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 31, 2016

OR

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

For the transition period from _____ to ______

Commission File Number 001-37641

DULUTH HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Wisconsin	**39-1564801**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
170 Countryside Drive **P.O. Box 409** **Belleville, Wisconsin**	**53508**
(Address of principal executive offices)	**(Zip Code)**

(608) 424-1544
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑ (Do not check if smaller reporting company)	Smaller reporting company	☐

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

The number of shares outstanding of the Registrant's Class A common stock, no par value, as of September 6, 2016 was 3,364,200.
The number of shares outstanding of the Registrant's Class B common stock, no par value, as of September 6, 2016, was 29,011,556.

DULUTH HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED July 31, 2016
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DULUTH HOLDINGS INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(Amounts in thousands)

	July 31, 2016	January 31, 2016
ASSETS		
Current Assets:		
Cash	$ 23,302	$ 37,873
Accounts receivable	44	20
Other receivables	401	76
Inventory, less reserve for excess and obsolete items of $1,550 and $1,404, respectively	66,919	55,303
Prepaid expenses	3,774	3,683
Deferred catalog costs	1,411	1,435
Total current assets	95,851	98,390
Property and equipment, net	35,926	21,529
Restricted cash	774	—
Deferred tax assets	197	—
Goodwill	402	402
Other assets, net	292	299
Total assets	$ 133,442	$ 120,620
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 17,994	$ 10,611
Income taxes payable	314	1,308
Current maturities of long-term debt	4,132	722
Accrued expenses:		
Salaries and benefits	1,390	3,649
Deferred revenue	3,341	2,744
Freight	769	2,089
Product returns	775	1,244
Other	4,861	2,323
Total current liabilities	33,576	24,690
Long-term debt, less current maturities	747	4,301
Deferred rent obligations, less current maturities	1,202	1,112
Deferred tax liabilities	—	31
Total liabilities	35,525	30,134
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of July 31, 2016 and January 31, 2016	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of July 31, 2016 and January 31, 2016	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 29,005 and 28,952 shares issued and outstanding as of July 31, 2016 and January 31, 2016, respectively	—	—
Capital stock	85,837	85,389
Retained earnings	10,278	3,443
Accumulated other comprehensive loss	(15)	(27)
Total shareholders' equity of Duluth Holdings Inc.	96,100	88,805
Noncontrolling interest	1,817	1,681
Total shareholders' equity	97,917	90,486
Total liabilities and shareholders' equity	$ 133,442	$ 120,620

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(Amounts in thousands, except per share figures)

	Three Months Ended		Six Months Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Net sales	$ 65,823	$ 51,677	$ 134,455	$ 108,484
Cost of goods sold	26,901	21,215	55,842	45,359
Gross profit	38,922	30,462	78,613	63,125
Selling, general and administrative expenses	32,936	24,707	67,286	54,616
Operating income	5,986	5,755	11,327	8,509
Interest expense	37	60	75	112
Other income, net	60	26	130	75
Income before income taxes	6,009	5,721	11,382	8,472
Income tax expense	2,325	—	4,386	—
Net income	3,684	5,721	6,996	8,472
Less: Net income attributable to noncontrolling interest	65	22	136	82
Net income attributable to controlling interest	$ 3,619	$ 5,699	$ 6,860	$ 8,390
Basic earnings per share (Class A and Class B):				
Weighted average shares of common stock outstanding	31,520	23,815	31,520	23,815
Net income per share attributable to controlling interest	$ 0.11	$ 0.24	$ 0.22	$ 0.35
Diluted earnings per share (Class A and Class B):				
Weighted average shares and equivalents outstanding	32,263	23,970	32,265	24,260
Net income per share attributable to controlling interest	$ 0.11	$ 0.24	$ 0.21	$ 0.35
Pro forma net income information (Note 1):				
Income attributable to controlling interest before provision for income taxes		$ 5,699		$ 8,390
Pro forma provision for income taxes		2,280		3,356
Pro forma net income attributable to controlling interest		$ 3,419		$ 5,034
Pro forma basic net income per share attributable to controlling interest (Class A and Class B)		$ 0.14		$ 0.21
Pro forma diluted net income per share attributable to controlling interest (Class A and Class B)		$ 0.14		$ 0.21

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Amounts in thousands)

	Three Months Ended		Six Months Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Net Income	$ 3,684	$ 5,721	$ 6,996	$ 8,472
Other comprehensive income				
Change in value of interest rate swap agreement	6	1	12	10
Comprehensive income	3,690	5,722	7,008	8,482
Comprehensive income attributable to noncontrolling interest	65	22	136	82
Comprehensive income attributable to controlling interest	$ 3,625	$ 5,700	$ 6,872	$ 8,400

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)
(Amounts in thousands)

	Capital stock		Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in variable interest entities	Total shareholders' equity
	Shares	Amount				
Balance at January 31, 2016	32,316	$ 85,389	$ 3,443	$ (27)	$ 1,681	$ 90,486
Issuance of common stock	53	—	—	—	—	—
Amortization of stock-based compensation	—	448	167	—	—	615
Distributions	—	—	(192)	—	—	(192)
Net income	—	—	6,860	—	136	6,996
Other comprehensive income from change in value of interest rate swap agreement	—	—	—	12	—	12
Balance at July 31, 2016	32,369	$ 85,837	$ 10,278	$ (15)	$ 1,817	$ 97,917

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

	Six Months Ended	
	July 31, 2016	August 2, 2015
Cash flows from operating activities:		
Net income	$ 6,996	$ 8,472
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,951	1,174
Amortization of stock-based compensation	615	332
Deferred income taxes	(228)	—
Changes in operating assets and liabilities:		
Accounts receivable	(24)	(4)
Other receivables	(325)	(186)
Inventory	(10,855)	(6,124)
Prepaid expense	(12)	(797)
Deferred catalog costs	1,067	(37)
Trade accounts payable	5,641	584
Income taxes payable	(994)	—
Accrued expenses and deferred rent obligations	(2,760)	(4,462)
Net cash provided by (used in) operating activities	1,072	(1,048)
Cash flows from investing activities:		
Purchases of property and equipment	(14,513)	(3,842)
Change in restricted cash	(774)	—
Purchases of other assets	(20)	(15)
Net cash used in investing activities	(15,307)	(3,857)
Cash flows from financing activities:		
Proceeds from line of credit	—	34,086
Payments on line of credit	—	(28,160)
Proceeds from long term debt	—	800
Payments on long term debt	(135)	(468)
Payments on capital lease obligations	(9)	(251)
Change in bank overdrafts	—	964
Distributions to shareholders	(192)	(9,915)
Capital contributions to variable interest entities	—	344
Other	—	(10)
Net cash used in financing activities	(336)	(2,610)
Decrease in cash	(14,571)	(7,515)
Cash at beginning of period	37,873	7,881
Cash at end of period	$ 23,302	$ 366
Supplemental disclosure of cash flow information		
Interest paid	$ 75	$ 111
Income taxes paid	$ 5,544	$ —

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

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

A. Nature of Operations

Duluth Holdings Inc. ("Duluth Trading" or the "Company"), a Wisconsin corporation, is a lifestyle brand of men's and women's casual wear, workwear and accessories sold exclusively through the Company's own direct and retail channels. The direct segment, consisting of the Company's website and catalogs, offers products nationwide. In 2010, the Company added retail to its omni-channel platform with the opening of its first store. Since then, Duluth Trading has expanded its retail presence, and as of July 31, 2016, the Company operated nine retail stores and two outlet stores across South Dakota, Minnesota, Iowa, Nebraska and Wisconsin. The Company's products are marketed under the Duluth Trading brand, with the majority of products being exclusively developed and sold as Duluth Trading branded merchandise.

The Company has two classes of authorized common stock: Class A common stock and Class B common stock. The rights of holders of Class A common stock and Class B common stock are identical, except for voting and conversion rights. Each share of Class A common stock is entitled to ten votes per share and is convertible at any time into one share of Class B common stock. Each share of Class B common stock is entitled to one vote per share. The Company's Class B common stock trades on the NASDAQ Global Select Market under the symbol "DLTH."

On November 25, 2015, the Company converted from an "S" corporation to a "C" corporation for federal income tax purposes under Section 1362 of the Internal Revenue Code, as amended (the "Code"), and the Company completed its initial public offering ("IPO"). Refer to the Company's consolidated financial statements and notes included in the Company's annual report on Form 10-K for the fiscal year ended January 31, 2016, for additional information related to the Company's IPO. During the first quarter of fiscal 2016, the Company paid the remaining $0.2 million balance of its final "S" corporation distribution, which resulted in a total final distribution of $46.6 million from the termination of the Company's "S" corporation status.

B. Basis of Presentation

The condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The accompanying condensed consolidated financial statements include the accounts of the parent, Duluth Holdings Inc., and its wholly-owned subsidiary, Duluth Trading Company, LLC. The Company also consolidates Schlecht Retail Ventures LLC ("SRV") as a variable interest entity (see Note 4 "Variable Interest Entities"). All intercompany balances and transactions have been eliminated.

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2016 is a 52-week period and ends on January 29, 2017. Fiscal 2015 was a 52-week period and ended on January 31, 2016. The three and six months of fiscal 2016 and fiscal 2015 represent the Company's 13 and 26-week periods ended July 31, 2016 and August 2, 2015, respectively.

The accompanying condensed consolidated financial statements as of and for the three and six months ended July 31, 2016 and August 2, 2015 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations as of and for the three and six months ended July 31, 2016 and August 2, 2015. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the fiscal year ended January 31, 2016.

C. Seasonality of Business

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its revenue and operating profit in the fourth fiscal quarter of each year as a result of increased sales during the holiday season.

D. Pro Forma Net Income Information

For the three and six months ended August 2, 2015, the pro forma net income information gives effect to the conversion of the Company to a "C" corporation on November 25, 2015. Prior to such conversion, the Company was an "S" corporation and generally not subject to income taxes. The pro forma net income, therefore, includes an adjustment for income tax expense on the income attributable to controlling interest as if the Company had been a "C" corporation as of February 4, 2013 at an assumed combined federal, state and local effective tax rate of 40%, which approximates the calculated statutory rate for each period. No pro forma income tax expense was calculated on the income attributable to noncontrolling interest because this entity did not convert to a "C" corporation.

For the three and six months ended August 2, 2015, the pro forma basic and diluted net income per share of Class A and Class B common stock is computed using the pro forma net income, as discussed above.

E. Restricted Cash

The Company's restricted cash is held in an escrow account and is used to pay a portion of the construction loan entered into by a third party Landlord (the "Landlord") in connection with one of the Company's retail store leases. The restricted cash is disbursed based on an escrow agreement entered into by and among the Landlord, the Company and the escrow agent.

2. DEBT AND LINE OF CREDIT

Debt consists of the following:

(in thousands)	July 31, 2016	January 31, 2016
Mortgage Note due March 2017	$ 3,131	$ 3,203
Mortgage Note due May 2019	495	527
SRV Mortgage Note due September 2017	747	767
SRV Mortgage Note due August 2016	445	456
Capitalized lease obligations	61	70
	$ 4,879	$ 5,023
Less: current maturities	(4,132)	(722)
Long-term debt	$ 747	$ 4,301

In May 2014, the Company assumed a mortgage note ("Mortgage 2017 Note") from Schlecht Enterprises LLC ("SE") in conjunction with the Company's acquisition of certain related real property from SE, an entity that was previously consolidated through May 21, 2014. The Mortgage 2017 Note had an original balance of $3.8 million. The Mortgage 2017 Note was scheduled to expire in March 2017 and required monthly payments of $11,900, plus interest at a rate equal to the one-month LIBOR rate plus 1.25 percentage points (effective rate of 1.7% on July 31, 2016), with a final balloon payment due in March 2017. In connection with the Mortgage 2017 Note, the Company entered into an interest rate swap agreement to reduce the impact of changes in the interest rate (see Note 3 "Derivative Financial Instrument"). Effective August 23, 2016, the Company paid off the remaining balance of the Mortgage 2017 Note in the amount of $3.1 million, see Note 11 "Subsequent events." In connection with the payoff of the Mortgage 2017 Note, the Company's interest rate swap agreement was terminated.

During fiscal 2014, the Company entered into a mortgage note ("Mortgage 2019 Note") with an original balance of $0.6 million. The Mortgage 2019 Note was scheduled to expire in May 2019 and required monthly payments of $5,300 plus interest at 4%, with a final balloon payment due in May 2019. Effective August 15, 2016, the Company paid off the remaining balance of the Mortgage 2019 Note in the amount of $0.5 million, see Note 11 "Subsequent events."

Schlecht Retail Ventures LLC

SRV entered into a mortgage note ("SRV 2017 Note") with an original balance of $0.8 million. The SRV 2017 Note expires in September 2017 and requires monthly payments of $3,300 plus interest at 3.1%, with a final balloon payment due in September 2017.

SRV entered into a mortgage note ("SRV 2016 Note") with an original balance of $0.5 million. The SRV 2016 Note expired in August 2016 and required monthly payments of $3,400, including interest at 4.5%, with a final balloon payment due in August 2016. Effective August 5, 2016, SRV paid off the remaining SRV 2016 Note in the amount of $0.4 million, see Note 11 "Subsequent events."

The SRV 2017 Note is guaranteed by the Company's majority shareholder and collateralized by certain real property owned by SRV in Mt. Horeb, Wisconsin.

Line of Credit

The Company has a revolving line of credit from a bank with availability of $40.0 million, subject to certain borrowing base limits, which expires July 2018 and bears interest, payable monthly, at a rate equal to the one-month LIBOR rate plus 1.25 percentage points (effective rate of 1.7% at July 31, 2016). The revolving line of credit is secured by essentially all Company assets and requires the Company to maintain compliance with certain financial and non-financial covenants, including a minimum tangible net worth and a minimum trailing twelve month EBITDA.

As of July 31, 2016 and for the six months then ended, the Company was in compliance with all financial and non-financial covenants for all debts discussed above.

3. DERIVATIVE FINANCIAL INSTRUMENT

The Company used an interest rate swap to manage its interest rate risk on the Mortgage 2017 Note. Effective August 23, 2016, in connection with the Company paying off the remaining balance of the Mortgage 2017 Note, the interest rate swap was terminated. The Company does not hold or issue derivative financial instruments for trading purposes. The interest rate swap agreement had a notional principal amount equal to the outstanding balance on the Mortgage 2017 Note and was scheduled to mature in March 2017. The agreement effectively changed the Company's interest rate exposure on the entire outstanding balance of the mortgage note to a fixed rate of 3%. The interest rate swap was designated as a cash flow hedge and qualified for hedge accounting treatment using the shortcut method. Under the shortcut method, there are no gains or losses recognized due to hedge ineffectiveness and the change in the fair value of the interest rate swap is assumed to perfectly offset the change in fair value of the hedged debt. As a result, the Company reports changes in the fair value of the interest rate swap as other comprehensive income or loss in the period of change.

The fair value of the interest rate swap agreement is recorded as a liability included in other accrued expenses on the accompanying Condensed Consolidated Balance Sheets as follows:

(in thousands)	July 31, 2016	January 31, 2016
Interest rate swap	$ 15	$ 27

4. VARIABLE INTEREST ENTITIES

Based upon the criteria set forth in ASC 810, *Consolidation*, the Company has determined that it was the primary beneficiary of one variable interest entity ("VIE") as of July 31, 2016 and January 31, 2016, as the Company absorbs significant economics of the entity and has the power to direct the activities that are considered most significant to the entity.

The Company leases certain retail store facilities and office buildings from SRV, a VIE whose primary purpose and activity is to own this real property. SRV is a Wisconsin limited liability company that is owned by the majority shareholder of the Company. The Company considers itself the primary beneficiary for SRV as the Company is expected to receive a majority of SRV's expected residual returns based on the activity of SRV. As the Company is the primary beneficiary, it consolidates SRV and the leases are eliminated in consolidation.

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

The condensed consolidated balance sheets include the following amounts as a result of the consolidation of SRV as of July 31, 2016 and January 31, 2016:

(in thousands)	July 31, 2016	January 31, 2016
Cash	$ 240	$ 92
Other receivables	11	9
Property and equipment, net	2,787	2,823
Other assets, net	7	11
Total assets	$ 3,045	$ 2,935
Other current liabilities	$ 521	$ 527
Long-term debt	707	727
Noncontrolling interest in VIE	1,817	1,681
Total liabilities and shareholders' equity	$ 3,045	$ 2,935

5. EARNINGS PER SHARE

Earnings per share is computed under the provisions of ASC 260*, Earnings Per Share*. Basic earnings per share is based on the weighted average number of common shares outstanding for the period. Diluted earnings per share is based on the weighted average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock. The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation is as follows:

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Numerator - net income attributable to controlling interest	$ 3,619	$ 5,699	$ 6,860	$ 8,390
Denominator - weighted average shares (Class A and Class B)				
Basic	31,520	23,815	31,520	23,815
Dilutive shares	743	155	745	445
Diluted	32,263	23,970	32,265	24,260
Earnings per share (Class A and Class B)				
Basic	$ 0.11	$ 0.24	$ 0.22	$ 0.35
Diluted	$ 0.11	$ 0.24	$ 0.21	$ 0.35

6. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plan in accordance with ASC 718, *Stock Compensation*, which requires the Company to measure all share-based payments at grant date fair value and recognize the cost over the requisite service period of the award.

Total stock compensation expense associated with restricted stock recognized by the Company during the three and six months ended July 31, 2016 was $0.3 million and $0.6 million, respectively. Total stock compensation expense associated with restricted stock recognized by the Company during the three and six months ended August 2, 2015 was $0.1 million and $0.3

million, respectively. The Company's total stock compensation expense is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

A summary of the activity in the Company's unvested restricted stock during the six months ended July 31, 2016 is as follows:

	Shares	Weighted average fair value per share
Outstanding at January 31, 2016	796,353	$ 3.15
Granted	52,964	22.66
Outstanding at July 31, 2016	849,317	$ 4.37

At July 31, 2016, the Company had unrecognized compensation expense of $2.4 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 2.1 years.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	July 31, 2016	January 31, 2016
Land and land improvements	$ 2,196	$ 1,107
Leasehold improvements	8,162	5,617
Buildings	13,195	8,991
Vehicles	177	98
Warehouse equipment	3,676	2,380
Office equipment and furniture	7,180	5,638
Computer equipment	2,075	1,779
Software	6,496	6,327
	43,157	31,937
Accumulated depreciation and amortization	(12,820)	(10,907)
	30,337	21,030
Construction in progress	5,589	499
Property and equipment, net	$ 35,926	$ 21,529

8. SEGMENT REPORTING

The Company has two operating segments, which are also its reportable segments: direct and retail. The direct segment includes net sales from the Company's website and catalogs. The retail segment includes net sales from the Company's retail and outlet stores. These two operating segments are components of the Company for which separate financial information is available and for which operating results are evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources and in assessing performance of the segments.

Interest expense, income tax expense, and corporate expenses, which include but are not limited to: human resources, legal, finance, information technology, design and other corporate-related expenses are included in the Company's direct segment. Depreciation and amortization, and property and equipment expenditures, are recognized in each segment. Advertising expenses are generally included in the Company's direct segment, except for specific store advertising, which is included in the Company's retail segment.

Variable allocations of assets are not made for segment reporting. The Company does not have any assets outside of the United States. Sales outside of the United States were insignificant.

Segment information is presented in the following tables:

	Three Months Ended		Six Months Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
(in thousands)				
Net sales				
Direct	$ 53,841	$ 43,343	$ 114,166	$ 94,698
Retail	11,982	8,334	20,289	13,786
Total net sales	$ 65,823	$ 51,677	$ 134,455	$ 108,484
Operating income				
Direct	$ 4,587	$ 3,976	$ 8,778	$ 6,144
Retail	1,399	1,779	2,549	2,365
Total operating income	5,986	5,755	11,327	8,509
Interest expense	37	60	75	112
Other income, net	60	26	130	75
Income before income taxes	$ 6,009	$ 5,721	$ 11,382	$ 8,472

Segment total assets

	July 31, 2016	January 31, 2016
(in thousands)		
Direct	$ 111,348	$ 106,733
Retail	22,094	13,887
Total assets at period end	$ 133,442	$ 120,620

9. INCOME TAXES

Prior to November 25, 2015, the Company was taxed as an "S" corporation for federal income tax purposes under Section 1362 of the Code, and therefore was not subject to federal and state income taxes. On November 25, 2015, the Company's "S" corporation status terminated, and the Company became subject to corporate-level federal and state income taxes at prevailing corporate tax rates.

The provision for income taxes for the interim period is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. The effective tax rate for the three and six months ended July 31, 2016, was 39.1% and 39.0%, respectively.

10. RECENT ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of the performance obligations. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and change in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. On July 9, 2015, the FASB deferred the effective date of ASU 2014-09 for one year. ASU 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2017. Accordingly, the Company will adopt ASU 2014-09 on January 29, 2018, the first day of the Company’s first quarter for the fiscal year ending February 3, 2019, the Company’s fiscal year 2018. The Company has not selected a method for adoption nor determined the potential effects on the Company’s consolidated financial statements.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory (Topic 330) (“ASU 2015-11”), which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.” ASU 2015-11 eliminates the guidance that entities consider replacement cost or net realizable value less an approximately normal profit margin in the subsequent measurement of inventory when cost is determined on a first-in, first-out or average cost basis. The provisions of ASU 2015-11 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. Accordingly, the Company will adopt ASU 2015-11 on January 30, 2017, the first day of the Company’s first quarter for the fiscal year ending January 28, 2018, the Company’s fiscal year 2017. The Company has not determined the impact of this new accounting guidance on the Company’s consolidated financial statements.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (Topic 740) (“ASU 2015-17”), which requires the classification of all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. In addition, an allocation of valuation allowances between current and noncurrent deferred tax assets is not required, because the allowances will be classified as noncurrent. The provisions of ASU 2015-17 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. The Company has adopted ASU 2015-17 as of January 31, 2016 and has reported deferred tax assets and liabilities as noncurrent on the consolidated balance sheets.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”), which requires lessees to recognize most leases on the balance sheets, but recognize expenses on the income statements in a manner which is similar to the current lease standard. The provisions of ASU 2016-02 are effective for public entities with fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Accordingly, the Company will adopt ASU 2016-02 on February 4, 2019, the first day of the Company’s first quarter for the fiscal year ending February 2, 2020, the Company’s fiscal year 2019. The Company has not determined the impact of this new accounting guidance on the Company’s consolidated financial statements.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation – Stock Compensation* (Topic 718): *Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”), which is intended to improve the accounting for share-based payment transactions. ASU 2016-09 changes certain aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. The provisions of ASU 2016-09 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those years, early adoption is permitted. The Company has adopted ASU 2016-09 as of May 1, 2016 and there was no significant impact to the Company’s consolidated financial statements.

11. SUBSEQUENT EVENTS

The Company evaluated its July 31, 2016 unaudited consolidated financial statements for subsequent events through September 8, 2016, the date the unaudited consolidated financial statements were available to be issued.

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

On August 5, 2016, SRV paid off the remaining outstanding balance of the SRV 2016 Note in the amount of $0.4 million.

On August 15, 2016, the Company paid off the remaining balance of the Mortgage 2019 Note in the amount of $0.5 million.

On August 23, 2016, the Company paid off the remaining balance of the Mortgage 2017 Note in the amount of $3.1 million and the Company's interest rate swap was subsequently terminated.

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

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and related notes of Duluth Holdings Inc. included in Item 1of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016 ("2015 Form 10-K").

The three and six months of fiscal 2016 and fiscal 2015 represent our 13 and 26-week periods ended July 31, 2016 and August 2, 2015, respectively.

Unless the context indicates otherwise, the terms the "Company," "Duluth," "Duluth Trading," "we," "our," or "us" are used to refer to Duluth Holdings Inc. and its subsidiary and affiliates on a consolidated basis.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. All statements other than statements of historical or current facts included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "could," "estimate," "expect," "project," "plan," "potential," "intend," "believe," "may," "might," "will," "objective," "should," "would," "can have," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenue, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties, including the risks and uncertainties described under Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, which factors are incorporated by reference herein. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We qualify all of our forward-looking statements by these cautionary statements.

We undertake no obligation to update or revise these forward-looking statements, except as required under the federal securities laws.

Overview

We are a rapidly growing lifestyle brand of men's and women's casual wear, workwear and accessories sold exclusively through our own direct and retail channels. The direct segment, consisting of our website and catalogs, offers products nationwide and represented 87.6% of our fiscal 2015 net sales. In 2010, we added retail to our omni-channel platform with the opening of our first store. Since then, we have expanded our retail presence, and as of July 31, 2016, we operated nine retail stores and two outlet stores. Net sales for the retail segment represented 18.2% and 15.1% of consolidated net sales for the three and six months ending July 31, 2016 respectively, and 16.1% and 12.7% of consolidated net sales for the three and six months ending August 2, 2015, respectively.

We offer a comprehensive line of innovative, durable and functional product, such as our Longtail T® shirts, Buck Naked™ underwear, and Fire Hose® work pants, which reflect our position as the Modern, Self-Reliant American Lifestyle brand. Our brand has a heritage in workwear that transcends tradesmen and appeals to a broad demographic for everyday and on-the-job use.

From our heritage as a catalog for those working in the building trades, Duluth Trading has become a widely recognized brand and proprietary line of innovative and functional apparel and gear. Over the last decade, we have created strong brand awareness, built a loyal customer base and generated robust sales momentum. We have done so by sticking to our roots of "there's gotta be a better way" and through our relentless focus on providing our customers with quality, functional products.

A summary of our financial results is as follows:

- Net sales have increased year-over-year for 26 consecutive quarters through July 31, 2016;
- Net sales in fiscal 2016 second quarter increased by 27.4% over the prior year second quarter to $65.8 million and net sales in the first six months of fiscal 2016 increased by 23.9% over the first six months of the prior year to $134.5 million;

- Net income in fiscal 2016 second quarter decreased by 36.5% over the prior year second quarter to $3.6 million and net income in the first six months of fiscal 2016 decreased by 18.2% over the first six months of the prior year to $6.9 million; Adjusted for income taxes, as if we had been a "C" corporation at a combined federal, state and local effective income tax rate of 40.0%, net income in fiscal 2016 second quarter increased by 5.8% over the prior year second quarter pro forma net income and net income in the first six months of fiscal 2016 increased 36.3% over the first six months of the prior year pro forma net income;
- Adjusted EBITDA in fiscal 2016 second quarter increased by 13.9% over the prior year second quarter to $7.5 million and adjusted EBITDA in the first six months of fiscal 2016 increased by 25.1% over the first six months of the prior year to $14.0 million; and
- Our retail stores have achieved an average payback of less than two years.

See "Reconciliation of Net Income to EBITDA and EBITDA to Adjusted EBITDA" section for a reconciliation of our net income to EBITDA and EBITDA to Adjusted EBITDA, both of which are non-U.S. GAAP financial measures. See also the information under the heading "Adjusted EBITDA" in the section "How We Assess the Performance of Our Business" for our definition of Adjusted EBITDA.

Our business is seasonal, and as a result, our net sales fluctuate from quarter to quarter, which often affects the comparability of our results between quarters. Net sales are historically higher in the fourth quarter of our fiscal year due to the holiday selling season.

We are pursuing several strategies to continue our profitable growth, including building brand awareness to continue customer acquisition, accelerating retail expansion, selectively broadening assortments in certain men's product categories and growing our women's business.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue collected from our customers, less returns and discounts. Direct sales are recognized upon customer receipt of the product, while retail sales are recognized at the point of sale.

Comparable Store Sales

Comparable store sales are generally calculated based upon retail stores that were open at least twelve full fiscal months as of the end of the reporting period. Our outlet stores are not included in the comparable store sales calculations.

Comparable store sales allow us to evaluate how our retail store base is performing by measuring the change in period over-period net sales in stores that have been open for twelve fiscal months or more. Some of our competitors and other retailers calculate comparable store sales differently than we do; as a result, our comparable store sales may not be comparable to similar data made available by other companies. While we have experienced strong comparable store sales growth to date, we have excluded comparable store sales data from this Form 10-Q due to the limited number of comparable retail stores as of July 31, 2016. Although retail store expansion is part of our growth strategy, we expect a majority percentage of our net sales to come from our direct segment for the foreseeable future.

Gross Profit

Gross profit is equal to our net sales less cost of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. Cost of goods sold includes the direct cost of purchased merchandise; inventory shrinkage; inventory adjustments due to obsolescence, including excess and slow-moving inventory and lower of cost or market reserves; inbound freight; and freight from our distribution centers to our retail stores. The primary drivers of the costs of individual goods are raw material costs. We expect gross profit to increase to the extent that we successfully grow our net sales. Given the size of our direct segment sales relative to our total net sales, shipping and handling revenue has had a significant impact on our gross profit and gross profit margin. Historically, this revenue has partially offset shipping and handling expense included in selling, general and administrative expenses. Declines in shipping and handling revenues may have a material adverse effect on our gross profit and gross profit margin, as well as Adjusted EBITDA to the extent there are not commensurate declines, or if there are increases, in our shipping and handling expense. Our gross profit may not be comparable to other retailers, as we do not include distribution network and store occupancy expenses in calculating gross profit, but instead we include them in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs not included in cost of goods sold. These expenses include all payroll and payroll-related expenses and occupancy expenses related to our stores and to our operations at our headquarters, including utilities, depreciation and amortization. They also include marketing expense, which primarily includes television advertising, catalog production, mailing and print advertising costs, as well as all logistics costs associated with shipping product to our customers, consulting and software expenses and professional services fees. Selling, general and administrative expenses as a percentage of net sales is usually higher in lower-volume quarters and lower in higher-volume quarters because a portion of the costs are relatively fixed.

Our historical sales growth has been accompanied by increased selling, general and administrative expenses. The most significant components of these increases are advertising, marketing and payroll costs. While we expect these expenses to increase as we continue to open new stores, increase brand awareness and grow our organization to support our growing business, we believe these expenses will decrease as a percentage of sales over time.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure of operating performance, as it provides a clearer picture of operating results by excluding the effects of financing and investing activities by eliminating the effects of interest and depreciation costs and eliminating expenses that are not reflective of underlying business performance. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business.

We define Adjusted EBITDA as consolidated net income (loss) before depreciation and amortization, interest expense and provision for income taxes adjusted for the impact of certain items, including non-cash and other items we do not consider representative of our ongoing operating performance. We feel Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other items.

Results of Operations

The following table summarizes our unaudited consolidated results of operations for the periods indicated, both in dollars and as a percentage of net sales.

	Three Months Ended		Six Months Ended	
(in thousands)	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Direct net sales	$ 53,841	$ 43,343	$ 114,166	$ 94,698
Retail net sales	11,982	8,334	20,289	13,786
Net sales	65,823	51,677	134,455	108,484
Cost of goods sold	26,901	21,215	55,842	45,359
Gross profit	38,922	30,462	78,613	63,125
Selling, general and administrative expenses	32,936	24,707	67,286	54,616
Operating income	5,986	5,755	11,327	8,509
Interest expense	37	60	75	112
Other income, net	60	26	130	75
Income before income taxes	6,009	5,721	11,382	8,472
Income tax expense	2,325	—	4,386	—
Net income	3,684	5,721	6,996	8,472
Less: Net income attributable to noncontrolling interest	65	22	136	82
Net income attributable to controlling interest	$ 3,619	$ 5,699	$ 6,860	$ 8,390
Percentage of Net sales:				
Direct net sales	81.8 %	83.9 %	84.9 %	87.3 %
Retail net sales	18.2 %	16.1 %	15.1 %	12.7 %
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	40.9 %	41.1 %	41.5 %	41.8 %
Gross profit	59.1 %	58.9 %	58.5 %	58.2 %
Selling, general and administrative expenses	50.0 %	47.8 %	50.0 %	50.3 %
Operating income	9.1 %	11.1 %	8.4 %	7.8 %
Interest expense	0.1 %	0.1 %	0.1 %	0.1 %
Other income, net	0.1 %	0.1 %	0.1 %	0.1 %
Income before income taxes	9.1 %	11.1 %	8.5 %	7.8 %
Income tax expense	3.5 %	- %	3.3 %	- %
Net income	5.6 %	11.1 %	5.2 %	7.8 %
Less: Net income attributable to noncontrolling interest	0.1 %	0.0 %	0.1 %	0.1 %
Net income attributable to controlling interest	5.5 %	11.0 %	5.1 %	7.7 %
Pro Forma Net Income Information(1):				
Income attributable to controlling interest before provision for income taxes		$ 5,699		$ 8,390
Pro forma provision for income taxes		2,280		3,356
Pro forma net income attributable to controlling interest		$ 3,419		$ 5,034

(1) The unaudited pro forma net income information for the three and six months ended August 2, 2015, gives effect to an adjustment for income tax expense on the income attributable to controlling interest as if we had been a “C” corporation at an assumed combined federal, state and local effective income tax rate, which approximates our statutory income tax rate, of 40.0%. No pro forma income tax expense was calculated on the income attributable to noncontrolling interest because this entity did not convert to a “C” corporation.

Three Months Ended July 31, 2016 Compared to Three Months Ended August 2, 2015

Net Sales

Net sales increased $14.1 million, or 27.4%, to $65.8 million in the three months ended July 31, 2016 compared to $51.7 million in the three months ended August 2, 2015, driven by gains in both direct and retail segments of $10.5 million, or 24.2%, and $3.6 million, or 43.8%, respectively, with gains achieved across the majority of all product categories. Our customers continued to respond positively to our marketing efforts during the quarter, which resulted in greater e-commerce traffic to our website and sales through our call center. Our website visits increased 19.6% in the three months ended July 31, 2016 compared to the three months ended August 2, 2015. The increase in retail net sales was primarily attributable to the opening of two new retail stores during the second quarter of fiscal 2016 along with the opening of a retail store and outlet store in the prior year third and fourth quarters.

Gross Profit

Gross profit increased $8.5 million, or 27.8%, to $38.9 million in the three months ended July 31, 2016 compared to $30.5 million in the three months ended August 2, 2015. As a percentage of net sales, gross margin increased 20 basis points to 59.1% of net sales in the three months ended July 31, 2016, compared to 58.9% of net sales in the three months ended August 2, 2015. The increase in gross profit was primarily driven by an increase in net sales as discussed above. The increase in gross margin rate was primarily attributable to improved initial product costs due to increased volume, a product mix shift to higher margin products, coupled with strategic management of promotions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $8.2 million, or 33.3%, to $32.9 million in the three months ended July 31, 2016 compared to $24.7 million in the three months ended August 2, 2015. Selling, general and administrative expenses as a percentage of net sales increased 220 basis points to 50.0% in the three months ended May 1, 2016, compared to 47.8% in the three months ended August 2, 2015. The increase in selling, general and administrative expenses was attributable to an increase of $3.8 million in advertising and marketing costs, $2.3 million in general and administrative expenses and $2.1 million in selling expenses.

The $3.8 million increase in advertising and marketing costs was primarily driven by our continued marketing efforts, specifically in our women's advertising campaign, which increased $2.1 million compared to the three months ended August 2, 2015. As a percentage of net sales, advertising and marketing costs increased 160 basis points to 20.8% in the three months ended July 31, 2016, compared to 19.2% in the three months ended August 2, 2015. The 160 basis point increase in advertising and marketing costs as a percentage of net sales, was primarily driven by an increase in television advertising attributable to our women's advertising campaign, which was partially offset by a decrease in catalog costs primarily due to our planned decrease in catalog spend as a percentage of net sales.

The $2.3 million increase in general and administrative expenses was primarily due to $0.9 million increase in rent expense and related store opening costs, coupled with $0.6 million increase in personnel expenses. The $0.9 million increase in rent expense and related store opening costs was primarily attributable to an increase of four retail stores during the three months ended May 1, 2016, compared to May 3, 2015. As a percentage of net sales, general and administrative expenses increased 20 basis points to 16.1% in the three months ended July 31, 2016, compared to 15.9% in the three months ended August 2, 2015. The 20 basis point increase in general and administrative expenses was primarily attributable to an increase of 90 basis points in rent expense and related store opening costs due to an increase in retail stores, and an increase of 40 basis points in depreciation, due to capital investments, which was partially offset by a decrease of 60 basis points in personnel and a decrease of 50 basis points in professional fees, which was attributable to higher net sales.

The $2.1 million increase in selling expenses was primarily due to $0.7 million increase in shipping expenses due to sales growth, $0.5 million increase in distribution costs due the use of two third party logistics providers ("3PLs"), coupled with a $0.5 million increase in customer service primarily attributable to the growth in retail. As a percentage of net sales, selling expenses increased 40 basis points to 13.1% in the three months ended July 31, 2016, compared to 12.7% in the three months ended August 2, 2015, primarily due distribution costs and customer service as discussed above.

Interest Expense

Interest expense was $0.04 million in the three months ended July 31, 2016, compared to $0.06 million in the three months ended August 2, 2015.

Provision for Income Taxes

Income tax expense was $2.3 million in the three months ended July 31, 2016 and our effective tax rate was 39.1%. Prior to November 25, 2015, we had been classified as an "S" corporation for federal and state income tax purposes and therefore, we had not been subject to income taxes. Prior to that date, our shareholders had been subject to income tax on their distributable share of our earnings. In connection with our IPO, we converted to a "C" corporation. On a pro forma basis, if we had been taxed as a "C" corporation at an estimated 40% effective tax rate, income taxes would have been $2.3 million for both the three months ended July 31, 2016 and the three months ended August 2, 2015.

Net Income

Net income decreased $2.1 million, or 36.5% to $3.6 million in the three months ended July 31, 2016 compared to $5.7 million in the three months ended August 2, 2015, primarily due to the factors discussed above. Applying a pro forma 40% "C" corporation effective tax rate to the three months ended August 2, 2015, rather than the "S" corporation tax rate that actually applied to us at that time, net income increased $0.2 million, or 5.8%, to $3.6 million in the three months ended July 31, 2016 from $3.4 million in the three months ended August 2, 2015.

Six Months Ended July 31, 2016 Compared to Six Months Ended August 2, 2015

Net Sales

Net sales increased $26.0 million, or 23.9%, to $134.5 million in the six months ended July 31, 2016 compared to $108.5 million in the six months ended August 2, 2015, driven by gains in both direct and retail segments of $19.5 million, or 20.6%, and $6.5 million, or 47.2%, respectively, with gains achieved across virtually all product categories. The direct net sales gains were due to customers continuing to respond positively to our marketing efforts, which resulted in greater e-commerce traffic to our website and sales through our call center. Our website visits increased 17.0% in the six months ended July 31, 2016 compared to the six months ended August 2, 2015. The increase in retail net sales was primarily attributable to the same factors discussed above for the three months ended July 31, 2016 compared to the three months ended August 2, 2015.

Gross Profit

Gross profit increased $15.5 million, or 24.5%, to $78.6 million in the six months ended July 31, 2016 compared to $63.1 million in the six months ended August 2, 2015. As a percentage of net sales, gross margin increased 30 basis points to 58.5% of net sales in the six months ended July 31, 2016, compared to 58.2% of net sales in the six months ended August 2, 2015. The increase in gross profit was primarily driven by an increase in net sales as discussed above. The increase in gross margin rate was primarily due to the factors discussed above for the second quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $12.7 million, or 23.2%, to $67.3 million in the six months ended July 31, 2016 compared to $54.6 million in the six months ended August 2, 2015. Selling, general and administrative expenses as a percentage of net sales decreased 30 basis points to 50.0% in the six months ended July 31, 2016, compared to 50.3% in the six months ended August 2, 2015. The increase in selling, general and administrative expenses of $12.7 million was attributable to an increase of $4.7 million in advertising and marketing costs, $4.2 million in general and administrative expenses and $3.8 million in selling expenses.

The $4.7 million increase in advertising and marketing costs was primarily driven by our continued marketing efforts. As a percentage of net sales, advertising and marketing costs decreased 70 basis points to 21.5% in the six months ended July 31, 2016, compared to 22.2% in the six months ended August 2, 2015. The 70 basis points decline in advertising and marketing costs were primarily attributable to a decrease of 60 and 40 basis points in catalog and in television advertising, respectively, primarily due to increased net sales and planned decrease in catalog spend as a percentage of net sales, which was partially offset by an increase in web advertising of 20 basis points.

The $4.2 million increase in general and administrative expenses was primarily due to $1.2 million increase in consulting and professional fees, $1.2 million increase in rent expense and related store opening costs, and $0.8 million increase in depreciation expense. The increase in consulting and professional fees were primarily due to us becoming a public company. The $1.2 million increase in rent expense and related store opening costs and $0.8 million increase in depreciation expense were primarily attributable to factors discussed above for the three months ended July 31, 2016 compared to the three months ended August 2, 2015. As a percentage of net sales, general and administrative expenses increased 20 basis points to 15.1% in the six months ended July 31, 2016, compared to 14.9% in the six months ended August 2, 2015. The six months ended August 2, 2015 included a $1.1 million payment related to a portion of the grantees' tax liabilities associated with the grant of restricted stock awards. Excluding this $1.1 million payment, as a percentage of net sales, general and administrative expenses increased 130 basis points primarily due to the factors discussed above.

The $3.8 million increase in selling expenses was primarily due to an increase of $1.1 million in shipping expenses due to sales growth, and $1.3 million increase in distribution costs due to the use of two third party logistics providers ("3PLs"), coupled with a $0.8 million increase in customer service primarily attributable to the growth in retail. As a percentage of net sales, selling expenses increased 20 basis points to 13.4% in the six months ended July 31, 2016, compared to 13.2% in the six months ended August 2, 2015, primarily due to an increase in distribution costs and customer service of 40 and 20 basis points respectively, as discussed above, which was partially offset by a decrease of 40 basis points in shipping expenses due to favorable shipping rates as result of being closer to our customers due to our use of the 3PLs.

Interest Expense

Interest expense was $0.08 million in the six months ended July 31, 2016, compared to $0.1 million in the six months ended August 2, 2015.

Provision for Income Taxes

Income tax expense was $4.4 million in the six months ended July 31, 2016 and our effective tax rate was 39.0%. Prior to November 25, 2015, we had been classified as an "S" corporation for federal and state income tax purposes and therefore, we had not been subject to income taxes. Prior to that date, our shareholders had been subject to income tax on their distributable share of our earnings. In connection with our IPO, we converted to a "C" corporation. On a pro forma basis, if we had been taxed as a "C" corporation at an estimated 40% effective tax rate, income taxes would have increased by $1.0 million, or 30.7%, to $4.4 in the six months ended July 31, 2016 from $3.4 million in the six months ended August 2, 2015.

Net Income

Net income decreased $1.5 million, or 18.2% to $6.9 million in the six months ended July 31, 2016 compared to $8.4 million in the six months ended August 2, 2015, primarily due to the factors discussed above. Applying a pro forma 40% "C" corporation effective tax rate to the six months ended August 2, 2015, rather than the "S" corporation tax rate that actually applied to us, net income increased $1.8 million, or 36.3%, to $6.9 million in the six months ended July 31, 2016 from $5.0 million in the six months ended August 2, 2015.

Reconciliation of Net Income to EBITDA and EBITDA to Adjusted EBITDA

The following table presents reconciliations of net income to EBITDA and EBITDA to Adjusted EBITDA, both of which are non-GAAP financial measures, for the periods indicated below. See the above section titled "How We Assess the Performance of Our Business," for our definition of Adjusted EBITDA.

	Three Months Ended		Six Months Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
(in thousands)				
Net income	$ 3,684	$ 5,721	$ 6,996	$ 8,472
Depreciation and amortization	1,082	620	1,951	1,174
Interest expense	37	60	75	112
Income tax expense	2,325	—	4,386	—
EBITDA	$ 7,128	$ 6,401	$ 13,408	$ 9,758
Non-cash stock based compensation	335	152	615	332
Payment of grantees' tax liabilities associated with grant of restricted stock awards	—	—	—	1,115
Adjusted EBITDA	$ 7,463	$ 6,553	$ 14,023	$ 11,205

As a result of the factors discussed above in the "Results of Operations" section, adjusted EBITDA increased $0.9 million, or 13.9%, to $7.5 million in the three months ended July 31, 2016 compared to $6.6 million in the three months ended August 2, 2015. As a percentage of net sales, adjusted EBITDA decreased 140 basis points to 11.3% of net sales in the three months ended July 31, 2016 compared to 12.7% of net sales in the three months ended August 2, 2015.

As a result of the factors discussed above in the "Results of Operations" section, adjusted EBITDA increased $2.8 million, or 25.1%, to $14.0 million in the six months ended July 31, 2016 compared to $11.2 million in the six months ended August 2, 2015. As a percentage of net sales, adjusted EBITDA increased 10 basis points to 10.4% of net sales in the six months ended July 31, 2016 compared to 10.3% of net sales in the six months ended August 2, 2015.

Liquidity and Capital Resources

General

Our business relies on cash from operating activities as well as cash on hand and a $40 million revolving line of credit as our primary sources of liquidity. Our primary cash needs have been for inventory, marketing and advertising, payroll, store leases, capital expenditures associated with opening new stores, infrastructure and information technology. The most significant components of our working capital are cash, inventory, accounts payable and other current liabilities.

We expect to spend approximately $24.0 million to $25.0 million in fiscal 2016 on capital expenditures, including a total of approximately $10.0 million to $11.0 million for new retail store expansion. We expect it will take approximately $2.0 million to $2.6 million in capital expenditures and starting inventory to open a new store. At July 31, 2016, our net working capital was $62.3 million, including $23.3 million of cash. Due to the seasonality of our business, a significant amount of cash from operating activities is generated during the fourth quarter of our fiscal year. During the first three quarters of our fiscal year, we typically are net users of cash in our operating activities as we acquire inventory in anticipation of our peak selling season, which occurs in the fourth quarter of our fiscal year. We also use cash in our investing activities for capital expenditures throughout all four quarters of our fiscal year.

We believe that our cash balance as of July 31, 2016, combined with cash flow from operating activities and the availability of cash under our revolving line of credit will be sufficient to cover working capital requirements and anticipated capital expenditures and for funding our growth strategy for the foreseeable future.

Cash Flow Analysis

A summary of operating, investing and financing activities is shown in the following table.

	Six Months Ended	
(in thousands)	July 31, 2016	August 2, 2015
Net cash provided by (used in) operating activities	$ 1,072	$ (1,048)
Net cash used in investing activities	(15,307)	(3,857)
Net cash used in financing activities	(336)	(2,610)
Decrease in cash	$ (14,571)	$ (7,515)

Net Cash Provided by (Used in) Operating Activities

Operating activities consist primarily of net income adjusted for non-cash items that include depreciation and amortization, loss on disposal of property, equipment and other assets, stock-based compensation and the effect of changes in assets and liabilities.

For the six months ended July 31, 2016, net cash provided operating activities was $1.1 million, which primarily consisted of net income of $7.0 million, non-cash depreciation and amortization of $2.0 million and stock based compensation of $0.6 million, offset by cash used in operating assets and liabilities of $8.3 million. The cash used in operating assets and liabilities of $8.3 million primarily consisted of $10.9 million increase in inventory, due to building up of inventory for our peak season, coupled with plans for opening of new retail stores in fiscal 2016, $2.8 million decrease in accrued expenses, which was partially offset by an increase of $5.6 in trade accounts payable primarily attributable to the timing.

For the six months ended August 2, 2015, net cash used in operating activities was $1.0 million, which consisted of net income of $8.5 million, non-cash depreciation and amortization of $1.2 million and stock-based compensation of $0.3 million, offset by cash used in operating assets and liabilities of $11.0 million. The cash used in operating assets and liabilities of $11.0 million primarily consisted of $6.1 million increase in inventory and $4.5 million decrease in accrued expenses. The increase in inventory was due to seasonality and growth of our business. The $4.5 million decrease in accrued expenses, was due to a $1.1 million payment related to a portion of the grantees' tax liabilities associated with the grant of restricted stock, coupled with timing of payments subsequent to our fiscal year end.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth related to new store openings, information technology and enhancements for our distribution and corporate facilities, coupled with changes in restricted cash, which is related to a retail store lease agreement.

For the six months ended July 31, 2016, net cash used in investing activities was $15.3 million and was primarily driven by capital expenditures of $14.5 million for the expansion of our Belleville distribution center and additional new retail stores.

For the six months ended August 2, 2015, net cash used in investing activities was $3.9 million and was primarily driven by capital expenditures for the opening of a new store and the implementation of a new warehouse management system.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and payments related to our revolving line of credit and other long-term debts, as well as distributions to the individuals and entities that were our shareholders prior to our IPO and holders of noncontrolling interest in variable interest entities and capital contributions to Schlecht Retail Ventures LLC.

For the six months ended July 31, 2016, net cash used in financing activities was $0.3 million, primarily consisting of the final $0.2 million distributions to our then shareholders due to our “S” corporation status prior to our IPO and $0.1 million payments on long-term debt.

For the six months ended August 2, 2015, net cash used in financing activities was $2.6 million, primarily consisting of uses of $9.9 million in tax distributions to our then shareholders due to our “S” corporation status prior to our IPO, $0.5 million for payments on mortgage notes and $0.3 million for payments on capital leases, offset by proceeds of $5.9 million, net from our revolving line of credit, $0.8 million from new long-term obligations, $1.0 million change in bank overdrafts and $0.3 million for capital contributions to variable interest entities.

Line of Credit

We have a $40.0 million revolving line of credit (“LOC”) from BMO Harris Bank N.A., subject to certain borrowing base limits, which expires in July 2018 and bears interest, payable monthly, at a rate equal to the one-month LIBOR rate plus 1.25 percentage points. The LOC agreement is secured by essentially all Company assets and requires that we maintain certain financial and non-financial covenants, including a minimum tangible net worth and a minimum trailing twelve month EBITDA. As of and for the six months ended July 31, 2016, we were in compliance with all financial and non-financial covenants, and we expect to be in compliance with all financial and non-financial covenants for the remainder of fiscal 2016.

Contractual Obligations

There have been no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, except for operating leases.

Critical Accounting Policies and Critical Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. We evaluate our accounting policies, estimates, and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions and such differences could be material to the consolidated financial statements.

As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of the performance obligations. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and change in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. On July 9, 2015, the FASB deferred the effective date of ASU 2014-09 for one year. ASU 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2017. Accordingly, we will adopt ASU 2014-09 on January 29, 2018, the first day of our first quarter for the fiscal year ending February 3, 2019, our fiscal year 2018. We have not selected a method for adoption nor determined the potential effects on our consolidated financial statements.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory (Topic 330) (“ASU 2015-11”), which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.” ASU 2015-11 eliminates the guidance that entities consider replacement cost or net realizable value less an approximately normal profit margin in the subsequent measurement of inventory when cost is determined on a first-in, first-out or average cost basis. The provisions of ASU 2015-11 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. Accordingly, we will adopt ASU 2015-11 on January 30, 2017, the first day of our first quarter for the fiscal year ending January 28, 2018, our fiscal year 2017. We have not determined the impact of this new accounting guidance on our consolidated financial statements.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes (Topic 740)* (“ASU 2015-17”), which requires the classification of all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. In addition, an allocation of valuation allowances between current and noncurrent deferred tax assets is not required, because the allowances will be classified as noncurrent. The provisions of ASU 2015-17 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. We have adopted ASU 2015-17 as of January 31, 2016 and have reported deferred tax assets and liabilities as noncurrent on the consolidated balance sheets.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”), which requires lessees to recognize most leases on the balance sheets, but recognize expenses on the income statements in a manner which is similar to the current lease standard. The provisions of ASU 2016-02 are effective for public entities with fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Accordingly, we will adopt ASU 2016-02 on February 4, 2019, the first day of our first quarter for the fiscal year ending February 2, 2020, our fiscal year 2019. We have not determined the impact of this new accounting guidance on our consolidated financial statements.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation – Stock Compensation* (Topic 718): *Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”), which is intended to improve the accounting for share-based payment transactions. ASU 2016-09 changes certain aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. The provisions of ASU 2016-09 are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those years, early adoption is permitted. We have adopted ASU 2016-09 as of May 1, 2016 and there was no significant impact to our consolidated financial statements. .

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Risk Factors

We are subject to interest rate risk in connection with borrowings under our revolving line of credit, which bears interest at a rate equal to the one-month LIBOR rate plus 1.25 percentage points as of July 31, 2016. As of July 31, 2016, no balance was outstanding under the revolving line of credit. As of July 31, 2016, the undrawn borrowing availability under the revolving line of credit, subject to certain borrowing base limits was $33.5 million. Based on the average interest rate on the revolving line of credit during the first six months of fiscal 2016, and to the extent that borrowings were outstanding, we do not believe that a 10% change in the interest rate would have a material effect on our consolidated results of operations or financial condition.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial. We cannot assure you our business will not be affected in the future by inflation.

Foreign Exchange Rate Risk

We source a substantial majority of our merchandise from various suppliers in Asia and the vast majority of purchases are denominated in U.S. dollars. We do not hedge foreign currency risk using any derivative instruments, and historically we have not been impacted by changes in exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Section 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires management of an issuer subject to the Exchange Act to evaluate, with the participation of the issuer's principal executive and principal financial officers, or persons performing similar functions, the effectiveness of the issuer's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of each fiscal quarter. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that may have a material adverse effect on our business, financial condition and results of operations. For a detailed discussion of the risks that affect our business, please refer to the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016. There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K.

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

On November 25, 2015, we closed our IPO, in which we registered and sold 7,666,667 shares of Class B common stock at a price of $12.00 per share. The aggregate offering price for shares sold in the offering was approximately $92.0 million. The offer and sale of all the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-207300), which was declared effective by the SEC on November 19, 2015. We raised approximately $83.9 million in net proceeds after deducting underwriting discounts and commissions of approximately $6.4 million and other offering expenses of approximately $1.7 million.

Through July 31, 2016, the net proceeds from our IPO have been applied as follows: $46.3 million to pay in full a short term note previously borrowed from a bank to pay a portion of the distribution of 100% of the cumulative undistributed taxable earnings to our then existing shareholders from the date of our formation through the date of termination of our “S” corporation status, $8.1 million for infrastructure and technology, $6.4 million for retail stores, and $0.3 million for our final “S” corporation distribution. With regards to the remaining proceeds, there has been no material change in the planned use of proceeds from our IPO as described in the final prospectus filed with the SEC pursuant to Rule 424(b)(4).

Item 6. Exhibits

Please refer to the Exhibit Index.

SIGNATURES

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

Date: September 9, 2016

DULUTH HOLDINGS INC.
(Registrant)

/s/ MARK M. DEORIO

Mark M. DeOrio
Senior Vice President and Chief Financial Officer
(On behalf of the Registrant as Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities and Exchange Act, as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed herewith

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

Exhibit 31.1

CERTIFICATIONS

I, Stephanie L. Pugliese, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "registrant");

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(s) 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)) 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) Intentionally omitted;

   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(s) 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 9, 2016

/s/ Stephanie L. Pugliese
Stephanie L. Pugliese
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark M. DeOrio, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "registrant");

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(s) 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)) 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) Intentionally omitted;

   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 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(s) 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 9, 2016

/s/ Mark M. DeOrio

Mark M. DeOrio
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the “Company”) for the quarterly period ended July 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephanie L. Pugliese, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

	/s/ Stephanie L. Pugliese
Name:	**Stephanie L. Pugliese**
Title:	**Chief Executive Officer**
Date:	**September 9, 2016**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "Company") for the quarterly period ended July 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark M. DeOrio, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ Mark M. DeOrio
Name:	**Mark M. DeOrio**
Title:	**Chief Financial Officer**
Date:	**September 9, 2016**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.