

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

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 29, 2022

-OR-

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to _____ to _____.

Commission File Number: 001-09769

Lands' End, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation of Organization)

**1 Lands' End Lane
Dodgeville, Wisconsin**

(Address of Principal Executive Offices)

36-2512786

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

53595

(Zip Code)

(608) 935-9341

(Registrant's Telephone Number Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	LE	The NASDAQ Stock Market LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 Act). YES NO

As of August 29, 2022, the registrant had 33,114,563 shares of common stock, \$0.01 par value, outstanding.

LANDS' END, INC.
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FOR THE PERIOD ENDED JULY 29, 2022
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LANDS' END, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
<i>(in thousands, except per share data)</i>				
Net revenue	\$ 351,178	\$ 384,109	\$ 654,843	\$ 705,406
Cost of sales (excluding depreciation and amortization)	207,141	206,320	381,631	379,880
Gross profit	144,037	177,789	273,212	325,526
Selling and administrative	128,573	136,649	244,267	262,171
Depreciation and amortization	9,883	9,791	19,467	19,695
Other operating expense, net	39	—	39	443
Operating income	5,542	31,349	9,439	43,217
Interest expense	8,813	8,837	16,982	17,897
Other (income), net	(166)	(123)	(328)	(290)
(Loss) income before income taxes	(3,105)	22,635	(7,215)	25,610
Income tax (benefit) expense	(926)	6,414	(2,665)	6,750
NET (LOSS) INCOME	\$ (2,179)	\$ 16,221	\$ (4,550)	\$ 18,860
NET (LOSS) INCOME PER COMMON SHARE				
Basic:	\$ (0.07)	\$ 0.49	\$ (0.14)	\$ 0.57
Diluted:	\$ (0.07)	\$ 0.48	\$ (0.14)	\$ 0.56
Basic weighted average common shares outstanding	33,361	32,979	33,262	32,875
Diluted weighted average common shares outstanding	33,361	33,713	33,262	33,710

See accompanying Notes to Condensed Consolidated Financial Statements.

LANDS' END, INC.
Condensed Consolidated Statements of Comprehensive Operations
(Unaudited)

<i>(in thousands)</i>	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	<u>July 29, 2022</u>	<u>July 30, 2021</u>	<u>July 29, 2022</u>	<u>July 30, 2021</u>
NET (LOSS) INCOME	\$ (2,179)	\$ 16,221	\$ (4,550)	\$ 18,860
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	(843)	(36)	(3,937)	275
COMPREHENSIVE (LOSS) INCOME	<u>\$ (3,022)</u>	<u>\$ 16,185</u>	<u>\$ (8,487)</u>	<u>\$ 19,135</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

LANDS' END, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

<i>(in thousands, except per share data)</i>	July 29, 2022	July 30, 2021	January 28, 2022
ASSETS			
Current assets			
Cash and cash equivalents	\$ 23,505	\$ 39,223	\$ 34,301
Restricted cash	2,091	2,102	1,834
Accounts receivable, net	40,917	30,203	49,668
Inventories, net	569,174	464,291	384,241
Prepaid expenses and other current assets	39,267	31,127	36,905
Total current assets	674,954	566,946	506,949
Property and equipment, net	124,626	136,714	129,791
Operating lease right-of-use asset	32,115	33,989	31,492
Goodwill	106,700	106,700	106,700
Intangible asset	257,000	257,000	257,000
Other assets	3,760	4,347	4,702
TOTAL ASSETS	\$ 1,199,155	\$ 1,105,696	\$ 1,036,634
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	\$ 13,750	\$ 13,750	\$ 13,750
Accounts payable	236,015	211,916	145,802
Lease liability – current	6,720	5,437	5,617
Other current liabilities	101,015	130,285	146,263
Total current liabilities	357,500	361,388	311,432
Long-term borrowings under ABL Facility	135,000	25,000	—
Long-term debt, net	228,948	240,020	234,474
Lease liability – long-term	32,333	35,912	32,731
Deferred tax liabilities	45,516	47,469	46,191
Other liabilities	4,913	6,084	5,110
TOTAL LIABILITIES	804,210	715,873	629,938
Commitments and contingencies			
STOCKHOLDERS' EQUITY			
Common stock, par value \$0.01 authorized: 480,000 shares; issued and outstanding: 33,202, 32,981 and 32,985, respectively	332	330	330
Additional paid-in capital	371,245	370,353	374,413
Retained earnings	39,947	30,086	44,595
Accumulated other comprehensive (loss)	(16,579)	(10,946)	(12,642)
TOTAL STOCKHOLDERS' EQUITY	394,945	389,823	406,696
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,199,155	\$ 1,105,696	\$ 1,036,634

See accompanying Notes to Condensed Consolidated Financial Statements.

LANDS' END, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

<i>(in thousands)</i>	26 Weeks Ended	
	July 29, 2022	July 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (4,550)	\$ 18,860
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,467	19,695
Amortization of debt issuance costs	1,546	1,597
Loss on disposal of property and equipment	39	443
Stock-based compensation	3,403	6,069
Deferred income taxes	372	46
Other	(374)	194
Change in operating assets and liabilities:		
Accounts receivable, net	8,292	7,071
Inventories, net	(190,885)	(81,971)
Accounts payable	91,370	78,376
Other operating assets	(2,105)	10,615
Other operating liabilities	(44,100)	(30,470)
Net cash (used in) provided by operating activities	(117,525)	30,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of property and equipment	87	—
Purchases of property and equipment	(14,863)	(11,961)
Net cash used in investing activities	(14,776)	(11,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings under ABL Facility	141,000	75,000
Payments of borrowings under ABL Facility	(6,000)	(75,000)
Payments on term loan	(6,875)	(6,875)
Payments for taxes related to net share settlement of equity awards	(4,310)	(5,084)
Purchases and retirement of common stock	(2,357)	—
Payment of debt-issuance costs	—	(932)
Net cash provided by (used in) financing activities	121,458	(12,891)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	304	(142)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(10,539)	5,531
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	36,135	35,794
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 25,596	\$ 41,325
SUPPLEMENTAL CASH FLOW DATA		
Unpaid liability to acquire property and equipment	\$ 2,914	\$ 2,726
Income taxes paid, net of refunds	\$ 4,013	\$ 18,338
Interest paid	\$ 16,661	\$ 16,306
Lease liabilities arising from obtaining operating lease right-of-use assets	\$ 3,902	\$ 1,161

See accompanying Notes to Condensed Consolidated Financial Statements.

LANDS' END, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

<i>(in thousands)</i>	Common Stock Issued		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at January 28, 2022	32,985	\$ 330	\$ 374,413	\$ 44,595	\$ (12,642)	\$ 406,696
Net loss	—	—	—	(2,371)	—	(2,371)
Cumulative translation adjustment, net of tax	—	—	—	—	(3,094)	(3,094)
Stock-based compensation expense	—	—	1,484	—	—	1,484
Vesting of restricted shares	660	4	(4)	—	—	—
Common stock withheld related to net share settlement of equity awards	(232)	—	(4,310)	—	—	(4,310)
Balance at April 29, 2022	33,413	\$ 334	\$ 371,583	\$ 42,224	\$ (15,736)	\$ 398,405
Net loss	—	—	—	(2,179)	—	(2,179)
Cumulative translation adjustment, net of tax	—	—	—	—	(843)	(843)
Stock-based compensation expense	—	—	1,919	—	—	1,919
Vesting of restricted shares	1	—	—	—	—	—
Purchases and retirement of common stock	(212)	(2)	(2,257)	(98)	—	(2,357)
Balance at July 29, 2022	33,202	\$ 332	\$ 371,245	\$ 39,947	\$ (16,579)	\$ 394,945

<i>(in thousands)</i>	Common Stock Issued		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at January 29, 2021	32,614	\$ 326	\$ 369,372	\$ 11,226	\$ (11,221)	\$ 369,703
Net income	—	—	—	2,639	—	2,639
Cumulative translation adjustment, net of tax	—	—	—	—	311	311
Stock-based compensation expense	—	—	2,513	—	—	2,513
Vesting of restricted shares	553	4	(4)	—	—	—
Common stock withheld related to net share settlement of equity awards	(190)	—	(5,013)	—	—	(5,013)
Balance at April 30, 2021	32,977	\$ 330	\$ 366,868	\$ 13,865	\$ (10,910)	\$ 370,153
Net income	—	—	—	16,221	—	16,221
Cumulative translation adjustment, net of tax	—	—	—	—	(36)	(36)
Stock-based compensation expense	—	—	3,556	—	—	3,556
Vesting of restricted shares	7	—	—	—	—	—
Common stock withheld related to net share settlement of equity awards	(3)	—	(71)	—	—	(71)
Balance at July 30, 2021	32,981	\$ 330	\$ 370,353	\$ 30,086	\$ (10,946)	\$ 389,823

See accompanying Notes to Condensed Consolidated Financial Statements.

LANDS' END, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION**Description of Business**

Lands' End, Inc. ("Lands' End" or the "Company") is a leading uni-channel retailer of casual clothing, accessories, footwear and home products. Lands' End offers products online at www.landsend.com, through Company Operated stores and through third-party distribution channels. Lands' End is a classic American lifestyle brand with a passion for quality, legendary service and real value and seeks to deliver timeless style for women, men, kids and the home. References to www.landsend.com do not constitute incorporation by reference of the information at www.landsend.com, and such information is not part of this Quarterly Report on Form 10-Q or any other filings with the SEC, unless otherwise explicitly stated.

Terms that are commonly used in the Company's Notes to Condensed Consolidated Financial Statements are defined as follows:

- ABL Facility – Asset-based senior secured credit agreement, providing for a revolving facility, dated as of November 16, 2017, with Wells Fargo Bank, N.A. and certain other lenders, as amended to date
- Adjusted EBITDA – Net income (loss) appearing on the Condensed Consolidated Statements of Operations net of Income tax expense/(benefit), Interest expense, Depreciation and amortization and certain significant items
- ASC – Financial Accounting Standards Board Accounting Standards Codification, which serves as the source for authoritative GAAP, as supplemented by rules and interpretive releases by the SEC which are also sources of authoritative GAAP for SEC registrants
- Company Operated stores – Lands' End retail stores in the Retail distribution channel
- Debt Facilities – Collectively, the Term Loan Facility and ABL Facility
- Deferred Awards – Time vesting stock awards
- EPS – Earnings per share
- FASB – Financial Accounting Standards Board
- First Quarter 2022 – The 13 weeks ended April 29, 2022
- First Quarter 2021 – The 13 weeks ended April 30, 2021
- First Quarter 2019 – The 13 weeks ended May 3, 2019
- GAAP – Accounting principles generally accepted in the United States
- LIBOR – London inter-bank offered rate
- Option Awards – Stock option awards
- Performance Awards – Performance-based stock awards
- SEC – United States Securities and Exchange Commission
- Second Quarter 2022 – The 13 weeks ended July 29, 2022
- Term Loan Facility – Term loan credit agreement, dated as of September 9, 2020, among the Company, Fortress Credit Corp., as Administrative Agent and Collateral Agent, and the lenders party thereto

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Lands' End, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected. Dollar amounts are reported in thousands, except per share data, unless otherwise noted. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Lands' End Annual Report on Form 10-K filed with the SEC on March 24, 2022.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

There were no new accounting standards adopted that had an impact on the Company's financial statements during the 26 weeks ended July 29, 2022.

NOTE 3. EARNINGS (LOSS) PER SHARE

The numerator for both basic and diluted EPS is net income (loss). The denominator for basic EPS is based upon the number of weighted average shares of Lands' End common stock outstanding during the reporting periods. The denominator for diluted EPS is based upon the number of weighted average shares of Lands' End common stock and common stock equivalents outstanding during the reporting periods using the treasury stock method in accordance with GAAP. Potentially dilutive securities for the diluted EPS calculations consist of non-vested equity shares of common stock and in-the-money outstanding options where the current stock price exceeds the option strike price.

The following table summarizes the components of basic and diluted EPS:

<i>(in thousands, except per share amounts)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Net (loss) income	\$ (2,179)	\$ 16,221	\$ (4,550)	\$ 18,860
Basic weighted average common shares outstanding	33,361	32,979	33,262	32,875
Dilutive effect of stock awards	—	734	—	835
Diluted weighted average common shares outstanding	<u>33,361</u>	<u>33,713</u>	<u>33,262</u>	<u>33,710</u>
Basic (loss) earnings per share	\$ (0.07)	\$ 0.49	\$ (0.14)	\$ 0.57
Diluted (loss) earnings per share	\$ (0.07)	\$ 0.48	\$ (0.14)	\$ 0.56

Stock awards are considered anti-dilutive based on the application of the treasury stock method or in the event of a net loss. Anti-dilutive shares excluded from the diluted weighted average shares outstanding were 1,098,859 anti-dilutive shares in the 13 weeks ended July 29, 2022, 89 anti-dilutive shares in the 13 weeks ended July 30, 2021, 1,209,586 anti-dilutive shares in the 26 weeks ended July 29, 2022 and 44 anti-dilutive shares in the 26 weeks ended July 30, 2021.

NOTE 4. OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income encompasses all changes in equity other than those arising from transactions with stockholders and is comprised solely of foreign currency translation adjustments.

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Beginning balance: Accumulated other comprehensive (loss) (net of tax of \$4,184, \$2,900, \$3,361 and \$2,987, respectively)	\$ (15,736)	\$ (10,910)	\$ (12,642)	\$ (11,221)
Other comprehensive (loss) income:				
Foreign currency translation adjustments (net of tax of \$223, \$10, \$1,046 and \$(77), respectively)	(843)	(36)	(3,937)	275
Ending balance: Accumulated other comprehensive (loss) (net of tax of \$4,407, \$2,910, \$4,407 and \$2,910, respectively)	\$ (16,579)	\$ (10,946)	\$ (16,579)	\$ (10,946)

No amounts were reclassified out of Accumulated other comprehensive (loss) during any of the periods presented.

NOTE 5. DEBT
ABL Facility

The Company's \$275.0 million revolving ABL Facility includes a \$70.0 million sublimit for letters of credit and is available for working capital and other general corporate liquidity needs. On July 29, 2021, the Company executed the Third Amendment to the ABL Facility resulting in favorable financial terms and extension of the maturity date of the ABL Facility, as discussed below. The amount available to borrow is subject to the Loan Cap, as defined in the agreement, which considers the Borrowing Base calculated from eligible inventory, trade receivables and credit card receivables as defined in the agreement.

The following table summarizes the Company's borrowing availability, before consideration of the Loan Cap, under the ABL Facility:

<i>(in thousands)</i>	July 29, 2022		July 30, 2021		January 28, 2022	
	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate
ABL Facility maximum borrowing	\$ 275,000		\$ 275,000		\$ 275,000	
Less: Outstanding borrowings	135,000	3.51%	25,000	2.75%	—	—%
Less: Outstanding letters of credit	13,828		16,693		23,521	
Borrowing availability under ABL Facility	\$ 126,172		\$ 233,307		\$ 251,479	

As of July 29, 2022, the amount available to borrow under the ABL Facility subject to the Loan Cap, as defined in the agreement which considers the Borrowing Base, was \$126.2 million.

Long-Term Debt

On September 9, 2020, the Company entered into the Term Loan Facility which provided borrowings of \$275.0 million. Origination costs, including an Original Issue Discount ("OID") of 3% and \$5.1 million in debt origination fees, were paid in connection with entering into the Term Loan Facility. The OID and the debt origination fees are presented as a direct deduction from the carrying value of the Term Loan Facility and are amortized over the term of the loan to Interest expense in the Condensed Consolidated Statements of Operations.

The Company's long-term debt consisted of the following:

	July 29, 2022		July 30, 2021		January 28, 2022	
	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate
<i>(in thousands)</i>						
Term Loan Facility	\$ 250,938	12.12%	\$ 264,688	10.75%	\$ 257,813	10.75%
Less: Current portion of long-term debt	13,750		13,750		13,750	
Less: Unamortized debt issuance costs	8,240		10,918		9,589	
Long-term debt, net	<u>\$ 228,948</u>		<u>\$ 240,020</u>		<u>\$ 234,474</u>	

Interest; Fees

The Third Amendment to the ABL Facility, effective July 31, 2021, lowered the applicable margin interest rates applicable to the referenced rate, selected at the borrower's election, either (1) adjusted LIBOR or (2) a base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the one-month LIBOR rate plus 1.00%, or (c) the Wells Fargo "prime rate". For all loans, the borrowing margin is based upon the average daily total loans outstanding for the previous quarter. The applicable borrowing margin for LIBOR loans is (i) less than \$95.0 million, 1.25%, (ii) equal to or greater than \$95.0 million but less than \$180.0 million, 1.50%, and (iii) greater than or equal to \$180.0 million, 1.75%. For base rate loans, the applicable borrowing margin is (i) less than \$95.0 million, 0.50%, (ii) equal to or greater than \$95.0 million but less than \$180.0 million, 0.75%, and (iii) greater than or equal to \$180.0 million, 1.00%. The Third Amendment to the ABL Facility replaced the 0.75% LIBOR floor with a 0.00% LIBOR floor.

The interest rates per annum applicable to the loans under the Term Loan Facility are based on a fluctuating rate of interest measured by reference to, at the borrower's election, either (1) an adjusted LIBOR rate (with a minimum rate of 1.00%) plus 9.75%, or (2) an alternative base rate (which is the greater of (i) the prime rate published in the Wall Street Journal, (ii) the federal funds rate, which shall be no lower than 0.00% plus ½ of 1.00%, or (iii) the one month LIBOR rate plus 1.00% per annum) plus 8.75%.

The ABL Facility fees include (i) commitment fees of 0.25% based upon the average daily unused commitment (aggregate commitment less loans and letter of credit outstanding) under the ABL Facility for the preceding fiscal quarter and (ii) customary letter of credit fees. As of July 29, 2022, the Company had borrowings of \$135.0 million under the ABL Facility.

Customary agency fees are payable in respect of the Debt Facilities.

Maturity; Amortization and Prepayments

The Third Amendment to the ABL Facility extended the maturity from November 16, 2022 to the earlier of (a) July 29, 2026 and (b) June 9, 2025 if, on or prior to such date, the Term Loan Facility has not been refinanced, extended or repaid in full in accordance with the terms thereof and not replaced with other indebtedness.

The Term Loan Facility matures on September 9, 2025 and amortizes at a rate equal to 1.25% per quarter. It is subject to mandatory prepayments in an amount equal to a percentage of the borrower's excess cash flows in each fiscal year, ranging from 0% to 75% depending on the Company's total leverage ratio, and with the proceeds of certain asset sales, casualty events and extraordinary receipts. The loan may not be voluntarily prepaid during the first two years of its term, without significant penalties. After the initial two-year period, a prepayment premium of 3% applies to voluntary prepayments and certain mandatory prepayments made after September 9, 2022 and on or prior to September 9, 2023, 1% for such prepayments made after September 9, 2023 and on or prior to September 9, 2024 and no premium on such prepayments thereafter.

Guarantees; Security

All obligations under the Debt Facilities are unconditionally guaranteed by Lands' End, Inc. and, subject to certain exceptions, each of its existing and future direct and indirect subsidiaries. The ABL Facility is secured by a first priority security interest in certain working capital of the borrowers and guarantors consisting primarily of accounts receivable and inventory. The Term Loan Facility is secured by a second priority security interest in the same collateral with certain exceptions.

The Term Loan Facility is secured by a first priority security interest in certain property and assets of the borrowers and guarantors, including certain fixed assets such as real estate, stock of the subsidiaries and intellectual property, in each case, subject to certain exceptions. The ABL Facility is secured by a second priority interest in the same collateral, with certain exceptions.

Representations and Warranties; Covenants

Subject to specified exceptions, the Debt Facilities contain various representations and warranties, and restrictive covenants that, among other things, restrict Lands' End, Inc.'s and its subsidiaries' ability to incur indebtedness (including guarantees), grant liens, make investments, make dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers or change the nature of their business.

The Term Loan Facility contains certain financial covenants, including a quarterly maximum total leverage ratio test, a weekly minimum liquidity test and an annual maximum capital expenditure amount.

Under the ABL Facility, if excess availability falls below the greater of 10% of the Loan Cap amount or \$15.0 million, the Company will be required to comply with a minimum fixed charge coverage ratio of 1.0 to 1.0.

The Debt Facilities contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance, and providing additional guarantees and collateral in certain circumstances.

As of July 29, 2022, the Company was in compliance with its financial covenants in the Debt Facilities.

Events of Default

The Debt Facilities include customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross defaults related to certain other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of guarantees or security interests, material judgments, and change of control.

NOTE 6. STOCK-BASED COMPENSATION

The Company expenses the fair value of all stock awards over their respective vesting periods, ensuring that the amount of cumulative stock-based compensation expense recognized at any date is at least equal to the portion of the grant-date fair value of the award that is vested at that date. The Company has elected to adjust stock-based compensation expense for an estimated forfeiture rate for those shares not expected to vest and to recognize stock-based compensation expense on a straight-line basis for awards that only have a service requirement with multiple vest dates.

The Company has granted the following types of stock awards to employees at management levels and above, each of which are granted under the Company's stockholder approved stock plans, other than inducement grants outside of the Company's stockholder approved stock plans in accordance with NASDAQ Listing Rule 5635(c)(4):

- Deferred Awards are in the form of restricted stock units and only require each recipient to complete a service period for the awards to be earned. Deferred Awards generally vest over three years. The fair value of Deferred Awards is based on the closing price of the Company's common stock on the grant date. Stock-based compensation expense is recognized ratably over the service period and is reduced for estimated forfeitures of those awards not expected to vest due to employee turnover.
- Performance Awards are in the form of restricted stock units and have, in addition to a service requirement, performance criteria that must be achieved for the awards to be earned. For Performance Awards granted, the Target Shares earned can range from 50% to 200% once minimum thresholds have been reached and depend on the achievement of Adjusted EBITDA and revenue performance measures for the cumulative period comprised of three-consecutive fiscal years beginning with the fiscal year of the grant date. The applicable percentage of the Target Shares, as determined by performance, vest after the completion of the applicable three-year performance period and upon determination of achievement of the performance measures by the Compensation Committee of the Board of Directors, and unearned Target Shares are forfeited. The fair value of the Performance Awards granted are based on the closing price of the Company's common stock on the grant date. Stock-based compensation expense is recognized ratably over the related service period reduced for estimated forfeitures of those awards not expected to vest due to employee turnover and adjusted based on the Company's estimate of the percentage of the aggregate Target Shares expected to be earned. Typically, the Company accrues for Performance Awards on a 100% payout unless it becomes probable that the outcome will be significantly different, or the performance can be accurately measured. The performance period has been completed for the Performance Awards granted during First Quarter 2019 and, based on the Company's performance relative to the Adjusted EBITDA and revenue performance measures, these awards vested on March 25, 2022 at 118% of Target Shares. The stock-based compensation expense associated with the Performance Awards granted to employees during First Quarter 2022 and First Quarter 2021 is accrued at 100% and 114% payout, respectively.

- Option Awards provide the recipient with the option to purchase a set number of shares at a stated exercise price over the term of the contract, which is ten years for all Option Awards currently outstanding. Options are granted with a strike price equal to the stock price on the date of grant and vest ratably over a four-year period. The fair value of each Option Award is estimated on the grant date using the Black-Scholes option pricing model.

The following table provides a summary of the Company's stock-based compensation expense, which is included in Selling and administrative expense in the Condensed Consolidated Statements of Operations:

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Deferred awards	\$ 1,350	\$ 1,484	\$ 2,905	\$ 2,845
Performance awards	569	2,072	498	3,121
Option awards	—	—	—	103
Total stock-based compensation expense	\$ 1,919	\$ 3,556	\$ 3,403	\$ 6,069

The following table provides a summary of the Deferred Awards activity for the 26 weeks ended July 29, 2022:

<i>(in thousands, except per share amounts)</i>	Deferred Awards	
	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested deferred awards as of January 28, 2022	913	\$ 14.60
Granted	373	20.65
Vested	(390)	14.13
Forfeited or expired	(66)	16.67
Unvested deferred awards as of July 29, 2022	830	17.38

Total unrecognized stock-based compensation expense related to unvested Deferred Awards was approximately \$9.8 million as of July 29, 2022, which is expected to be recognized ratably over a weighted average period of 2.1 years. Deferred Awards granted to employees during the 26 weeks ended July 29, 2022 vest ratably over a period of three years.

The following table provides a summary of the Performance Awards activity for the 26 weeks ended July 29, 2022:

<i>(in thousands, except per share amounts)</i>	Performance Awards	
	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested performance awards as of January 28, 2022	436	\$ 21.15
Granted ⁽¹⁾	248	20.65
Vested	(270)	15.73
Forfeited or expired	(38)	24.39
Unvested performance awards as of July 29, 2022	376	24.39

⁽¹⁾ Performance shares granted assume achievement performance at 100% of target.

Total unrecognized stock-based compensation expense related to unvested Performance Awards was approximately \$6.1 million as of July 29, 2022, which is expected to be recognized ratably over a weighted average period of 2.2 years. Performance Awards granted to employees during the 26 weeks ended July 29, 2022 vest, if earned, after completion of the applicable three-year performance period.

There were no unvested Option Awards as of July 29, 2022. The Option Awards have a life of ten years and vested ratably over the first four years. As of July 29, 2022, 343,135 shares related to Option Awards were exercisable. No options have been exercised as of July 29, 2022.

NOTE 7. STOCKHOLDERS' EQUITY
Share Repurchase Program

On June 28, 2022, the Company announced that its Board of Directors authorized the Company to repurchase up to \$50.0 million of the Company's common stock through February 2, 2024 (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company may repurchase its common stock through open market purchases, in privately negotiated transactions, or by other means in accordance with federal securities laws, including Rule 10b-18 of the Exchange Act. The amount and timing of purchases will be determined by the Company's management depending upon market conditions and other factors and may be made pursuant to a Rule 10b5-1 trading plan. The Share Repurchase Program may be suspended or discontinued at any time. As of July 29, 2022, additional purchases of up to \$47.6 million could be made under the Share Repurchase Program.

The following table summarizes the Company's share repurchases through July 29, 2022:

<i>(Shares and \$ in thousands except average per share cost)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Number of shares repurchased	212	—	212	—
Total cost	\$ 2,353	—	\$ 2,353	—
Average per share cost	\$ 11.10	—	\$ 11.10	—

The Company retired all shares that were repurchased through the Share Repurchase Program during Second Quarter 2022. In accordance with the FASB ASC 505—Equity, the par value of the shares retired was charged against Common stock and the remaining purchase price was allocated between Additional paid-in capital and Retained earnings. The portion charged against Additional paid-in capital is determined based on the Additional paid-in capital per share amount recorded in the initial issuance of the shares with the remaining to Retained earnings. The total cost of the broker commissions is charged directly to Retained earnings. For all shares retired in the Second Quarter 2022, \$0.1 million was charged to Retained earnings.

NOTE 8. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

<i>(in thousands)</i>	July 29, 2022	July 30, 2021	January 28, 2022
Deferred gift card revenue	\$ 31,444	\$ 28,341	\$ 33,070
Accrued employee compensation and benefits	24,817	45,413	58,833
Reserve for sales returns and allowances	19,857	17,432	23,421
Accrued taxes	7,863	10,592	11,999
Deferred revenue	9,757	18,355	8,560
Other	7,277	10,152	10,380
Total other current liabilities	\$ 101,015	\$ 130,285	\$ 146,263

NOTE 9. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES

Restricted cash is reflected on the Condensed Consolidated Balance Sheets at fair value. The fair value of restricted cash was \$2.1 million as of July 29, 2022 and July 30, 2021, respectively, and \$1.8 million as of January 28, 2022, based on Level 1 inputs. Restricted cash amounts are valued based upon statements received from financial institutions.

Carrying values and fair values of long-term debt, including current portion, in the Condensed Consolidated Balance Sheets are as follows:

<i>(in thousands)</i>	July 29, 2022		July 30, 2021		January 28, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	\$ 250,938	\$ 239,079	\$ 264,688	\$ 263,030	\$ 257,813	\$ 256,439

Long-term debt, including current portion, was valued utilizing Level 3 valuation techniques based on a third-party valuation model to complete the analysis on July 29, 2022, July 30, 2021 and January 28, 2022. There were no nonfinancial assets or nonfinancial liabilities recognized at fair value on a nonrecurring basis as of July 29, 2022, July 30, 2021 and January 28, 2022.

NOTE 10. INCOME TAXES

Provision for Income Taxes

At the end of each quarter, the Company estimates its effective income tax rate pursuant to ASC 740. The rate for the period consists of the tax rate expected to be applied for the full year to ordinary income adjusted for any discrete items recorded in the period.

The Company recorded a tax benefit at an overall effective tax rate of 29.8% for the 13 weeks ended July 29, 2022 and a tax expense at an overall effective tax rate of 28.3% for the 13 weeks ended July 30, 2021. The Company recorded a tax benefit at an overall rate of 36.9% for the 26 weeks ended July 29, 2022 and tax expense at an overall effective tax rate of 26.4% for the 26 weeks ended July 30, 2021. The overall effective tax rate for the 26 weeks ended July 29, 2022 reflects a tax benefit as a result of stock-based compensation recorded in the first quarter.

On August 16, 2022, the Inflation Reduction Act (“IRA”) was signed into law. Provisions of the IRA include a 15% corporate minimum tax and a 1% excise tax on stock buybacks amongst others. The Company is assessing the impacts, if any, the IRA will have on its financial statements.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is party to various claims, legal proceedings and investigations arising in the ordinary course of business. Some of these actions involve complex factual and legal issues and are subject to uncertainties. At this time, the Company is not able to either predict the outcome of these legal proceedings or reasonably estimate a potential range of loss with respect to the proceedings. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on results of operations, cash flows or financial position taken as a whole.

As disclosed in the Company’s Annual Report on Form 10-K for the year ended January 28, 2022, the Company is the defendant in three separate lawsuits, each of which allege adverse health events and personal property damage as a result of wearing uniforms manufactured by Lands’ End: (1) *Gilbert et al. v. Lands’ End, Inc.*, United States District Court for the Western District of Wisconsin, Civil Action No. 3:19-cv-00823-JDP, complaint filed October 3, 2019; (2) *Andrews et al. v. Lands’ End, Inc.*, United States District Court for the Western District of Wisconsin, Civil Action No. 3:19-cv-01066-JDP, complaint filed on December 31, 2019, on behalf of 521 named plaintiffs, later amended to include 1,089 named plaintiffs; and (3) *Davis et al. v. Lands’ End, Inc. and Lands’ End Business Outfitters, Inc.*, United States District Court for the Western District of Wisconsin, Case No. 3:20-cv-00195, complaint filed on March 4, 2020. Plaintiffs in *Gilbert*, *Andrews*, and *Davis* seek nationwide class certification on behalf of similarly situated Delta employees.

By order dated April 20, 2020, the Court consolidated the *Gilbert* and *Andrews* cases (the “Consolidated Wisconsin Action”) and stayed the *Davis* case.

Plaintiffs in the Consolidated Wisconsin Action and *Davis* each assert that the damages sustained by the members of the proposed class exceed \$5,000,000. Plaintiffs in each case seek damages for personal injuries, pain and suffering, severe emotional distress, financial or economic loss, including medical services and expenses, lost income and other compensable injuries. Plaintiffs in the Consolidated Wisconsin Action seek class certification with respect to performance of the uniforms and warranty claims and maintain individual claims for personal injury by numerous named plaintiffs.

On August 18, 2021, the Court ruled on several pending motions in the Consolidated Wisconsin Action. The Court denied Plaintiffs’ motion for class certification with respect to performance of the uniforms and warranty claims. The Court denied Plaintiffs’ motion for partial summary judgment regarding crocking claims and granted Lands’ End’s motion for partial summary judgment related to certain warranty claims. In addition, giving effect to both the addition and voluntary dismissal of individual plaintiffs over the course of the litigation, the number of individual plaintiffs had been reduced from 1,089 to 603 as of August 18, 2021. On September 1, 2021, Plaintiffs filed a Rule 23(f) petition, seeking interlocutory review of the Court’s decision denying class certification. On September 22, 2021, the U.S. Court of Appeals for the Seventh Circuit denied plaintiffs’ petition.

On July 8, 2022, the Court issued an Opinion and Order (the “July 8 Opinion”), ruling in the Company’s favor on several additional pending motions. The Court granted the Company’s motion to exclude Plaintiffs’ expert opinions because the opinions were not based on reliably applied and scientifically valid methods. Accordingly, because Plaintiffs failed to submit evidence

sufficient to show that the uniforms were defective or that a defect in the uniforms caused Plaintiffs' alleged health problems, the Court granted the Company's motion for summary judgement on Plaintiffs' personal injury claims.

After giving effect to the July 8 Opinion, the remaining claims under the Consolidated Wisconsin Action relate to claims for property damage and breach of warranty. Lands' End continues to vigorously defend these lawsuits and believes they are without merit.

NOTE 12. SEGMENT REPORTING

The Company's operating segments consist of: U.S. eCommerce, Europe eCommerce, Japan eCommerce, Outfitters, Third Party and Retail. The Company determined that each of the operating segments have similar economic and other qualitative characteristics, thus the results of the operating segments are aggregated into one reportable external segment.

Lands' End identifies five separate distribution channels for revenue reporting purposes:

- *U.S. eCommerce* offers products through the Company's eCommerce website.
- *International* offers products primarily to consumers located in Europe and Japan through eCommerce international websites and third-party affiliates.
- *Outfitters* sells uniform and logo apparel to businesses and their employees, as well as to student households through school relationships, located primarily in the U.S.
- *Third Party* sells the same products as U.S. eCommerce but direct to consumers through third-party marketplace websites and through domestic wholesale customers.
- *Retail* sells products through Company Operated stores.

Net revenue is presented by distribution channel in the following table:

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Net revenue:				
U.S. eCommerce	\$ 203,288	\$ 237,618	\$ 378,181	\$ 441,191
International	36,373	47,819	80,551	104,263
Outfitters	70,669	65,633	124,631	106,313
Third Party	27,290	19,098	48,932	30,902
Retail	13,558	13,941	22,548	22,737
Total Net revenue	<u>\$ 351,178</u>	<u>\$ 384,109</u>	<u>\$ 654,843</u>	<u>\$ 705,406</u>

NOTE 13. REVENUE

Revenue includes sales of merchandise and delivery revenue related to merchandise sold. Substantially all of the Company's revenue is recognized when control of product passes to customers, which for the U.S. eCommerce, International, Outfitters and Third Party distribution channels is when the merchandise is received by the customer and for the Retail distribution channel is at the time of sale in the store. The Company recognizes revenue, including shipping and handling fees billed to customers, in the amount expected to be received when control of the Company's products transfers to customers, and is presented net of various forms of promotions, which range from contractually-fixed percentage price reductions to sales returns, discounts, and other incentives that may vary in amount. Variable amounts are estimated based on an analysis of historical experience and adjusted as better estimates become available.

The Company's revenue is disaggregated by distribution channel and geographic location. Revenue by distribution channel is presented in Note 12, *Segment Reporting*. Revenue by geographic location was:

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Net revenue:				
United States	\$ 310,151	\$ 330,890	\$ 565,425	\$ 591,296
Europe	29,311	38,019	65,440	84,906
Asia	7,742	10,490	16,439	20,549
Other	3,974	4,710	7,539	8,655
Total Net revenue	<u>\$ 351,178</u>	<u>\$ 384,109</u>	<u>\$ 654,843</u>	<u>\$ 705,406</u>

Contract Liabilities

Contract liabilities consist of payments received in advance of the transfer of control to the customer. As products are delivered and control transfers, the Company recognizes the deferred revenue in Net revenue in the Condensed Consolidated Statements of Operations. The following table summarizes the deferred revenue associated with payments received in advance of the transfer of control to the customer, which is reported in Other current liabilities in the Condensed Consolidated Balance Sheets, as well as amounts recognized through Net revenue for each period presented. The majority of deferred revenue as of July 29, 2022 is expected to be recognized in Net revenue in the fiscal quarter ending October 28, 2022, as products are delivered to customers.

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Deferred revenue beginning of period	\$ 6,074	\$ 25,374	\$ 8,560	\$ 17,187
Deferred revenue recognized in period	(5,860)	(25,160)	(8,346)	(16,973)
Revenue deferred in period	9,543	18,141	9,543	18,141
Deferred revenue end of period	<u>\$ 9,757</u>	<u>\$ 18,355</u>	<u>\$ 9,757</u>	<u>\$ 18,355</u>

Revenue from gift cards is recognized when (i) the gift card is redeemed by the customer for merchandise, or (ii) as gift card breakage, an estimate of gift cards which will not be redeemed where the Company does not have a legal obligation to remit the value of the unredeemed gift cards to the relevant jurisdictions. Gift card breakage is recorded within Net revenue in the Condensed Consolidated Statements of Operations. Prior to their redemption, gift cards are recorded as a liability and included within Other current liabilities in the Condensed Consolidated Balance Sheets. The liability is estimated based on expected breakage that considers historical patterns of redemption. The following table provides the reconciliation of the contract liability related to gift cards:

<i>(in thousands)</i>	13 Weeks Ended		26 Weeks Ended	
	July 29, 2022	July 30, 2021	July 29, 2022	July 30, 2021
Balance as of beginning of period	\$ 32,015	\$ 27,466	\$ 33,070	\$ 26,798
Gift cards sold	17,042	13,949	31,670	24,996
Gift cards redeemed	(17,245)	(12,963)	(32,713)	(23,228)
Gift card breakage	(368)	(111)	(583)	(225)
Balance as of end of period	<u>\$ 31,444</u>	<u>\$ 28,341</u>	<u>\$ 31,444</u>	<u>\$ 28,341</u>

Refund Liabilities

Refund liabilities, primarily associated with product sales returns and retrospective volume rebates, represent variable consideration and are estimated and recorded as a reduction to Net revenue based on historical experience. As of July 29, 2022, July 30, 2021 and January 28, 2022, \$19.9 million, \$17.4 million and \$23.4 million, respectively, of refund liabilities, primarily associated with product returns, were reported in Other current liabilities in the Condensed Consolidated Balance Sheets. An asset for product returns is recorded in Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets.

NOTE 14. SUBSEQUENT EVENT

In July 2022, the Board of Directors approved a plan to wind down and cease operations of Lands' End Japan KK. Lands' End Japan KK represents the Japan eCommerce operating segment. For a discussion of this operating segment, see Note 12, *Segment Reporting*. The closing and subsequent disposal of the assets does not represent a strategic shift with a major effect on the consolidated financial condition of the Company. While the incremental costs associated with the closing cannot be estimated at this time, based on current information the Company does not expect these costs will have a material impact on our Condensed Consolidated Financial Statements and disclosures.

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

You should read the following discussion in conjunction with the Condensed Consolidated Financial Statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. See "Cautionary Statement Concerning Forward-Looking Statements" below, "Item 1A. Risk Factors" in our Annual Report filed on Form 10-K for the year ended January 28, 2022 and "Part II, Item 1A Risk Factors" of this Quarterly Report on Form 10-Q, for a discussion of the uncertainties, risks and assumptions associated with these statements.

As used in this Quarterly Report on Form 10-Q, references to the "Company", "Lands' End", "we", "us", "our" and similar terms refer to Lands' End, Inc. and its subsidiaries. Our fiscal year ends on the Friday preceding the Saturday closest to January 31. Other terms that are commonly used in this Quarterly Report on Form 10-Q are defined as follows:

- *ABL Facility* – Asset-based senior secured credit agreement, providing for a revolving facility, dated as of November 16, 2017, with Wells Fargo Bank, N.A. and certain other lenders, as amended to date
- *Adjusted EBITDA* – Net income (loss) appearing on the Consolidated Statements of Operations net of Income tax expense, Interest expense, Depreciation and amortization and certain significant items
- *Company Operated stores* – Lands' End retail stores in the Retail distribution channel
- *COVID* – Coronavirus disease 2019 (COVID-19) caused by severe respiratory syndrome coronavirus 2 (SARS-CoV-2)
- *Debt Facilities* – Collectively, the Term Loan Facility and ABL Facility
- *First Quarter 2020* – The 13 weeks ended May 1, 2020
- *Fiscal 2022* – The 52 weeks ending January 27, 2023
- *Fiscal 2021* – The 52 weeks ended January 28, 2022
- *Fiscal 2020* – The 52 weeks ended January 29, 2021
- *GAAP* – Accounting principles generally accepted in the United States
- *LIBOR* – London inter-bank offered rate
- *Second Quarter 2022* – The 13 weeks ended July 29, 2022
- *Second Quarter 2021* – The 13 weeks ended July 30, 2021
- *Term Loan Facility* – Term loan credit agreement, dated as of September 9, 2020, among the Company, Fortress Credit Corp., as Administrative Agent and Collateral Agent, and the lenders party thereto
- *Year-to-Date 2022* – The 26 weeks ended July 29, 2022
- *Year-to-Date 2021* – The 26 weeks ended July 30, 2021

Executive Overview

Description of the Company

Lands' End is a leading uni-channel retailer of casual clothing, accessories, footwear and home products. Operating out of America's heartland, we believe our vision and values make a strong connection with our core customers. We offer products online at www.landsend.com, through our own Company Operated stores and through third-party distribution channels. We are a classic American lifestyle brand with a passion for quality, legendary service and real value. We seek to deliver timeless style for women, men, kids and the home.

Lands' End was founded in 1963 by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

We seek to provide a common customer experience regardless of whether our customers are interacting with us on our company websites, at our Company Operated stores or through third-party distribution channels.

We have one external reportable segment and identify our operating segments according to how our business activities are managed and evaluated. Our operating segments consist of: U.S. eCommerce, Europe eCommerce, Japan eCommerce, Outfitters, Third Party and Retail. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one external reportable segment.

Distribution Channels

We identify five separate distribution channels for revenue reporting purposes:

- *U.S. eCommerce* offers products through our eCommerce website.
- *International* offers products primarily to consumers located in Europe and Japan through our eCommerce international websites and third-party affiliates.
- *Outfitters* sells uniform and logo apparel to businesses and their employees, as well as to school households through school relationships, located primarily in the U.S.
- *Third Party* sells the same products as U.S. eCommerce but direct to consumers through third-party marketplace websites and through domestic wholesale customers.
- *Retail* sells products through our Company Operated stores.

Global Supply Chain and Macroeconomic Challenges

Like many companies, we continue to experience global supply chain challenges and disruptions. These global supply chain challenges and disruptions have caused manufacturing and transportation delays and increased transportation and distribution costs. We have extended our seasonal product calendars to account for the longer supply chain lead times in an attempt to avoid potential delays and out-of-stock positions. In addition, we have rerouted shipments as we attempt to mitigate our exposure of unpredictable transportation delays with potential labor disruptions.

Macroeconomic issues, such as recent inflationary pressures, have had an impact on our business. Since apparel purchases are discretionary expenditures that historically have been influenced by domestic and global economic conditions, higher prices of consumer goods due to inflation may result in less discretionary spending for consumers which may negatively impact customer demand. Additionally, macroeconomic challenges have led to increased cost of raw materials, packaging materials, labor, energy, fuel and other inputs necessary for the production and distribution of our products and may impact our gross margin.

We expect the global supply chain challenges, increased transportation and distribution costs and inflationary pressures to continue through the remainder of Fiscal 2022.

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in accordance with GAAP and include the accounts of Lands' End, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

Seasonality

We experience seasonal fluctuations in our Net revenue and operating results and historically have realized a significant portion of our net revenue and earnings for the year during our fourth fiscal quarter. We generated 33.9% and 37.7% of our net revenue in the fourth quarter of Fiscal 2021 and Fiscal 2020 respectively. The Fiscal 2021 percentage decrease of net revenue in the fourth quarter was primarily attributed to the global supply chain challenges. Thus, lower than expected fourth quarter net revenue has had and may continue to have an adverse impact on our annual operating results.

Working capital requirements typically increase during the second and third quarters of the fiscal year as inventory builds to support peak shipping/selling periods and, accordingly, typically decrease during the fourth quarter of the fiscal year as inventory is shipped/sold. Cash provided by operating activities is typically higher in the fourth quarter of the fiscal year due to reduced working capital requirements during that period.

Results of Operations

The following table sets forth, for the periods indicated, selected income statement data, both in dollars and as a percentage of Net revenue:

<i>(in thousands)</i>	13 Weeks Ended			
	July 29, 2022		July 30, 2021	
Net revenue	\$ 351,178	100.0%	\$ 384,109	100.0%
Cost of sales (excluding depreciation and amortization)	207,141	59.0%	206,320	53.7%
Gross profit	144,037	41.0%	177,789	46.3%
Selling and administrative	128,573	36.6%	136,649	35.6%
Depreciation and amortization	9,883	2.8%	9,791	2.5%
Other operating expense, net	39	0.0%	—	—
Operating income	5,542	1.6%	31,349	8.2%
Interest expense	8,813	2.5%	8,837	2.3%
Other (income), net	(166)	(0.0)%	(123)	(0.0)%
(Loss) income before income taxes	(3,105)	(0.9)%	22,635	5.9%
Income tax (benefit) expense	(926)	(0.3)%	6,414	1.7%
NET (LOSS) INCOME	\$ (2,179)	(0.6)%	\$ 16,221	4.2%

<i>(in thousands)</i>	26 Weeks Ended			
	July 29, 2022		July 30, 2021	
Net revenue	\$ 654,843	100.0%	\$ 705,406	100.0%
Cost of sales (excluding depreciation and amortization)	381,631	58.3%	379,880	53.9%
Gross profit	273,212	41.7%	325,526	46.1%
Selling and administrative	244,267	37.3%	262,171	37.2%
Depreciation and amortization	19,467	3.0%	19,695	2.8%
Other operating expense, net	39	0.0%	443	(0.0)%
Operating income	9,439	1.4%	43,217	6.1%
Interest expense	16,982	2.6%	17,897	2.5%
Other (income), net	(328)	(0.1)%	(290)	(0.0)%
(Loss) income before income taxes	(7,215)	(1.1)%	25,610	3.6%
Income tax (benefit) expense	(2,665)	(0.4)%	6,750	0.9%
NET (LOSS) INCOME	\$ (4,550)	(0.7)%	\$ 18,860	2.7%

Depreciation and amortization are not included in our cost of sales because we are a reseller of inventory and do not believe that including depreciation and amortization is meaningful. As a result, our gross margins may not be comparable to other entities that include depreciation and amortization related to the sale of their product in their gross margin measure.

Net Income (Loss) and Adjusted EBITDA

We recorded a Net loss of \$2.2 million in Second Quarter 2022 compared to Net income of \$16.2 million in Second Quarter 2021. In addition to our Net income (loss) determined in accordance with GAAP, for purposes of evaluating operating performance, we use an Adjusted EBITDA measurement. Adjusted EBITDA is computed as Net income (loss) appearing on the Condensed Consolidated Statements of Operations net of Income tax expense/(benefit), Interest expense, Depreciation and amortization and certain significant items as set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our business for comparable periods and as a basis for an executive compensation metric. The methods we use to calculate our non-GAAP financial measures may differ significantly from methods other companies use to compute similar measures. As a result, any non-GAAP financial measures presented herein may not be comparable to similar measures provided by other companies. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and is useful to investors, because:

- EBITDA excludes the effects of financings, investing activities and tax structure by eliminating the effects of interest, depreciation and income tax.
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations.
 - Other – amortization of transaction related costs associated with Third Party distribution channel for the 13 and 26 weeks ended July 29, 2022 and July 30, 2021.
 - Loss on disposal of property and equipment – management considers the net gain or loss on asset valuation to result from investing decisions rather than ongoing operations for the 13 weeks ended July 29, 2022 and 26 weeks ended July 29, 2022 and July 30, 2021.

The following table sets forth, for the periods indicated, selected income statement data, both in dollars and as a percentage of Net revenue:

<i>(in thousands)</i>	13 Weeks Ended			
	July 29, 2022		July 30, 2021	
Net (loss) income	\$ (2,179)	(0.6)%	\$ 16,221	4.2%
Income tax (benefit) expense	(926)	(0.3)%	6,414	1.7%
Other (income), net	(166)	(0.0)%	(123)	(0.0)%
Interest expense	8,813	2.5%	8,837	2.3%
Operating income	5,542	1.6%	31,349	8.2%
Depreciation and amortization	9,883	2.8%	9,791	2.5%
Other	344	0.1%	250	0.1%
Loss on disposal of property and equipment	39	0.0%	—	—%
Adjusted EBITDA	\$ 15,808	4.5%	\$ 41,390	10.8%

<i>(in thousands)</i>	26 Weeks Ended			
	July 29, 2022		July 30, 2021	
Net (loss) income	\$ (4,550)	(0.7)%	\$ 18,860	2.7%
Income tax (benefit) expense	(2,665)	(0.4)%	6,750	0.9%
Other (income), net	(328)	(0.1)%	(290)	(0.0)%
Interest expense	16,982	2.6%	17,897	2.5%
Operating income	9,439	1.4%	43,217	6.1%
Depreciation and amortization	19,467	3.0%	19,695	2.8%
Other	688	0.1%	500	0.1%
Loss on disposal of property and equipment	39	0.0%	443	0.1%
Adjusted EBITDA	\$ 29,633	4.5%	\$ 63,855	9.1%

In assessing the operational performance of our business, we consider a variety of financial measures. We operate in five separate distribution channels for revenue reporting purposes: U.S. eCommerce, International, Outfitters, Third Party and Retail. A key measure in the evaluation of our business is revenue performance by distribution channel. We also consider Gross margin and Selling and administrative expenses in evaluating the performance of our business.

We use Net revenue to evaluate revenue performance for the U.S. eCommerce, International, Outfitters and Third Party distribution channels. For our Retail distribution channel, we use Same Store Sales as a key measure in evaluating performance. A store is included in Same Store Sales calculations when it has been open for at least 14 months. Online sales and sales generated through our in-store web portal are considered revenue in our U.S. eCommerce and International distribution channels and are excluded from Same Store Sales. From First Quarter 2020 through Third Quarter 2021, due to the COVID pandemic, we temporarily ceased using Same Store Sales as a key measure in evaluating performance as we did not believe there was meaningful comparability during those periods.

Discussion and Analysis

Second Quarter 2022 compared with Second Quarter 2021

Net Revenue

Net revenue was \$351.2 million for Second Quarter 2022, a decrease of \$32.9 million or 8.6%, from \$384.1 million during the Second Quarter 2021.

U.S. eCommerce Net revenue was \$203.3 million for Second Quarter 2022, a decrease of \$34.3 million or 14.4%, from \$237.6 million during the Second Quarter 2021. Compared to Second Quarter 2021, the decrease in revenue in Second Quarter 2022 was caused by delayed receipts of key products due to the global supply chain and macroeconomic challenges.

International eCommerce Net revenue was \$36.4 million for Second Quarter 2022, a decrease of \$11.4 million or 23.9%, from \$47.8 million during the Second Quarter 2021. The decrease in revenue in Second Quarter 2022 was caused by delayed receipts of key products due to the global supply chain challenges and macroeconomic challenges.

Outfitters Net revenue was \$70.7 million for Second Quarter 2022, an increase of \$5.1 million or 7.7%, from \$65.6 million during the Second Quarter 2021. Compared to Second Quarter 2021, the increase was attributed to stronger demand within school uniform households and national accounts.

Third Party Net revenue was \$27.3 million for Second Quarter 2022, an increase of \$8.2 million or 42.9%, from \$19.1 million during the Second Quarter 2021. The increase was primarily attributed to growth in the Kohl's online marketplace, and growth in other new and existing online marketplaces.

Retail Net revenue was \$13.5 million for Second Quarter 2022, a decrease of \$0.5 million or 2.8%, from \$14.0 million during the Second Quarter 2021. Our U.S. Company Operated stores experienced a decrease of 0.9% in Same Store Sales as compared to the Second Quarter 2021. On July 29, 2022 there were 30 U.S. Company Operated stores compared to 31 U.S. Company Operated stores on July 30, 2021.

Gross Profit

Gross profit was \$144.0 million for Second Quarter 2022, a decrease of \$33.8 million or 19.0% from \$177.8 million during the Second Quarter of 2021. Gross margin decreased approximately 530 basis points to 41.0% in Second Quarter 2022, compared with 46.3% in Second Quarter 2021. Compared to Second Quarter 2021, the gross margin decline was attributable to an incremental \$11.7 million of transportation costs due to the global supply chain challenges, in addition to increased promotional activity, and margin mix from growth in our Third Party business.

Selling and Administrative Expenses

Selling and administrative expenses decreased \$8.0 million to \$128.6 million or 36.6% of total Net revenue in Second Quarter 2022 compared with \$136.6 million or 35.6% of Net revenue in Second Quarter 2021. The approximately 100 basis point increase was driven by deleverage on lower sales partially offset by continued expense controls.

Depreciation and Amortization

Depreciation and amortization expense was \$9.9 million in Second Quarter 2022, an increase of \$0.1 million or 0.9% compared with \$9.8 million in Second Quarter 2021.

Other Operating Expense

Other operating expense was insignificant in Second Quarter 2022 for loss on disposal of property and equipment compared to no Other operating expense in Second Quarter 2021.

Operating Income

Operating income was \$5.5 million in Second Quarter 2022 compared to \$31.3 million in Second Quarter 2021. The \$25.8 million decrease was driven by the decrease in Gross profit due to increased transportation costs attributed to the global supply chain challenges slightly offset by lower selling and administrative expenses.

Interest Expense

Interest expense remained unchanged at \$8.8 million in Second Quarter 2022 and Second Quarter 2021, respectively.

Other Income

Other income was \$0.2 million in Second Quarter 2022 compared to Other income of \$0.1 million in Second Quarter 2021.

Income Tax (Benefit) Expense

We recorded an income tax benefit at an overall effective tax rate of 29.8% for Second Quarter 2022 and income tax expense at an overall effective tax rate of 28.3% for Second Quarter 2021.

Net Income (Loss)

As a result of the above factors, Net loss was \$2.2 million and diluted loss per share was \$0.07 in Second Quarter 2022 compared with Net income of \$16.2 million and diluted earnings per share of \$0.48 in Second Quarter 2021.

Adjusted EBITDA

As a result of the above factors, Adjusted EBITDA was \$15.8 million in Second Quarter 2022 compared to \$41.4 million in Second Quarter 2021.

Year-to-Date 2022 compared with Year-to-Date 2021

Net Revenue

Net revenue was \$654.8 million for Year-to-Date 2022, a decrease of \$50.6 million or 7.2%, from \$705.4 million during the Year-to-Date 2021.

U.S. eCommerce Net revenue was \$378.2 million for Year-to-Date 2022, a decrease of \$63.0 million or 14.3%, from \$441.2 million during the Year-to-Date 2021. The decrease in revenue was caused by delayed receipts of key products due to global supply chain and macroeconomic challenges.

International eCommerce Net revenue was \$80.6 million for Year-to-Date 2022, a decrease of \$23.6 million or 22.7%, from \$104.2 million during the Year-to-Date 2021. The decrease in revenue was caused by delayed receipts of key products due to the global supply chain challenges and macroeconomic challenges.

Outfitters Net revenue was \$124.6 million for Year-to-Date 2022, an increase of \$18.3 million or 17.2%, from \$106.3 million during the Year-to-Date 2021. Compared to the Year-to-Date 2021, the increase was primarily attributed to stronger demand within school uniform households, national accounts, and small and mid-sized business customers.

Third Party Net revenue was \$48.9 million for Year-to-Date 2022, an increase of \$18.0 million or 58.3%, from \$30.9 million during the Year-to-Date 2021. The increase was driven by growth in the Kohl's online marketplace, expanding the number of the Kohl's stores in the Third Quarter 2021, and growth in new and existing online marketplaces.

Retail Net revenue was \$22.5 million for Year-to-Date 2022, a decrease of \$0.3 million or 0.8%, from \$22.8 million during the Year-to-Date 2021. Our U.S. Company Operated stores experienced an increase of 0.8% in Same Store Sales as compared to the Year-to-Date 2021. On July 29, 2022 there were 30 U.S. Company Operated stores compared to 31 U.S. Company Operated stores on July 30, 2021.

Gross Profit

Gross profit was \$273.2 million for Year-to-Date 2022, a decrease of \$52.3 million or 16.1% from \$325.5 million during Year-to-Date of 2021. Gross margin decreased to 41.7% in Year-to-Date 2022, compared with 46.2% in Year-to-Date 2021. Compared to Year-to-Date 2021, gross margin decreased due to an incremental \$26.1 million of transportation costs due to global supply chain challenges, in addition to increased promotional activity, and margin mix from growth in our Third Party business.

Selling and Administrative Expenses

Selling and administrative expenses decreased \$17.9 million to \$244.3 million or 37.3% of total Net revenue in Year-to-Date 2022 compared with \$262.2 million or 37.2% of Net revenue in Year-to-Date 2021. The approximately 10 basis point increase was a result of deleverage on lower sales offset by continued expense controls and lower digital marketing spend.

Depreciation and Amortization

Depreciation and amortization expense was \$19.5 million in Year-to-Date 2022, a decrease of \$0.2 million or 1.2%, compared with \$19.7 million in Year-to-Date 2021.

Other Operating Expense

Other operating expense, net was insignificant in Year-to-Date 2022 compared to \$0.4 million in Year-to-Date 2021. The decrease was a result of a reduction in loss on disposal of property and equipment.

Operating Income (Loss)

Operating income was \$9.4 million in Year-to-Date 2022 compared to Operating income of \$43.2 million in Year-to-Date 2021. The \$33.8 million decrease was caused by the decrease in Gross profit due to increased transportation costs attributed to the global supply chain challenges slightly offset by lower selling and administrative expenses.

Interest Expense

Interest expense was \$17.0 million in Year-to-Date 2022 compared to \$17.9 million in Year-to-Date 2021. The \$0.9 million decrease was primarily attributed to lower interest rates as a result of the Third Amendment to the ABL Facility and lower interest on the Term Loan Facility due to scheduled principal payments.

Other Income

Other income remained unchanged at \$0.3 million in Year-to-Date 2022 and Year-to-Date 2021, respectively.

Income Tax (Benefit) Expense

We recorded an income tax benefit at an overall effective tax rate of 36.9% for Year-to-Date 2022 and an income tax expense of 26.4% for Year-to-Date 2021. The Year-to-Date 2022 rate is lower than Year-to-Date 2021 primarily due to the generation of pretax loss in 2022 compared to a pretax income in 2021.

Net Income (Loss)

As a result of the above factors, Net loss was \$4.5 million and diluted loss per share was \$0.14 in Year-to-Date 2022 compared with Net income of \$18.9 million and diluted earnings per share of \$0.56 in Year-to-Date 2021.

Adjusted EBITDA

As a result of the above factors, Adjusted EBITDA was \$29.6 million in Year-to-Date 2022 compared to \$63.9 million in Year-to-Date 2021.

Liquidity and Capital Resources

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our cash and cash equivalents and the ABL Facility serve as sources of liquidity for short-term working capital needs and general corporate purposes. The ABL Facility had a balance outstanding of \$135.0 million on July 29, 2022, other than letters of credit. Cash generated from our net revenue and profitability, and to a lesser extent our changes in working capital, are driven by the seasonality of our business, with a significant amount of net revenue and operating cash flows generally occurring in the fourth fiscal quarter of each year. We expect that our cash on hand and cash flows from operations, along with revolving on the ABL Facility, will be adequate to meet our capital requirements and operational needs for at least the next 12 months.

Description of Material Indebtedness

Debt Arrangements

Our \$275.0 million revolving ABL Facility includes a \$70.0 million sublimit for letters of credit and is available for working capital and other general corporate liquidity needs. On July 29, 2021, we executed the Third Amendment to the ABL Facility resulting in favorable financial terms and extension of the maturity date of the ABL Facility, as discussed below. The amount available to borrow is subject to the Loan Cap, as defined in the agreement, which considers the Borrowing Base calculated from eligible inventory, trade receivables and credit card receivables as defined in the agreement. The balance outstanding was \$135.0 million and \$25.0 million on July 29, 2022 and July 30, 2021, respectively. The balance of outstanding letters of credit was \$13.8 million and \$16.7 million on July 29, 2022 and July 30, 2021, respectively.

On September 9, 2020, we entered into the Term Loan Facility which provided borrowings of \$275.0 million. Origination costs, including an Original Issue Discount (OID) of 3% and \$5.1 million in debt origination fees were paid upon entering into the Term Loan Facility.

Interest; Fees

The Third Amendment to the ABL Facility, effective July 31, 2021, lowered the applicable margin interest rates applicable to the referenced rate, selected at the borrower's election, either (1) adjusted LIBOR or (2) a base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the one-month LIBOR rate plus 1.00%, or (c) the Wells Fargo "prime rate". For all loans, the borrowing margin is based upon the average daily total loans outstanding for the previous quarter. The applicable borrowing margin for LIBOR loans is (i) less than \$95.0 million, 1.25%, (ii) equal to or greater than \$95.0 million but less than \$180.0 million, 1.50%, and (iii) greater than or equal to \$180.0 million, 1.75%. For base rate loans, the applicable borrowing margin is (i) less than \$95.0 million, 0.50%, (ii) equal to or greater than \$95.0 million but less than \$180.0 million, 0.75%, and (iii) greater than or equal to \$180.0 million, 1.00%. The Third Amendment to the ABL Facility replaced the 0.75% LIBOR floor with a 0.0% LIBOR floor.

The interest rates per annum applicable to the loans under the Term Loan Facility are based on a fluctuating rate of interest measured by reference to, at the borrower's election, either (1) an adjusted LIBOR (with a minimum rate of 1.00%) plus 9.75% or (2) an alternative base rate (which is the greater of (i) the prime rate published in the Wall Street Journal, (ii) the federal funds rate, which shall be no lower than 0.00% plus ½ of 1.00%, or (iii) the one month LIBOR rate plus 1.00% per annum) plus 8.75%.

The ABL Facility fees include (i) commitment fees of 0.25% based upon the average daily unused commitment (aggregate commitment less loans and letter of credit outstanding) under the ABL Facility for the preceding fiscal quarter and (ii) customary letter of credit fees. As of July 29, 2022, we had borrowings of \$135.0 million under the ABL Facility.

Customary agency fees are payable in respect of the Debt Facilities.

Maturity; Amortization and Prepayments

The Third Amendment to the ABL Facility extended the maturity from November 16, 2022 to the earlier of (a) July 29, 2026 and (b) June 9, 2025 if, on or prior to such date, the Term Loan Facility has not been refinanced, extended or repaid in full in accordance with the terms thereof and not replaced with other indebtedness.

The Term Loan Facility matures on September 9, 2025 and amortizes at a rate equal to 1.25% per quarter. It is subject to mandatory prepayments in an amount equal to a percentage of the borrower's excess cash flows in each fiscal year, ranging from 0% to 75% depending on our total leverage ratio, and with the proceeds of certain asset sales, casualty events and extraordinary receipts. The loan may not be voluntarily prepaid during the first two years of its term, without significant penalties. After the initial two-year period, a prepayment premium of 3% applies to voluntary prepayments and certain mandatory prepayments made after September 9, 2022 and on or prior to September 9, 2023, 1% for such prepayments made after September 9, 2023 and on or prior to September 9, 2024, and no premium on such prepayments thereafter.

Guarantees; Security

All obligations under the Debt Facilities are unconditionally guaranteed by Lands' End, Inc. and, subject to certain exceptions, each of its existing and future direct and indirect subsidiaries. The ABL Facility is secured by a first priority security interest in certain working capital of the borrowers and guarantors consisting primarily of accounts receivable and inventory. The Term Loan Facility is secured by a second priority security interest in the same collateral, with certain exceptions.

The Term Loan Facility is secured by a first priority security interest in certain property and assets of the borrowers and guarantors, including certain fixed assets such as real estate, stock of the subsidiaries and intellectual property, in each case, subject to certain exceptions. The ABL Facility is secured by a second priority interest in the same collateral, with certain exceptions.

Representations and Warranties; Covenants

Subject to specified exceptions, the Debt Facilities contain various representations and warranties and restrictive covenants that, among other things, restrict Lands' End, Inc.'s and its subsidiaries' ability to incur indebtedness (including guarantees), grant liens, make investments, make dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers or change the nature of their business.

The Term Loan Facility contains certain financial covenants, including a quarterly maximum total leverage ratio test, a weekly minimum liquidity test and an annual maximum capital expenditure amount.

Under the ABL Facility, if excess availability falls below the greater of 10% of the Loan Cap amount or \$15.0 million, we will be required to comply with a minimum fixed charge coverage ratio of 1.0 to 1.0.

The Debt Facilities contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance and providing additional guarantees and collateral in certain circumstances.

As of July 29, 2022, we were in compliance with our financial covenants in the Debt Facilities.

Events of Default

The Debt Facilities include customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross defaults related to certain other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of guarantees or security interests, material judgments, and change of control.

Cash Flows from Operating Activities

Net cash used in operating activities was \$117.5 million during Year-to-Date 2022 compared to net cash provided by operating activities of \$30.5 million during Year-to-Date 2021. The \$148.0 million increase in cash used in operating activities was primarily caused by a decrease in net income and an increase year over year in inventories and year over year change in other current liabilities. The \$104.9 million increase in inventory compared to Year-to-Date 2021 was primarily attributable to an increase of earlier receipts and in-transit shipments for fall and holiday inventory compared to prior years and increased transportation costs due to global supply chain challenges.

Cash Flows from Investing Activities

Net cash used in investing activities was \$14.8 million and \$12.0 million during Year-to-Date 2022 and Year-to-Date 2021, respectively. Cash used in investing activities for both periods was primarily used for investments to update our digital information technology infrastructure.

For Fiscal 2022, we plan to invest approximately \$37.0 million in capital expenditures for strategic investments and infrastructure, primarily in technology and general corporate needs.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$121.5 million during Year-to-Date 2022, compared with net cash used in financing activities of \$12.9 million during Year-to-Date 2021. The increase in net cash provided by financing activities is primarily due to increased borrowings under the ABL Facility to cover higher than normal inventory levels due to global supply chain challenges resulting in earlier receipts and higher in-transit shipments of fall and holiday inventory compared to prior years and increased transportation costs.

Contractual Obligations and Off-Balance-Sheet Arrangements

There have been no material changes to our contractual obligations and off-balance-sheet arrangements as discussed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2022.

Financial Instruments with Off-Balance-Sheet Risk

The \$275.0 million ABL Facility includes a \$70.0 million sublimit for letters of credit and the Third Amendment to the ABL Facility extended the maturity from November 16, 2022 to the earlier of (a) July 29, 2026 and (b) June 9, 2025 if, on or prior to such date, the Term Loan Facility has not been refinanced, extended or repaid in full in accordance with the terms thereof and not replaced with other indebtedness. The ABL Facility is available for working capital and other general corporate liquidity needs. The balance outstanding on July 29, 2022 and July 30, 2021 was \$135.0 million and \$25.0 million, respectively. The balance of outstanding letters of credit was \$13.8 million and \$16.7 million on July 29, 2022 and July 30, 2021, respectively.

Application of Critical Accounting Policies and Estimates

We believe that the assumptions and estimates associated with revenue, inventory valuation, goodwill and intangible asset impairment assessments and income taxes have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

For a complete discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended January 28, 2022. There have been no significant changes in our critical accounting policies or their application since January 28, 2022. During Second Quarter 2022, we implemented our accounting policy for repurchases of common stock.

Repurchases of Common Stock

Shares of the Company's common stock are repurchased by the Company through open market transactions. In the Second Quarter 2022, all purchases of common stock under the Share Repurchase Program have been at prices that exceeded the par value of the repurchased common stock, and the amounts of the purchase prices that exceeded par value were allocated between Additional paid-in capital and Retained earnings. The portion charged against Additional paid-in capital is determined based on the Additional paid-in capital per share amount recorded in the initial issuance of the shares with the remaining to Retained earnings. The total cost of the broker commissions is charged directly to Retained earnings. The Company plans to periodically retire all shares repurchased under the Share Repurchase Program. All shares repurchased during Second Quarter 2022 were retired during Second Quarter 2022.

Recent Accounting Pronouncements

We have considered all recent accounting pronouncements and have concluded that there are no recent accounting pronouncements that may have a material impact on our Condensed Consolidated Financial Statements and disclosures.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements. Forward-looking statements reflect our current views with respect to, among other things, future events and performance. These statements may discuss, among other things, our net sales, gross margin, operating expenses, operating income, net income, adjusted EBITDA, cash flow, financial condition, financings, impairments, expenditures, growth, strategies, plans, achievements, dividends, capital structure, organizational structure, future store openings, market opportunities and general market and industry conditions. We generally identify forward-looking statements by words such as “anticipate,” “estimate,” “expect,” “intend,” “project,” “plan,” “predict,” “believe,” “seek,” “continue,” “outlook,” “may,” “might,” “will,” “should,” “can have,” “likely,” “targeting” or the negative version of these words or comparable words. Forward-looking statements are based on beliefs and assumptions made by management using currently available information. These statements are only predictions and are not guarantees of future performance, actions or events. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management’s underlying beliefs and assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. These risks and uncertainties include those risks, uncertainties and factors discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2022 and “Part II, Item 1A Risk Factors” of this Quarterly Report on Form 10-Q. Forward-looking statements speak only as of the date on which they are made. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in our financial instruments represents the potential loss arising from adverse changes in currency rates. A significant portion of our business is transacted in U.S. dollars, and is expected to continue to be transacted in U.S. dollars or U.S. dollar-based currencies. As of July 29, 2022, we had \$15.5 million of cash denominated in foreign currencies, principally in British pound sterling, Euro and Japanese yen. We do not utilize financial instruments for trading purposes or hedging and have not used any derivative financial instruments. We do not consider our foreign earnings to be permanently reinvested.

We are subject to interest rate risk with the Term Loan Facility and the ABL Facility, as both require the Company to pay interest on outstanding borrowings at variable rates. Each one percentage point change in interest rates (above the 1.00% LIBOR floor) associated with the Term Loan Facility would result in a \$2.5 million change in our annual cash interest expenses. Assuming our ABL Facility was fully drawn to a principal amount equal to \$275.0 million, each one percentage point change in interest rates would result in a \$2.8 million change in our annual cash interest expense.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our President and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation for the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and our President and Chief Financial Officer have concluded that, as of July 29, 2022, the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by Rules 13a-15 under the Exchange Act during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

The Company is party to various claims, legal proceedings and investigations arising in the ordinary course of business. Some of these actions involve complex factual and legal issues and are subject to uncertainties. At this time, the Company is not able to either predict the outcome of these legal proceedings or reasonably estimate a potential range of loss with respect to the proceedings. While it is not feasible to predict the outcome of pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on our results of operations, cash flows or financial position taken as a whole.

For a description of our legal proceedings, see Note 11, *Commitments and Contingencies* in Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q, which description of legal proceedings is incorporated by reference herein.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended January 28, 2022, filed with the SEC on March 24, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table presents a month-to-month summary of information with respect to purchases of common stock made during the Second Quarter 2022 pursuant to the Share Repurchase Program announced on June 28, 2022:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Approximate Dollar Value (in thousands) of Shares that May Yet Be Purchased Under the Plans or Programs
April 30 - May 27	—	\$ —	—	\$ —
May 28 - July 1	80,860	10.99	80,860	49,111
July 2 - July 29	131,193	11.16	131,193	47,647
Total	212,053	\$ 11.10	212,053	\$ 47,647

(1) All shares of common stock were retired following purchase.

(2) Average price paid per share excludes broker commissions.

(3) On June 28, 2022, the Company announced that its Board of Directors authorized the Company to repurchase up to \$50.0 million of the Company's common stock through February 2, 2024 (the "Share Repurchase Program"). The Share Repurchase Program may be suspended or discontinued at any time.

Index of Exhibits

ITEM 6. EXHIBITS

The following documents are filed as exhibits to this report:

- [3.1](#) Amended and Restated Certificate of Incorporation of Lands' End, Inc. (incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K filed by Lands' End, Inc. on March 24, 2022 (File No. 001-09769)).
- [3.2](#) Amended and Restated Bylaws of Lands' End, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Lands' End, Inc. on April 8, 2014 (File No. 001-09769)).
- [31.1](#) Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.*
- [31.2](#) Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.*
- [32.1](#) Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- 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*
- 101.SCH Inline XBRL Taxonomy Extension Schema Document*
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document*
- 101.DEF Inline XBRL Taxonomy Extension Definition Document*
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document*
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document*
- 104 Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)*

* Filed herewith.

** Furnished herewith.

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.

Lands' End, Inc.

(Registrant)

By: /s/ James Gooch
Name: James Gooch
Title: President and Chief Financial Officer
(Principal Financial Officer)

Date: September 1, 2022

CERTIFICATIONS

I, Jerome Griffith, certify that:

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

Date: September 1, 2022

/s/ Jerome Griffith

Jerome Griffith

Chief Executive Officer

(Principal Executive Officer)

Lands' End, Inc.

CERTIFICATIONS

I, James Gooch, certify that:

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

Date: September 1, 2022

/s/ James Gooch

James Gooch

President and Chief Financial Officer

(Principal Financial Officer)

Lands' End, Inc.

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, Jerome Griffith, Chief Executive Officer of Lands' End, Inc. (the "Company") and James Gooch, President and Chief Financial Officer of the Company, has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2022 (the "Report").

Each of the undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 1, 2022

/s/ Jerome Griffith

Jerome Griffith
Chief Executive Officer
(Principal Executive Officer)

Date: September 1, 2022

/s/ James Gooch

James Gooch
President and Chief Financial Officer
(Principal Financial Officer)