOTAL SELLING SQUARE FOOTAGE[1]	COUNT	TOTAL SELLING SQUARE FOOTAGE[1]
		(square footage in thousands)		
Beginning of period	83	1,527	84	1,378
RH Design Galleries				
Oklahoma City	1	31.1	—	—
Montreal	1	31.1	—	—
San Diego	1	20.0	—	—
Manhasset	1	16.6	—	—
Paris	1	14.3	—	—
Raleigh	—	—	1	37.6
Cleveland	—	—	1	33.1
Palo Alto	—	—	1	32.5
Brussels	—	—	1	27.7
Madrid	—	—	1	8.3
RH Legacy Galleries				
San Diego	(1)	(6.2)	—	—
Plano	—	—	(1)	(9.6)
Cleveland	—	—	(1)	(7.1)
Palo Alto	—	—	(1)	(6.1)
Raleigh	—	—	(1)	(4.7)
RH Outdoor Galleries				
Greenwich	1	4.2	—	—
East Hampton	1	2.6	—	—
RH Baby & Child and TEEN Gallery				
Greenwich	(1)	(4.2)	—	—
Waterworks Showroom				
Dallas (remodel)	—	2.4	—	—
End of period	88	1,639	85	1,490
Total square footage at end of period[2]		2,246		2,050

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

Includes approximately 89,000 square feet related to three owned retail locations as of both November 1, 2025 and November 2, 2024.

(2) Includes approximately 142,000 square feet related to three owned retail locations as of both November 1, 2025 and November 2, 2024.

Weighted-average square footage and selling square footage are calculated based on the number of days a retail location was opened during the period divided by the total number of days in the period, and were as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)			
Weighted-average square footage	2,211	2,014	2,144	1,984
Weighted-average selling square footage	1,613	1,462	1,563	1,440

Three Months Ended November 1, 2025 Compared to Three Months Ended November 2, 2024

	THREE MONTHS ENDED					
	NOVEMBER 1, 2025			NOVEMBER 2, 2024		
	RH SEGMENT	WATERWORKS	TOTAL[1]	RH SEGMENT	WATERWORKS	TOTAL[1]
	(in thousands)					
Net revenues[2]	$ 835,821	$ 47,989	$ 883,810	$ 768,063	$ 43,669	$ 811,732
Cost of goods sold	472,171	21,903	494,074	429,121	21,271	450,392
Gross profit	363,650	26,086	389,736	338,942	22,398	361,340
Selling, general and administrative expenses	263,126	20,680	283,806	240,558	19,314	259,872
Operating income	$ 100,524	$ 5,406	$ 105,930	$ 98,384	$ 3,084	$ 101,468

(1) The results for the Real Estate segment were immaterial in the three months ended November 1, 2025 and November 2, 2024, thus, such results are presented within the RH Segment each period. Refer to Note 15—*Segment Reporting* in the condensed consolidated financial statements. Additionally, all intercompany transactions are immaterial and have been eliminated.

(2) RH Segment net revenues include outlet revenues of $75 million and $64 million for the three months ended November 1, 2025 and November 2, 2024, respectively.

Net revenues

Consolidated net revenues increased $72 million, or 8.9%, to $884 million in the three months ended November 1, 2025 compared to $812 million in the three months ended November 2, 2024.

RH Segment net revenues

RH Segment net revenues increased $68 million, or 8.8%, to $836 million in the three months ended November 1, 2025 compared to $768 million in the three months ended November 2, 2024. The below discussion highlights the primary factors that impacted RH Segment net revenues, which are listed in order of magnitude.

RH Segment net revenues for the three months ended November 1, 2025 increased primarily due to higher revenue in our core business driven by our continued product transformation and platform expansion. In addition, hospitality revenue increased as a result of new Gallery openings and we had higher outlet revenue.

Waterworks net revenues

Waterworks net revenues increased $4.3 million, or 9.9%, to $48 million in the three months ended November 1, 2025 compared to $44 million in the three months ended November 2, 2024.

Gross profit

Consolidated gross profit increased $28 million, or 7.9%, to $390 million in the three months ended November 1, 2025 compared to $361 million in the three months ended November 2, 2024. As a percentage of net revenues, consolidated gross margin decreased 40 basis points to 44.1% of net revenues in the three months ended November 1, 2025 from 44.5% of net revenues in the three months ended November 2, 2024.

RH Segment gross profit

RH Segment gross profit increased $25 million, or 7.3%, to $364 million in the three months ended November 1, 2025 compared to $339 million in the three months ended November 2, 2024. As a percentage of net revenues, RH Segment gross margin decreased 60 basis points to 43.5% of net revenues in the three months ended November 1, 2025 from 44.1% of net revenues in the three months ended November 2, 2024.

The decrease in RH Segment gross margin was primarily attributable to decreased margins in the RH core business year over year as well as deleverage in occupancy costs, partially offset by leverage in shipping costs.

Waterworks gross profit

Waterworks gross profit increased $3.7 million, or 16.5%, to $26 million in the three months ended November 1, 2025 compared to $22 million in the three months ended November 2, 2024. As a percentage of net revenues, Waterworks gross margin increased 310 basis points to 54.4% of net revenues in the three months ended November 1, 2025 from 51.3% of net revenues in the three months ended November 2, 2024.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased $24 million, or 9.2%, to $284 million in the three months ended November 1, 2025 compared to $260 million in the three months ended November 2, 2024.

RH Segment selling, general and administrative expenses

RH Segment selling, general and administrative expenses increased $23 million, or 9.4%, to $263 million the three months ended November 1, 2025 compared to $241 million in the three months ended November 2, 2024. RH Segment selling, general and administrative expenses were 31.5% and 31.3% of net revenues for the three months ended November 1, 2025 and November 2, 2024, respectively.

The increase in selling, general and administrative expenses as a percentage of net revenues was primarily driven by an increase in advertising costs due to the timing of the 2025 RH Interiors Sourcebook circulation, as well as higher compensation, pre-opening and other corporate costs. This increase was partially offset by leverage in our occupancy costs year over year. RH Segment selling, general and administrative expenses for the three months ended November 1, 2025 included a favorable net contract termination settlement of $3.4 million. RH Segment selling, general and administrative expenses for the three months ended November 2, 2024 included asset impairments of $19 million related to certain of our Galleries and $1.0 million related to pre-acquisition costs for an unsuccessful joint venture arrangement, as well as amortization of non-cash compensation of $0.9 million related to an option grant made to Mr. Friedman in October 2020. Excluding the $3.4 million and $20 million of such costs, RH Segment selling, general and administrative expenses would have increased 330 basis points to 31.9% from 28.6% of net revenues for the three months ended November 1, 2025 and November 2, 2024, respectively.

Waterworks selling, general and administrative expenses

Waterworks selling, general and administrative expenses increased $1.4 million, or 7.1%, to $21 million in the three months ended November 1, 2025 compared to $19 million in the three months ended November 2, 2024. Waterworks selling, general and administrative expenses were 43.1% and 44.2% of net revenues for the three months ended November 1, 2025 and November 2, 2024, respectively.

Interest expense—net

Interest expense—net consisted of the following:

	THREE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Term loan interest expense	$ 44,687	$ 50,389
Finance lease interest expense	10,690	7,894
Asset based credit facility	2,171	2,027
Other interest expense	1,085	745
Capitalized interest for capital projects	(995)	(2,413)
Interest income	(486)	(1,052)
Interest expense—net	$ 57,152	$ 57,590

Other (income) expense—net

Other (income) expense—net consisted of the following:

	THREE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Foreign exchange from transactions[(1)]	$ 398	$ 673
Foreign exchange from remeasurement of intercompany loans[(2)]	296	(646)
Other expense—net	$ 694	$ 27

(1) Represents net foreign exchange gains and losses related to exchange rate changes affecting foreign currency denominated transactions, primarily between the U.S. dollar as compared to the euro and pound sterling.

(2) Represents remeasurement of intercompany loans with subsidiaries in Switzerland and the United Kingdom.

Income tax expense

	THREE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(dollars in thousands)	
Income tax expense	$ 11,625	$ 9,256
Effective tax rate	24.3 %	21.8 %

The increase in our effective tax rate for the three months ended November 1, 2025 compared to the three months ended November 2, 2024 is primarily attributable to reporting higher net income in the current year and the impact of higher net excess tax benefits from stock-based compensation in fiscal 2024.

Nine Months Ended November 1, 2025 Compared to Nine Months Ended November 2, 2024

	NINE MONTHS ENDED					
	NOVEMBER 1, 2025			NOVEMBER 2, 2024		
	RH SEGMENT	WATERWORKS	TOTAL[1]	RH SEGMENT	WATERWORKS	TOTAL[1]
	(in thousands)					
Net revenues[2]	$ 2,447,536	$ 149,377	$ 2,596,913	$ 2,226,054	$ 142,293	$ 2,368,347
Cost of goods sold	1,373,186	69,399	1,442,585	1,248,680	67,532	1,316,212
Gross profit	1,074,350	79,978	1,154,328	977,374	74,761	1,052,135
Selling, general and administrative expenses	801,215	62,396	863,611	743,665	56,212	799,877
Operating income	$ 273,135	$ 17,582	$ 290,717	$ 233,709	$ 18,549	$ 252,258

(1) The results for the Real Estate segment were immaterial in both the nine months ended November 1, 2025 and November 2, 2024, thus, such results are presented within the RH Segment in each period. Refer to Note 15—*Segment Reporting* in the condensed consolidated financial statements. Additionally, all intercompany transactions are immaterial and have been eliminated.

(2) RH Segment net revenues include outlet revenues of $214 million and $189 million for the nine months ended November 1, 2025 and November 2, 2024, respectively.

Net revenues

Consolidated net revenues increased $229 million, or 9.7%, to $2,597 million in the nine months ended November 1, 2025 compared to $2,368 million in the nine months ended November 2, 2024.

RH Segment net revenues

RH Segment net revenues increased $221 million, or 9.9%, to $2,448 million in the nine months ended November 1, 2025 compared to $2,226 million in the nine months ended November 2, 2024. The below discussion highlights several significant factors that impacted RH Segment net revenues, which are listed in order of magnitude.

RH Segment net revenues for the nine months ended November 1, 2025 increased primarily due to higher revenue in our core business driven by our continued product transformation and platform expansion. In addition, hospitality revenue increased as a result of new Gallery openings and we had higher outlet revenue.

Waterworks net revenues

Waterworks net revenues increased $7.1 million, or 5.0%, to $149 million in the nine months ended November 1, 2025 compared to $142 million in the nine months ended November 2, 2024.

Gross profit

Consolidated gross profit increased $102 million, or 9.7%, to $1,154 million in the nine months ended November 1, 2025 compared to $1,052 million in the nine months ended November 2, 2024. As a percentage of net revenues, consolidated gross margin increased 10 basis points to 44.5% of net revenues in the nine months ended November 1, 2025 from 44.4% of net revenues in the nine months ended November 2, 2024.

RH Segment gross profit

RH Segment gross profit increased $97 million, or 9.9%, to $1,074 million in the nine months ended November 1, 2025 from $977 million in the nine months ended November 2, 2024. As a percentage of net revenues, RH Segment gross margin was 43.9% of net revenues in both the nine months ended November 1, 2025 and November 2, 2024.

The increase in RH Segment gross profit was primarily attributable to leverage in shipping costs, partially offset by decreased margins in the RH core business year over year. RH Segment gross profit for the nine months ended November 1, 2025 was negatively impacted by $2.6 million of asset impairments and $1.4 million of costs related to a product recall. Excluding the $4.0 million of such costs, RH Segment gross margin would have been 20 basis points higher at 44.1% of net revenues for the nine months ended November 1, 2025.

Waterworks gross profit

Waterworks gross profit increased $5.2 million, or 7.0%, to $80 million in the nine months ended November 1, 2025 compared to $75 million in the nine months ended November 2, 2024. As a percentage of net revenues, Waterworks gross margin increased 100 basis points to 53.5% of net revenues in the nine months ended November 1, 2025 from 52.5% of net revenues in the nine months ended November 2, 2024.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased $64 million, or 8.0%, to $864 million in the nine months ended November 1, 2025 compared to $800 million in the nine months ended November 2, 2024.

RH Segment selling, general and administrative expenses

RH Segment selling, general and administrative expenses increased $58 million, or 7.7%, to $801 million in the nine months ended November 1, 2025 compared to $744 million in the nine months ended November 2, 2024. RH Segment selling, general and administrative expenses as a percentage of net revenues decreased to 32.7% for the nine months ended November 1, 2025 from 33.4% for the nine months ended November 2, 2024, primarily driven by asset impairments of $19 million related to certain of our Galleries, $1.0 million related to pre-acquisition costs for an unsuccessful joint venture arrangement, non-cash compensation of $3.7 million related to an option grant made to Mr. Friedman in October 2020, as well as favorable net legal settlements of $6.2 million recognized during the nine months ended November 2, 2024.

RH Segment selling, general and administrative expenses for the nine months ended November 1, 2025 was negatively impacted by $1.2 million of reorganization related costs, $1.0 million of asset impairments, $0.9 million of non-cash compensation related to an option grant made to Mr. Friedman in October 2020 and $0.5 million related to a product recall, as well as a favorable net contract termination settlement of $3.4 million.

Excluding the $0.2 million and $17 million of such costs noted above for the nine months ended November 1, 2025 and November 2, 2024, respectively, RH Segment selling, general and administrative expenses would have increased 20 basis points to 32.8% from 32.6% of net revenues, respectively. This increase in selling, general and administrative expenses as a percentage of net revenues was primarily driven by an increase in compensation and other corporate costs, partially offset by leverage in occupancy and advertising costs year over year.

Waterworks selling, general and administrative expenses

Waterworks selling, general and administrative expenses increased $6.2 million, or 11.0%, to $62 million in the nine months ended November 1, 2025 compared to $56 million in the nine months ended November 2, 2024. Waterworks selling, general and administrative expenses were 41.8% and 39.5% of net revenues for the nine months ended November 1, 2025 and November 2, 2024, respectively.

Waterworks selling, general and administrative expenses in the nine months ended November 2, 2024 include $3.2 million related to a favorable legal settlement. Excluding the $3.2 million of such costs, Waterworks selling, general and administrative expenses would have been 220 basis points higher at 41.7% of net revenues for the nine months ended November 2, 2024.

Interest expense—net

Interest expense—net consisted of the following:

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Term loan interest expense	$ 135,084	$ 155,232
Finance lease interest expense	28,883	23,223
Asset based credit facility	9,032	2,179
Other interest expense	3,257	2,824
Capitalized interest for capital projects	(2,710)	(6,865)
Interest income	(2,433)	(2,969)
Interest expense—net	$ 171,113	$ 173,624

Other (income) expense—net

Other (income) expense—net consisted of the following in each period:

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Foreign exchange from transactions[1]	$ (335)	$ 1,811
Foreign exchange from remeasurement of intercompany loans[2]	(3,198)	(1,282)
Other (income) expense—net	$ (3,533)	$ 529

(1) Represents net foreign exchange gains and losses related to exchange rate changes affecting foreign currency denominated transactions, primarily between the U.S. dollar as compared to the euro and pound sterling.

(2) Represents remeasurement of intercompany loans with subsidiaries in Switzerland and the United Kingdom.

Income tax expense

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(dollars in thousands)	
Income tax expense	$ 33,784	$ 10,882
Effective tax rate	26.0 %	15.7 %

The increase in our effective tax rate for the nine months ended November 1, 2025 compared to the nine months ended November 2, 2024 is primarily attributable to reporting higher net income in the current year and the impact of higher net excess tax benefits from stock-based compensation in fiscal 2024.

Share of equity method investments (income) loss—net

Our share of equity method investments income of $6.7 million in the nine months ended November 1, 2025 was primarily attributable to an Aspen LLC distribution in the first quarter of fiscal 2025 of $7.9 million (refer to Note 6—*Variable Interest Entities* in the condensed consolidated financial statements). Our share of equity method investments loss in the nine months ended November 2, 2024 was $8.7 million.

Liquidity and Capital Resources

Overview

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

Net debt and availability under the ABL Credit Agreement were as follows:

	NOVEMBER 1, 2025	FEBRUARY 1, 2025
	(in thousands)	
Asset based credit facility[1]	$ 65,000	$ 200,000
Term loan B[1]	1,920,000	1,935,000
Term loan B-2[1]	485,000	488,750
Notes payable for share repurchases	315	315
Total debt	$ 2,470,315	$ 2,624,065
Cash and cash equivalents	(43,086)	(30,413)
Total net debt[2]	$ 2,427,229	$ 2,593,652
Availability under the asset based credit facility—net[3]	$ 428,176	$ 355,260

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

(2) Net debt as of November 1, 2025 and February 1, 2025 excludes non-recourse real estate loans of $18 million as of both periods. These loans are secured by specific real estate assets and the associated creditors do not have recourse against RH's general assets.

(3) The amount available for borrowing under the revolving line of credit under the ABL Credit Agreement is presented net of $48 million and $45 million in outstanding letters of credit as of November 1, 2025 and February 1, 2025, respectively.

General

The primary cash needs of our business have historically been for merchandise inventories, payroll, rent for our retail and outlet locations, capital expenditures associated with opening new locations and related real estate investments, updating existing locations, as well as the development of our infrastructure and information technology, and Sourcebooks. We seek out and evaluate opportunities for effectively managing and deploying capital in ways that improve working capital and support and enhance our business initiatives and strategies. During fiscal 2022 and fiscal 2023, we invested $2,265 million of cash, inclusive of excise taxes paid, in the purchase of shares of our common stock pursuant to our Share Repurchase Program. We continuously evaluate our capital allocation strategy and may engage in future investments in connection with existing or new share repurchase programs (refer to "Share Repurchase Program" below), which may include investments in derivatives or other equity linked instruments. We have in the past been, and continue to be, opportunistic in responding to favorable market conditions regarding both sources and uses of capital. Capital raised from debt financing arrangements has enabled us to pursue various investments, including our investments in joint ventures. We expect to continue to take an opportunistic approach regarding both sources and uses of capital in connection with our business.

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

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

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

Credit Facilities and Debt Arrangements

We amended and restated the ABL Credit Agreement in July 2025, which provides an asset based credit facility with an initial availability of up to $600 million, of which (i) $10 million is available to the RH subsidiary Restoration Hardware Canada, Inc. and (ii) $100 million is available to the RH subsidiary, RH Geneva Sàrl. The ABL Credit Agreement includes a $300 million accordion feature under which the revolving line of credit may be expanded by agreement of the parties to the ABL Credit Agreement from $600 million to up to $900 million if and to the extent the lenders revise their credit commitments to encompass a larger facility. The accordion feature may be added as a first-in, last-out term loan facility. The ABL Credit Agreement further provides that the borrowers may request a European sub-credit facility under the revolving line of credit or under the accordion feature for borrowing by certain European subsidiaries of RH if certain conditions set out in the ABL Credit Agreement are met. The maturity date of the ABL Credit Agreement is the earlier of (a) July 31, 2030 and (b) the date which is 91 days prior to the final stated maturity of the Term Loan Credit Agreement and any refinancing thereof.

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

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

Capital

We have invested significant capital expenditures in developing and opening new Design Galleries, and these capital expenditures have increased in the past, and may continue to increase in future periods, as we open additional Design Galleries, which may require us to undertake upgrades to historical buildings or construction of new buildings. Our adjusted capital expenditures include capital expenditures from investing activities and cash outflows of capital related to construction activities to design and build landlord-owned leased assets, net of tenant allowances received during the construction period. During the nine months ended November 1, 2025, adjusted capital expenditures were $223 million in aggregate, net of cash received related to landlord tenant allowances of $4.1 million. In addition, we also received landlord tenant allowances under finance leases subsequent to lease commencement of $15 million during the nine months ended November 1, 2025. We anticipate our adjusted capital expenditures to be $275 million to $325 million in fiscal 2025, primarily related to our growth and expansion, including construction of new Design Galleries and infrastructure investments. Nevertheless, we may elect to pursue additional capital expenditures beyond those that are anticipated during any given fiscal period inasmuch as our strategy is to be opportunistic with respect to our investments and we may choose to pursue certain capital transactions based on the availability and timing of unique opportunities. There are a number of macroeconomic factors and uncertainties affecting the overall business climate as well as our business, including increased inflation and higher interest rates, and we may make adjustments to our allocation of capital in fiscal 2025 or beyond in response to these changing or other circumstances. We may also invest in other uses of our liquidity such as share repurchases, acquisitions and growth initiatives, including through joint ventures and real estate investments.

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

Cash Flow Analysis

Cash flows from operating, investing, and financing activities were as follows:

	NINE MONTHS ENDED	
	NOVEMBER 1, 2025	NOVEMBER 2, 2024
	(in thousands)	
Net cash provided by operating activities	$ 356,175	$ 35,869
Net cash used in investing activities	(182,060)	(189,517)
Net cash provided by (used in) financing activities	(162,644)	116,758
Net increase (decrease) in cash and cash equivalents	12,673	(36,676)
Cash and cash equivalents at end of period	43,086	87,012

Net Cash Provided by Operating Activities

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

For the nine months ended November 1, 2025, net cash provided by operating activities was $356 million and consisted of net income of $96 million and an increase in non-cash items of $261 million, partially offset by a change in working capital and other activities of $0.7 million. The use of cash from working capital was primarily driven by a decrease in operating lease liabilities of $79 million, an increase in landlord assets under construction, net of tenant allowances, of $65 million, a decrease in accounts payable and accrued expenses of $30 million, an increase in prepaid expense and other assets of $22 million and a net decrease in other current and non-current liabilities of $13 million. These uses of cash from working capital were partially offset by a decrease in merchandise inventory of $155 million and an increase in deferred revenue and customer deposits of $52 million.

Net Cash Used in Investing Activities

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

For the nine months ended November 1, 2025, net cash used in investing activities was $182 million and was comprised of investments in retail stores, information technology and systems infrastructure of $158 million, a business acquisition of $32 million and an acquisition of an intangible asset of $3.2 million. These cash outflows were partially offset by cash received from a distribution of return of equity method investments of $7.9 million, proceeds from insurance recoveries of $2.3 million and receipt of a promissory note repaid by our equity method investee of $1.8 million.

Net Cash Used in Financing Activities

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

For the nine months ended November 1, 2025, net cash used in financing activities was $163 million, primarily due to net repayments under the asset based credit facility of $135 million, payments under term loans of $19 million, net payments under finance lease agreements of $7.8 million and debt issuance costs of $3.0 million associated with the ABL Credit Agreement amendment. These cash outflows were partially offset by proceeds from the exercise of stock options of $2.2 million.

Non-Cash Transactions

Non-cash transactions consist of non-cash additions of property and equipment and landlord assets under construction and reclassification of assets from landlord assets under construction to finance lease right-of-use assets included in *accounts payable and accrued expenses* at period-end.

Cash Requirements from Contractual Obligations

Leases

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

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

Asset Based Credit Facility

Refer to Note 9—*Credit Facilities and Convertible Senior Notes* in the condensed consolidated financial statements for further information on our asset based credit facility, including the amount available for borrowing under the revolving line of credit, net of outstanding letters of credit.

Term Loan

Refer to Note 9—*Credit Facilities and Convertible Senior Notes* in the condensed consolidated financial statements for further information on our Term Loan.

Real Estate Loans

Refer to Note 6—*Variable Interest Entities* in the condensed consolidated financial statements for further information on the real estate loan held as part of our joint ventures with a third-party development partner.

Share Repurchase Program

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

On June 2, 2022, the Board of Directors authorized an additional $2,000 million for the purchase of shares of our outstanding common stock, which increased the total authorized size of the share repurchase program to $2,450 million (the "Share Repurchase Program"). We did not repurchase any shares of our common stock under the Share Repurchase Program during the nine months ended November 1, 2025. As of November 1, 2025, $201 million remains available for future share repurchases under the Share Repurchase Program.

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

Critical Accounting Policies and Estimates

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

Our senior leadership team evaluates the development and selection of our critical accounting policies and estimates and believes that certain of our significant accounting policies involve a higher degree of judgment or complexity and are most significant to reporting our consolidated results of operations and financial position and are therefore discussed as critical:

Merchandise Inventories—Reserves

Impairment—Long-Lived Assets

Lease Accounting—Determination of the Classification of New Real Estate Lease Contracts

Reasonably Certain Lease Term

Incremental Borrowing Rate

Fair Value

Variable Interest Entities

There have been no material changes to the critical accounting policies and estimates listed above from the disclosures included in the 2024 Form 10-K. For further discussion regarding these policies, refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates* in the 2024 Form 10-K.

Recently Issued Accounting Pronouncements

Refer to Note 2—*Recently Issued Accounting Standards* in the condensed consolidated financial statements within Part I of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our exposures to market risk since February 1, 2025. Refer to Part II, Item 7A —*Quantitative and Qualitative Disclosures About Market Risk* in our 2024 Form 10-K for a discussion on our exposures to market risk.

Interest Rate Risk

As described in our 2024 Form 10-K and in Note 9—*Credit Facilities and Convertible Senior Notes* of the condensed consolidated financial statements herein, we are subject to interest rate risk in connection with borrowings under the ABL Credit Agreement and the Term Loan Credit Agreement, as amended, since such borrowings bear interest at variable rates. We may also incur additional indebtedness that bears interest at variable rates. In addition, the real estate loan held by our VIE also bears interest at variable rates. We are also subject to interest rate risk through interest income received on our cash and cash equivalent balances.

There have been no material changes in our market risk exposures or how those exposures are managed from the information disclosed in our 2024 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our senior leadership team, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a 15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of November 1, 2025, the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our senior leadership team, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, that occurred during our most recent fiscal quarter ended November 1, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

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

For additional information, refer to Note 14—*Commitments and Contingencies* in the condensed consolidated financial statements within Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. For a detailed discussion of certain risks that affect our business, refer to the section entitled “Risk Factors” in our 2024 Form 10-K. There have been no material changes to the risk factors disclosed in our 2024 Form 10-K.

The risks described in our 2024 Form 10-K are not the only risks we face. We describe in *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in Part I of this Quarterly Report on Form 10-Q certain known trends and uncertainties that affect our business. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business, operating results and financial condition.

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

Repurchases of Common Stock

During the three months ended November 1, 2025, we repurchased the following shares of our common stock:

	NUMBER OF SHARES[1]	AVERAGE PURCHASE PRICE PER SHARE	TOTAL NUMBER OF SHARES REPURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS[2]
				(in millions)
August 3, 2025 to August 30, 2025	—	$ —	—	$ 201
August 31, 2025 to October 4, 2025	3,406	$ 230.51	—	$ 201
October 5, 2025 to November 1, 2025	—	$ —	—	$ 201
Total	3,406		—	

(1) Includes shares withheld from delivery to satisfy tax withholding obligations of employee recipients that occur upon the vesting of restricted stock units granted under the Plans.

(2) Reflects the dollar value of shares that may yet be repurchased under our Share Repurchase Program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1

During the three months ended November 1, 2025, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

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

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.



Date: December 11, 2025

By: /s/ Gary Friedman

Gary Friedman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: December 11, 2025

By: /s/ Jack Preston

Jack Preston
Chief Financial Officer
(Principal Financial Officer)

Date: December 11, 2025

By: /s/ Christina Hargarten

Christina Hargarten
Chief Accounting Officer
(Principal Accounting Officer)