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

FORM 10-K

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

For the Fiscal Year Ended January 29, 2017
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 No. 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)**

Registrant's telephone number, including area code: (608) 424-1544
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class B Common Stock, No Par Value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 a 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 aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $230.2 million based upon the closing price on the last business day of the registrant's most recently completed second fiscal quarter (July 31, 2016).

The number of shares outstanding of the Registrant's Class A common stock, no par value, as of March 20, 2017, was 3,364,200. The number of shares outstanding of the Registrant's Class B common stock, no par value, as of March 20, 2017 was 29,077,421.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed within 120 days of January 29, 2017 are incorporated by reference in this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 fact included in this Annual Report on Form 10-K 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,” “design,” “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 that may cause actual results to differ materially from those that we expected, including:

- our ability to maintain and enhance a strong brand image;
- our ability to successfully open a significant number of new stores;
- effectively adapting to new challenges associated with our expansion into new geographic markets;
- generating adequate cash from our existing stores to support our growth;
- the impact of changes in corporate tax regulations;
- identifying and responding to new and changing customer preferences;
- containing the increase in the cost of mailing catalogs, paper and printing;
- the success of the locations in which our stores are located;
- our ability to attract customers in the various retail venues and locations in which our stores are located;
- adapting to declines in consumer confidence and decreases in consumer spending;
- competing effectively in an environment of intense competition;
- our ability to adapt to significant changes in sales due to the seasonality of our business;
- price reductions or inventory shortages resulting from failure to purchase the appropriate amount of inventory in advance of the season in which it will be sold;
- natural disasters, unusually adverse weather conditions, boycotts and unanticipated events;
- our dependence on third-party vendors to provide us with sufficient quantities of merchandise at acceptable prices;
- increases in costs of fuel or other energy, transportation or utility costs and in the costs of labor and employment;
- the susceptibility of the price and availability of our merchandise to international trade conditions;
- failure of our vendors and their manufacturing sources to use acceptable labor or other practices;
- our dependence upon key executive management or our inability to hire or retain the talent required for our business;
- failure of our information technology systems to support our current and growing business, before and after our planned upgrades;
- disruptions in our supply chain and distribution centers;
- our inability to protect our trademarks or other intellectual property rights;
- infringement on the intellectual property of third parties;
- acts of war, terrorism or civil unrest;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- our ability to secure the personal financial information of our customers and comply with the security standards for the credit card industry; and
- our failure to maintain adequate internal controls over our financial and management systems.

We make many of our forward-looking statements based on our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

See the "Risk Factors" section of this Annual Report on Form 10-K for a more complete discussion of the risks and uncertainties mentioned above and for discussion of other risks and uncertainties. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this annual report and hereafter in our other SEC filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

ITEM 1. BUSINESS

Unless the context indicates otherwise, the terms the "Company," "Duluth," "Duluth Trading," "Duluth Holdings," "we," "our" or "us" are used to refer to Duluth Holdings Inc.

The following discussion contains references to fiscal years 2016, 2015 and 2014, which refer to our fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015, respectively. Fiscal years 2016, 2015 and 2014 were 52-week periods.

In fiscal 2016, we opened a total of seven new retail stores, primarily in the Midwestern and Eastern United States and added 75,000 square feet to our Belleville distribution center.

On November 25, 2015, our "S" corporation status terminated and we converted to a "C" corporation. We became subject to corporate-level federal and state income taxes at prevailing corporate rates. See Note 8 "Income Taxes," to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our "S" corporation termination. On November 25, 2015, we also completed an initial public offering ("IPO") in which we issued and sold 7,666,667 shares of our Class B common stock, which includes 1,000,000 shares of Class B common stock issued pursuant to the underwriters' option to purchase additional shares, at a price to the pubic of $12.00 per share, less the underwriting discount.

Duluth Trading is a rapidly growing lifestyle brand of men's and women's casual wear, workwear and accessories sold exclusively through our own channels. We offer a comprehensive line of innovative, durable and functional products, 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 of men and women for everyday and on-the-job use. Approximately 90% of our fiscal 2016 net sales consisted of proprietary products sold under our Duluth Trading brand name. We believe the foundation of our success is our culture of "poking average in the eye" *by seeing things for what they could be and should be and finding a way to make them exactly that, and we like to do it all with a big, toothy grin.* Our brand is defined by three brand pillars: solution-based products manufactured with high quality craftsmanship, humorous and distinctive marketing and an outstanding customer experience.

Our products solve the problems our customers experience with the limitations of commonly available apparel and gear. Our design process reflects a "there's gotta be a better way" attitude, resulting in differentiated products with unique features that appeal to a broad array of customers. Our products represent enduring styles that go beyond short-lived fashion trends. We strive to make shopping for our products fun by using attention-grabbing advertisements that are humorous, irreverent and quirky and serve to reinforce our brand identity. We also use storytelling to differentiate our products in the marketplace and create emotional connections with our customers. We provide our customers with a unique and entertaining experience across all channels through our content-rich website, catalogs and "store like no other" retail environment. We treat our customers like next-door neighbors, as exemplified by our exceptional customer service and unconditional "No Bull Guarantee" on all purchases.

To protect the integrity of the Duluth Trading brand, we offer our products exclusively through our omnichannel distribution network, consisting of our website, catalogs and retail stores. This model creates multiple touch points with our customers and enables us to control both our Duluth Trading brand expression and the pricing of our products. Our distribution strategy eliminates the need to sell through third-party retailers, allowing us to focus on our core competencies of product development, storytelling and serving customers. Our direct segment, consisting of our website and catalogs, offers products nationwide and represented 82% of our fiscal 2016 net sales. In 2010, we added retail to our omnichannel platform with the opening of our first store. Since then, we have expanded our retail presence, and as of January 29, 2017, we operated 14 retail stores and two outlet stores. Our retail segment represented 18% of our fiscal 2016 net sales.

Duluth Trading was founded in 1989 when two brothers in the home construction industry were tired of dragging tools from job to job using discarded five-gallon drywall compound buckets. The two brothers were never satisfied with the status quo and believed "there's gotta be a better way." So they invented the Bucket Boss® - a ruggedly durable canvas tool organizer that fits around a drywall bucket and transformed the way construction workers organized their tools. Capitalizing on their initial success, these brothers launched a catalog that later became known as Duluth Trading Company. Under the initial philosophy of "Job Tough, Job Smart," this catalog was dedicated to improving and expanding on existing methods of tool storage, organization and transport. In December 2000, GEMPLER'S Inc., a Wisconsin corporation and an agricultural and horticultural supply catalog business founded and owned by Stephen L. Schlecht, acquired Duluth Trading and brought the two mail order companies together. Both catalogs had customers who worked outside and embraced the spirit of hands-on, self-reliant Americans. In February 2003, the GEMPLER's catalog business was sold to W.W. Grainger (NYSE:GWW) and proceeds from that sale have been used to fund the growth of Duluth Trading. With that transaction, GEMPLER'S changed its corporate name to Duluth Holdings Inc.

From what began as an idea aimed at those working in the building trades, Duluth Trading has become widely recognized brand and proprietary line of innovative and functional apparel and gear. 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 customer with quality, functional products.

What Makes Us Different

We believe the following strengths differentiate us and provide a foundation for future growth:

Differentiated, Everyday Lifestyle Brand

Our understanding of the Modern, Self-Reliant American Lifestyle enables us to create personal connections with our customers who lead a hands-on lifestyle, value a job well-done and are often outdoors for work and hobbies. The workwear heritage of our products is the foundation of our authentic and differentiated brand. We communicate our brand values and product performance nationally through multiple mediums, including television, catalogs, digital advertising and sponsored events. We believe these marketing efforts make our brand synonymous with this lifestyle, validate our authenticity and establish Duluth Trading as a trusted provider of reliable casual wear and workwear.

Solution-Based Design

Our products solve the problems our customers experience with commonly available apparel and gear. *We see things for what they could be and what they should be, and we find a way to make them exactly that, and we like to do it all with a big, toothy grin.* We generate new product ideas in part by proactively seeking input from our consumers, including our trades panels, which are comprised of select groups located across the United States with expertise in various fields. Our trades panels test our products in intense conditions and offer suggestions for new and improved features. For example, one of our trades panel members, a farrier shoeing horses, experienced frustration with his heavy and restrictive work pants when he was required to bend, squat and sit throughout the day. His feedback led to the creation of our Duluthflex® Ballroom® jeans, which are built with 1% spandex and are more flexible than average jeans, allowing customers to "crouch without the ouch." We believe that our focus on thoughtful product design and commitment to quality, such as "triple stitching the extra stitch" and "doubling down on extra durable fabric," keeps our existing customers engaged while also attracting new customers to our brand. *And we do it all because there are a whole lotta legs, torsos, feet and crotches out there counting on us.*

Humorous and Distinctive Marketing

We make shopping for our products fun by using attention-grabbing advertisements that are humorous, irreverent and quirky. Our national advertising campaigns that feature characters such as our Giant Angry Beaver, Buck Naked Guy and Grab-Happy Grizzly, continue to increase our brand awareness and drive customers to our brand. These types of advertisements appeal to a wide audience and enable us to highlight the distinctive attributes of our products in a memorable way. We also use storytelling to make connections with our customers. For example, the story of our customer Tony the Diver, who wears our Fire Hose work pants over his wetsuit for added protection while working on marine construction, inspired a catalog cover and is featured on our website. Our advertising inspires our female customers by featuring women of "grit and substance" whose professions range from ranching to horse training to dog sled racing to landscape design, which emphasizes that our products are "built for women on a mission by women on a mission." We believe our approach to marketing gives our products a distinct identity, enhances our brand and helps us stand out in the market.

Outstanding and Engaging Customer Experience

An important principle that shapes our brand is treating our customers like next-door neighbors. We provide a seamless, consistent omnichannel experience that makes shopping for casual wear, workwear and accessories fun, inviting and hassle-free. We are dedicated to delivering outstanding customer service by standing behind all purchases with our unconditional "No Bull Guarantee." Our content-rich, user-friendly website is designed to provide an enjoyable, informative and efficient shopping experience. Our call center is open 24 hours a day, seven days a week, and is staffed with friendly, knowledgeable representatives dedicated to making every customer experience positive. As a convenience to our customers, we offer live chat through our website, which is available from 7 A.M. to 8 P.M. Central Time on weekdays and 8 A.M. to 5 P.M. Central Time on weekends. Our stores are designed to bring our brand to life by creating a unique and entertaining experience with knowledgeable sales associates, a compelling and complete assortment of our products and hospitality areas with complimentary coffee and water. We also showcase unique attractions at each retail store, such as the tool museum in our Mt. Horeb, Wisconsin store, that celebrate the heritage of the local area. We believe these elements help promote customer loyalty and drive repeat purchases.

Attractive, Loyal Customer Base

Our customers come to us for many aspects of their everyday casual wear and workwear needs. The quality and consistency of our product offering attracts a broad demographic of men and women who lead the Modern, Self-Reliant American Lifestyle. According to an internal company survey, 88% of our customers identified themselves as working outside of the building trades. Our average customer is a homeowner with an annual household income of over $75,000. Based on these characteristics, we believe our customers have a high level of disposable income and are attracted to the quality and enhanced features of our products. In addition, we currently have over 275,000 online product reviews, over 90% of which are four or five star ratings.

Omnichannel Presence with Complete Distribution Control

We sell our products exclusively through our direct and retail channels, giving us complete control of the presentation of our brand and the relationships with our customers. This strategy allows us to present our brand in a consistent manner, including marketing, pricing and product presentation. It also enables us to reduce logistical complexities and costs because we are not subject to timing, delivery and quantity requirements set by third-party retailers, allowing our employees to concentrate on product development, storytelling and serving customers. We believe this approach to distribution is a significant advantage for our brand, allowing us to deliver feature rich, superior quality products at competitive prices.

Seasoned Management Team Driving an Impassioned Culture

Our senior management team has extensive experience across a broad range of key disciplines. With an average of approximately 30 years of experience in their respective functional areas, our management team has been instrumental in driving results and in developing a robust and scalable infrastructure to support our continued growth. Our senior management team embraces the Modern, Self-Reliant American Lifestyle and has fostered a culture committed to “outthink, outsmart and outcraft average,” which is shared by employees throughout our organization. Our strong company culture and spirited corporate personality is exemplified by the long tenure of our team members with us. We believe the strength of our senior management team, supported by our dedicated board of directors and passionate employees, is a key driver of our success and positions us well to execute our long-term growth strategy.

Our Growth Strategies

Our goal is to expand the reach of the Duluth Trading brand, using strategies that will further drive growth and profitability:

- ***Building Brand Awareness to Continue Customer Acquisition***. We are a rapidly growing lifestyle brand and have built strong brand awareness and successfully acquired customers over the past seven years. As a relatively young brand, we believe that we have a significant opportunity to build even greater brand awareness. We plan to introduce potential customers to our brand through our national television and digital advertising campaigns, catalogs and retail store expansion. We have made significant investments in marketing to build brand awareness among our potential customers and expect to achieve leverage from these investments as our business continues to grow.
- ***Accelerating Retail Expansion.*** We believe our customers’ purchasing decisions are heavily influenced by the availability of our retail stores. We believe that our customers’ desire to shop in stores, combined with the number of potential markets for our retail stores and the compelling unit economics of our existing retail stores, provide us with a significant opportunity to grow our U.S. retail presence. We have identified markets with the potential for approximately 100 U.S. store locations that feature high concentrations of existing Duluth Trading customers and potential customers that fit our brand demographics. We anticipate opening 10 to 12 stores during fiscal 2017 and expect the rate of new store openings to accelerate over the coming years. Our existing retail stores have been profitable in both metropolitan and rural locations across multiple markets and have achieved an average payback of less than two years. We plan to continue building our organization and investing in software systems and operational infrastructure to support the growth in our retail segment. Based on our experience to date, we believe the combination of our direct and retail channels in an individual geographic market substantially increases the net sales and customer acquisition potential in that market. For example, since opening our retail stores in the Minneapolis-St. Paul metropolitan area, our direct segment net sales in that area have continued to grow. Additionally, we believe our retail stores provide ancillary marketing benefits by giving new and existing customers a destination to experience our brand.
- ***Selectively Broadening Assortments in Certain Men’s Product Categories***. We believe there is an opportunity to grow our men’s business by selectively broadening our assortment in certain product categories that exhibit high growth potential and resonate with the lifestyle of our core men’s customers, such as outerwear and footwear.

Through product introductions that expand seasonality and occasions for wear, we believe we can grow our share of closet with new and existing men's customers.

- ***Growing Our Women's Business***. Since launching in 2005, our women's business has grown significantly to represent approximately 21% of our net sales in fiscal 2016. We believe that we have a significant opportunity to continue to grow our women's business through customer acquisition, and we plan to continue to leverage all of our marketing channels, including national television and digital advertising, our catalogs and retail stores to do so. We expect that our women's business will continue to represent an increasing portion of our net sales, and accordingly, we are allocating a higher percentage of our total advertising budget to the women's business. We believe that as our retail footprint expands, our women's business will continue to grow based on our current customers' shopping patterns. While the core of our women's product assortment will continue to consist of solution-based apparel that fits the Modern, Self-Reliant American Lifestyle, we plan to selectively expand our product offering to appeal to a wider range of female customers.

Our Sales Channels

We sell our products exclusively through our direct and retail channels, giving us complete control of our brand presentation as well as direct interaction with the consumer. Our omnichannel business strategy allows our sales channels to work in synergy to seamlessly deliver a consistent brand experience, including consistent marketing, pricing and product presentation.

Direct Segment

Our direct channel, which comprised 82% of our fiscal 2016 net sales, reaches customers nationwide through our website and catalogs.

- *e-Commerce*. Our website, www.duluthtrading.com, serves as a storefront for our product assortment and provides an interactive, user-friendly, content-rich customer experience. In fiscal 2016, our website accounted for approximately 83% of our direct segment net sales. Our website's homepage and category content, including pricing, seasonal promotions and products, are updated frequently in order to keep them current and seasonally appropriate, which coincides with updates to our catalogs and retail store displays. Our entire product offering is available on our website with certain new products offered exclusively online during their initial introduction, as well as out-of-season but in-stock products. Our website features humorous product videos and customer testimonials that educate our customers on the features and benefits of our products, which we believe enhances our visitors' shopping experience. We believe our e-commerce experience has been successful in converting website visitors into customers. We offer our new and existing customers the ability to shop across multiple platforms and devices, including mobile devices, tablets and desktop computers. During fiscal 2016, we sold merchandise to customers through our website in all 50 states and had approximately 39.5 million website visits, an increase of approximately 14.9% from fiscal 2015.

- *Catalog*. Our catalog business is an important part of our heritage and a key differentiator in our market. Our catalogs serve as a tangible vehicle for our authentic and humorous storytelling and drive customers to visit our website and retail stores. In fiscal 2016, our catalogs accounted for approximately 17% of our direct segment net sales, which were primarily transacted via our call center. During fiscal 2016, we published 35 catalog issues and distributed over 55 million copies, approximately 26 million of which were mailed to prospective customers. Our catalogs reflect our tailored approach to marketing and include particular expressions of our brand that resonate with our target customers. For example, we produce separate catalogs for our men's and women's product offerings, showcasing illustrations in our men's catalogs and featuring women of "grit and substance" in our women's catalogs. In addition to generating a significant portion of our direct net sales, we believe our catalogs are clever, informative and eye catching and are a vital part of building the Duluth Trading brand.

Retail Segment

In 2010, we opened our first retail store and have since expanded our retail presence, operating 14 retail stores and two outlet stores as of January 29, 2017. In fiscal 2016, our retail stores produced $66.4 million in net sales, representing 18% of total net sales, compared to $37.8 million in net sales in fiscal 2015, representing 12% of total net sales. Our existing stores have been profitable in both metropolitan and rural locations. During fiscal 2016, our retail store customer visits increased by 74% to approximately 1.9 million visits, compared to approximately 1.1 million visits in fiscal 2015. Our retail stores allow us to reach customers who prefer to shop in a brick and mortar setting and give new and existing customers the opportunity to touch and feel our innovative products before making a purchase decision. Our stores range in size from approximately 6,000 to 14,000 selling square feet and are designed to bring our brand to life by creating a unique and entertaining experience, including engaging sales associates, a compelling and complete product assortment, custom made fixtures to fit our brand, free wireless Internet and complimentary coffee and water. We also showcase unique attractions at each retail store that celebrate the heritage of the local area, such as the tool museum in our Mt. Horeb, Wisconsin store and the "Exploded Tractor" exhibit in our Ankeny, Iowa store. We believe these local community elements help promote customer loyalty and drive repeat purchases.

Our retail stores also provide ancillary marketing benefits, such as brand visibility in high traffic areas. We provide additional conveniences to customers at our stores, as they can order our products online and have them shipped for free to our store for pick up. Customers can also return products purchased online at our retail stores and can buy certain Duluth Trading-branded products not available in the store at the registers or in-store kiosks and have them shipped directly to their homes.

See Note 7 "Segment Reporting," of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for our segment net sales, profit, total assets and other operating data.

Retail Store Expansion Opportunities and Site Location

We believe we have a compelling retail model that supports our ability to grow our store footprint in both new and existing markets across the United States with the potential to simultaneously enhance our direct segment sales in those markets and overall sales potential of the area. Unlike traditional brick and mortar retailers, we are able to leverage the wealth of customer data from our direct segment to identify potential markets for new stores that feature high concentrations of existing Duluth Trading customers and potential customers that fit our brand demographics.

We select the potential markets for our new stores based on existing customer data from our direct segment and select our store locations based on customer input, access to the freeway, visibility, store accessibility and parking. Our retail stores are built as iconic restorations, renovations of an existing building, or build-to-suit. In a build-to-suit retail store, the retail store is built to our specific design and footprint. Our current retail store information also informs our future merchandising decisions. We intend the range in selling square footage, as determined by market size of each of our new stores, to be approximately 7,000 to 12,000 selling square feet. We plan to continue building our organization and investing in software systems and operational infrastructure to support the growth in our retail segment.

Our Products

We offer a comprehensive line of innovative, durable and functional casual wear, workwear and accessories for both men and women. Our product assortment includes shirts, pants, underwear, outerwear, footwear, accessories and hard goods. Our products feature proprietary designs and distinct names, such as our Longtail T® shirts, Buck Naked™ underwear, Fire Hose® work pants and No-Yank™ Tank. The table below presents net sales by business for the last two fiscal years.

	Fiscal Year Ended			
(in thousands)	**January 29, 2017**	**January 31, 2016**	**$ Change**	**% Change**
Men's (including hard goods/other)	$ 295,354	$ 243,123	52,231	21.5%
Women's	80,762	61,034	19,728	32.3%
Total net sales	$ 376,116	$ 304,157	71,959	23.7%

We offer a stable product assortment, which appeals to our customers for their everyday and on-the-job use. The majority of our products represent enduring styles that go beyond short-lived fashion trends. We believe many of our customers' purchases are driven by our thoughtful design and high quality craftsmanship, and our best-selling styles tend to be items that carry over year to year with only minor updates.

We believe the authenticity of our products is driven by a number of factors, including our solution-based design process, use of technical materials, sophisticated manufacturing methods and innovative product features. Our products are sold at competitive prices and are designed to offer superior performance with added features such as underarm panels for more freedom of movement, triple-stitched seams for durability and mid-leg utility pockets for functionality. We also collaborate with our suppliers to develop advanced fabrics that we sell under our trademarks. For example, we incorporate our Duluthflex® Fire Hose® cotton canvas into products to provide strength and abrasion resistance with stretch for freedom of movement.

Product Development

We are focused on developing apparel and gear that builds upon the Duluth Trading brand's product heritage of "there's gotta be a better way," resulting in distinctive products with enhanced features. We primarily use an innovative feedback-based design process through which we actively seek the input of our customers, including a group of more than 100 products testers with expertise in the trades industry. These trades panel members have become an integral part of our product development process, as they test and evaluate select products in intense conditions, providing real-time feedback on performance and functionality. Members of our product development team also regularly read online customer product reviews, attend tradeshows and collaborate with our vendors, which facilitates new product innovation. Our product development team incorporates all of this input to develop new product solutions and features, ensure consistent fit, style and color and design functional and durable fabrics.

We have a long history of product innovation. We have introduced a number of solution-based products, some of which are highlighted in the chart below:

Product	Year Introduced	Problem	Solution
Longtail T® shirt	2002	The infamous, much-feared Plumber's Butt	"Un-plumbering the plumber's butt" with an additional three inches of shirt body length
Fire Hose® pants	2003	Short-lived work pants	Tougher, double-weave fabric that out-toughs and outlasts the rest
Ballroom® jeans	2009	Constricting jeans	A hidden Crouch Gusset® that lets you "crouch without the ouch"
Buck Naked™ underwear	2010	Soggy and restrictive underwear	Fast-drying, odor-fighting underwear - "no pinch, no stink, no sweat"
Duluthflex® clothing	2012	Heavy and restrictive work clothing	30% lighter and more flex with added storage space
Armachillo® shirts	2013	Workwear too hot and heavy for summer	Texas-tested cooling with Made in the Jade™ fabric
Dry on the Fly® pants	2014	Soggy, constraining pants that slow you down	Performance nylon that wicks sweat and goes from wet to dry "in the blink of an eye"
Armachillo® underwear	2015	Steamy boxer briefs	Cooling performance underwear for the hottest days
No-Yank™ Tank	2016	Tank tops that keep riding up throughout the day	Extra length - sits still and stays put, even when you work up a storm

Marketing

Our marketing strategy is designed to build brand awareness, acquire new customers, enhance customer loyalty and drive sales transactions. We are nationally known for our creative, irreverent and quirky advertising that features our Giant Angry Beaver, Buck Naked Guy and Grab-Happy Grizzly characters to showcase our brand philosophy, humor and innovation. We also feature testimonials in our marketing campaigns, which put our products in context, tying them to the individuals who represent our core customer, who leads a hands-on lifestyle, values a job well-done and is often outdoors for work and hobbies. We believe our customers identify with the inspiring stories of real men and women, recognize our products' versatility and appreciate the extreme and demanding conditions our products can withstand.

We pursue our marketing strategy through multiple forms of media, which gives our products an identity and enhances our brand:

- *Television*. We advertise on cable and broadcast television networks to build brand awareness for both men's and women's products and to reach a large, national audience. These advertisements feature both our animated characters and female models, and are intended to be humorous, irreverent and quirky in order to grab the viewer's attention, while highlighting the particularly innovative, solution-based features of our core products and the Duluth Trading name.
- *Catalogs*. Our catalogs are an important part of our heritage and represent a tangible vehicle for our authentic and humorous storytelling. In fiscal 2016, we published 35 catalog issues and distributed over 55 million catalogs, approximately 26 million of which were mailed to prospective customers. Our catalogs support both sales channels, and we believe serve as an important customer acquisition tool by driving visits to our website and retail stores.
- *Digital and Email Marketing*. We employ a variety of digital and online advertising strategies. These efforts include display advertising, digital video advertising, search engine marketing and optimization and targeted email, which we send to customers to introduce new products and offer promotions on select merchandise.

- *Social Media*. We have an engaged social media community, which allows us to personally connect with our customers online, and we believe further raises brand awareness. We maintain a social media presence on Facebook, Pinterest, YouTube and Twitter.
- *Radio, Collateral Print and Outdoor Marketing*. We use traditional radio and collateral print advertising, such as newspaper inserts and postcards, and billboards in the areas surrounding our retail stores to build brand awareness, drive traffic to our website and stores, highlight certain promotions and events and support new store openings.
- *Event Sponsorship*. We sponsor both national and local events, including the STIHL TIMBERSPORTS Series, a competition of the world's top lumberjack athletes, which is one of our most prominent sponsorships with a national airing on the ABC television network, and the John Beargrease Sled Dog Marathon, the longest sled dog race in the lower 48 states.

Customer Service

We are committed to providing outstanding customer service and believe in treating our customers like next-door neighbors. Our retail stores are stocked with a comprehensive assortment of our products and staffed with knowledgeable and well trained sales associates. We stand behind all purchases with our unconditional "No Bull Guarantee." Our call center is open 24 hours a day, seven days a week and is staffed with friendly, knowledgeable representatives dedicated to making every customer experience positive. As a convenience to our customers, we offer live chat through our website, which is available from 7 A.M. to 8 P.M. Central Time on weekdays and 8 A.M. to 5 P.M. Central Time on weekends.

Manufacturing

We do not own or operate any manufacturing facilities. Instead, we arrange with third-party vendors for the manufacturing of our merchandise. We have built strong, long-term relationships with our vendors, with our top six suppliers in fiscal 2016 supplying approximately 83% of our total purchases. In fiscal 2016, 51% of our purchases came from our largest supplier, an agent partner in Hong Kong who manages multiple factories across Asia, including Cambodia, China, Indonesia and Vietnam. Approximately 21% of our purchases in fiscal 2016 came from our second largest supplier, which is based in Thailand. We believe sourcing inventory through this agent allows us to leverage the agent's purchasing power with multiple factories, as well as transportation and logistics capabilities, allowing our internal team to focus on our core competencies of product development, storytelling and serving customers, rather than factory and mill management or logistics.

Our sourcing strategy focuses on identifying and employing vendors that provide quality materials and fine craftsmanship that our customers expect of our brand. To ensure that our high standards of quality and timely delivery of merchandise are met, we work closely with our third-party agent partners. All of our products are produced according to our specifications, and we require all of our manufacturers to adhere to strict regulatory compliance and standards of conduct. We seek to ensure the consistent quality by employing Duluth Trading-certified factory auditors to selectively examine pre-production samples, conduct periodic site visits to certain of our vendors' production facilities and inspect inbound shipments at our distribution centers.

Distribution Centers

Our distribution centers are currently located across the United States in order to minimize transit times to our customers. We own and operate a distribution center in Belleville, Wisconsin, that is approximately 190,000 square feet of production and warehouse space, of which 75,000 square feet was recently added in July 2016. Our Belleville distribution center stocks and replenishes products in our retail stores and handles our direct segment distribution needs for the Midwest. In 2014, we contracted with our first third-party logistics center in Sparks, Nevada for our distribution needs for western states. In September 2015, we contracted with another third-party logistics center in Hebron, Kentucky for our distribution needs on the east coast and in the south. Orders are generally assigned to the distribution center closest to the customer's ship-to location. We believe our current distribution network will allow us to substantially improve delivery times to key customer concentrations in the Eastern and Western United States and is well-positioned to provide sufficient capacity to support our planned continued growth for the foreseeable future.

Returns Center

We currently leased approximately 30,000 square feet of warehouse space located in Verona, Wisconsin, which is approximately ten minutes north of our corporate headquarters. Our returns center handles all direct sales returns.

Information Technology

We use technology to provide customer service, business process support and business intelligence across our sales channels. We continually aim to have more efficient supply chain and distribution systems operations. Our Distributed Order Management systems provide us with omnichannel capabilities that have a global view of available-to-promise inventory management and also process direct orders from our retail stores. Our Belleville distribution center implemented a new warehouse management system in July 2015. Our Product Lifecycle Management System, which launched in June 2015, systematically coordinates efforts across our product development teams, allowing these teams to dedicate their time to building and executing solution-based product introductions. Our Vendor Portal is a web-based system that allows us to interface with key partners. In late summer of 2017, we plan on implementing a new Order Management System (“OMS”). Our new OMS will allow us to manage inventory cost and pricing, and seamlessly process customer orders across all channels. It will also provide us with flexible pricing and promotions to satisfy our customers’ needs. We also plan on implementing a new E-commerce system, which will allow us to provide our customers with a reliable and secure channel to shop our products. This system will allow us to comfortably scale to meet our anticipated customer demands.

Competition

We operate primarily in the apparel, footwear and accessories industry, which is highly competitive. We compete with a diverse group of direct-to-consumer companies and retailers, including men’s and women’s specialty apparel chains, department stores, outdoor specialty stores, apparel catalog businesses and online apparel businesses. We compete principally on the basis of brand recognition, innovation, product quality, customer service and price. To stay ahead of our competition, we continue to develop innovative solution-based products for which we create unique selling propositions that incorporate humor and storytelling.

Intellectual Property

Our trademarks are important to our marketing efforts. We own or have the rights to use certain trademarks, service marks and trade names that are registered with the U.S. Patent and Trademark Office or exist under common law in the United States and other jurisdictions. The “Duluth Trading Co” trade name and trademark is used both in the United States and internationally, and is material to our business. Trademarks that are important in identifying and distinguishing our products and services are Alaskan Hardgear®, Armachillo®, Ballroom®, Bucket Master®, Cab Commander®, Crouch Gusset®, Dry on the Fly®, Duluth Trading Company®, Duluthflex®, Fire Hose®, Longtail T®, No Polo Shirt® and Wild Boar Mocs®. Our rights to some of these trademarks may be limited to select markets. We also own domain names, including “duluthtrading.com.”

Employees

As of January 29, 2017, we employed 409 full-time and 1,218 part-time and flexible part-time employees, 606 of which were employed at our retail stores. The number of employees, particularly part-time employees, fluctuates depending upon seasonal needs. Our employees are not represented by a labor union and are not party to a collective bargaining agreement. We consider our relations with our employees to be good.

Seasonality

Our business experiences seasonal fluctuations. Our net sales and net income are generally highest in the fourth fiscal quarter, which includes the holiday sales period. The following table presents net sales and net income for the fourth quarter as a percentage of the fiscal year.

Fiscal Year	4Q Net Sales	4Q Net Sales % of Fiscal year	4Q Net Income	4Q Net Income % of Fiscal Year
(in thousands)				
2016	$ 174,653	46.4 %	$ 13,993	65.6 %
2015	$ 140,377	46.2 %	$ 17,540	63.9 %
2014	$ 110,131	47.5 %	$ 13,899	58.8 %

Regulation and Legislation

We are subject to labor and employment laws, truth-in-advertising laws, privacy laws, safety regulations, consumer protection regulations and other laws that regulate retailers and govern the promotion and sale of merchandise and the operation of stores and warehouse facilities. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are made available free of charge on or through our website at www.duluthtrading.com as soon as reasonably practicable after such reports are filed with, or furnished to the SEC.

ITEM 1A. RISK FACTORS

Certain factors may have a material adverse effect on our business, financial condition and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class B common stock could decline, and you could lose part or all of your investment.

Risks Related To Our Business

If we fail to offer products that customers want to purchase, our business and results of operations could be adversely affected.

Our products must satisfy the desires of customers, whose preferences change over time. In order to be successful, we must design, obtain and offer to customers innovative and high-quality products on a continuous and timely basis. Failure to effectively respond to customer needs and preferences, or convey a compelling brand image or price-to-value equation to customers may result in lower net sales and gross profit margins.

Our success depends in part on management's ability to effectively anticipate or identify customer needs and preferences and respond quickly with marketable product offerings in advance of the actual time of sale to the customer. Even if we are successful in anticipating or identifying our customers' needs and preferences, we must continue to develop and introduce innovative, high-quality products and product features in response to changing consumer demand.

Factors that could affect our ability to accurately forecast consumer demand for our products include:

- a failure in our solution-based design process to accurately identify the problems our customers are experiencing with commonly available apparel and gear or a lack of customer acceptance of new products or product features we design;
- customer unwillingness to attribute premium value to our new products or product features we design relative to the commonly available apparel and gear they were intended to replace;
- new, well-received product introductions by competitors;
- weak economic conditions or consumer confidence, which reduce demand for our products; and
- terrorism, civil unrest or acts of war, or the threat thereof, which adversely affect consumer confidence and spending and/or interrupt production and distribution of products and raw materials.

There can be no assurance that we will be able to successfully anticipate or identify our customers' needs and preferences and design products and product features in response. As a result, we may not successfully manage inventory levels to meet our future order requirements. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of product required to meet the demand. Inventory levels in excess of consumer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on the image and reputation of our brand and negatively impact profitability. On the other hand, if we underestimate demand for our products, our third-party manufacturers may not be able to produce sufficient quantities of our products to meet consumer requirements, and this could result in delays in the shipment of products and lost revenue, as well as damage to the image and reputation of our brand and our relationship with our customers. These risks could have a material adverse effect on our brand as well as our results of operations and financial condition.

Our business depends on our ability to maintain a strong brand. We may not be able to maintain and enhance the Duluth Trading brand if we receive unfavorable complaints, negative publicity or otherwise fail to live up to consumers' expectations, which could materially adversely affect our business, results of operations and growth prospects.

We currently offer a differentiated brand to our customers defined by solution-based products manufactured with high quality craftsmanship, humorous and distinctive marketing, and an outstanding customer experience. Maintaining and enhancing the Duluth Trading brand is critical to expanding our base of customers. If we fail to maintain our brand, or if we incur excessive expenses in this effort, our business, operating results and financial condition may be materially adversely affected. We anticipate that, as we raise our profile nationally and attract an increasing amount of competition, maintaining and enhancing our brand may become increasingly difficult and expensive and may require us to make substantial additional investments in areas such as marketing, store operations, merchandising, technology and personnel.

Customer complaints or negative reactions to, or unfavorable publicity about, our product quality or product features, our storytelling or irreverent advertising, the shopping experience on our website or in our retail stores, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media, other third-party websites and our website, could rapidly and severely diminish consumer use of our website and catalogs, visits to our retail stores and consumer confidence in us and result in harm to our brand. Furthermore, these factors could cause our customers to no longer feel a personal connection with the Duluth Trading brand, which could result in the loss of customers and materially adversely affect our business, results of operations and growth prospects.

Our marketing strategy of associating our brand and products with the Modern, Self-Reliant American Lifestyle may not be successful with future customers.

We have been successful in marketing our products by associating our brand and products with a heritage of workwear and the Modern, Self-Reliant American Lifestyle. To sustain long-term growth, we must continue to be successful in promoting our products to customers who identify with this lifestyle. If our customer base declines through natural attrition and is not replaced by new customers due to, for example, a lack of personal identification with this lifestyle, our net sales could decline, which could adversely affect our business, results of operations and financial condition.

Our net sales and profits depend on the level of consumer spending for apparel, footwear and accessories, which is sensitive to general economic conditions and other factors. An economic recession or a decline in consumer spending could have a material adverse effect on our business and results of operations.

The apparel, footwear and accessories industry has historically been subject to cyclical variations and is particularly affected by adverse trends in the general economy. The success of our business depends on consumer spending. There are a number of factors that influence consumer spending, including actual and perceived economic conditions, disposable consumer income, interest rates, consumer credit availability, unemployment, stock market performance, extreme weather conditions, energy prices and tax rates in the national, regional and local markets where we sell our products. A decline in actual or perceived economic conditions or other factors could negatively impact the level of consumer spending and have a material adverse impact on our business and results of operations.

Retail store expansion could adversely affect the operating results of our retail channel and reduce the revenue of our direct channel.

As we increase the number of our retail stores, our stores may become more highly concentrated in the geographic regions we serve. As a result, the number of customers and related net sales at individual stores may decline and the payback period may be increased. In addition, as we open more retail stores, and if our competitors open stores with similar formats, our retail store format may become less unique and may be less attractive to customers as a shopping destination. If either of these events occurs, the operating results of our retail channel could be materially adversely affected. The growth in the number of our retail stores may also draw customers away from our website and catalogs, which could materially adversely affect net sales from our direct channel.

If we cannot successfully implement future retail store expansion, our growth and profitability could be adversely impacted.

We plan to open 10 to 12 new retail stores in fiscal 2017 and accelerate the rate of new retail store openings thereafter. Our ability to open new retail stores in a timely manner and operate them profitably depends on a number of factors, many of which are beyond our control, including:

- our ability to manage the financial and operational aspects of our retail growth strategy, including making appropriate investments in our software systems, information technology and operational infrastructure;
- our ability to identify suitable locations, including our ability to gather and assess demographic and marketing data to accurately determine consumer demand for our products in the locations we select;

- our ability to negotiate favorable lease agreements;
- our ability to properly assess the profitability and payback period of potential new retail store locations;
- the availability of financing on favorable terms;
- our ability to secure required governmental permits and approvals;
- our ability to hire and train skilled store operating personnel, especially management personnel;
- the availability of construction materials and labor and the absence of significant construction delays or cost overruns;
- our ability to provide a satisfactory mix of merchandise that is responsive to the needs of our customers living in the areas where new retail stores are built;
- our ability to establish a supplier and distribution network able to supply new retail stores with inventory in a timely manner;
- our competitors building or leasing stores near our retail stores or in locations we have identified as targets for a new retail store;
- consumer demand for our products, which drives traffic to our retail stores; and
- general economic and business conditions affecting consumer confidence and spending and the overall strength of our business.

We may not be able to grow the number of our retail stores, accelerate the rate of new store openings, achieve the net sales growth and payback periods historically achieved by our retail stores or maintain consistent levels of profitability in our retail stores, particularly as we expand into markets now served by other apparel chains, outdoor specialty stores, apparel catalog businesses and online apparel businesses. In addition, the substantial management time and resources which our retail store expansion strategy requires may result in disruption to our existing business operations which may decrease our profitability.

We may face risks and new challenges associated with our geographic expansion.

Our retail stores as of January 29, 2017 are concentrated in the Midwestern and Eastern United States. We have recently expanded into the Eastern region of the United States during our third quarter of fiscal 2016. As we expand our retail store locations, we may face new challenges that are different from those we currently encounter. Our expansion into new geographic markets could result in increased competitive, merchandising, distribution and other challenges. We may encounter difficulties in attracting customers in our new retail locations due to a lack of customer familiarity with our brand, our lack of familiarity with local customer preferences, competition with new competitors or with existing competitors with a large, established market presence and seasonal differences in the market. Our ability to expand successfully into other geographic markets will depend on acceptance of our retail store experience by customers in those markets, including our ability to design our stores in a manner that resonates locally and to offer the correct product assortment to appeal to consumers in such markets. There can be no assurance that any newly opened stores will be received as well as, or achieve net sales or profitability levels consistent with, our projected targets or be comparable to those of our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve, or are unable to sustain, acceptable net sales and profitability levels, our business, results of operations and growth prospects may be materially adversely affected.

Furthermore, our retail stores may be located in regions that will be far from our Belleville, Wisconsin headquarters and will require additional management time and attention. Failure to properly supervise the operation and maintain the consistency of the customer experience in those retail stores could result in loss of customers and potentially harm future net sales prospects.

We may be unable to keep existing retail store locations or open new retail locations in desirable places, which could materially adversely affect our sales and profitability.

We may be unable to keep existing retail locations or open new retail locations in desirable places in the future. We compete with other retailers and businesses for suitable retail locations. Local land use, local zoning issues, environmental regulations and other regulations may affect our ability to find suitable retail locations and also influence the cost of leasing or buying them. We also may have difficulty negotiating real estate leases for new stores, renewing real estate leases for existing stores or negotiating purchase agreements for new sites on acceptable terms. In addition, construction, environmental, zoning and real estate delays may negatively affect retail location openings and increase costs and capital expenditures. If we are unable to keep up our existing retail store locations or open new retail store locations in desirable places and on favorable terms, our net sales and profits could be materially adversely affected.

We rely on sources for merchandise located in foreign markets, and our business may therefore be adversely affected by legal, regulatory, economic and political risks associated with international trade and those markets.

Substantially all of our merchandise is imported from suppliers in China and other emerging markets in Asia and Central America, either directly by us or through our agents. Our reliance on suppliers in foreign markets creates risks inherent in doing business in foreign jurisdictions, including:

- the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions, import/export laws and regulations, and local intellectual property laws and rights owned by third parties;
- changes in U.S. and non-U.S. laws (or changes in the enforcement of those laws) affecting the importation and taxation of goods, including disallowance of tax deductions for imported merchandise, imposition of unilateral tariffs on imported goods, duties, quotas, enhanced security measures at U.S. ports or imposition of new legislation relating to import quotas;
- economic and political instability in the countries and regions where our suppliers are located;
- compliance with U.S. and other country laws relating to foreign operations, including the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business;
- increases in shipping, labor, fuel, travel and other transportation costs;
- the imposition of anti-dumping or countervailing duty proceedings resulting in the potential assessment of special anti-dumping or countervailing duties;
- transportation delays and interruptions, including due to the failure of suppliers or distributors to comply with import regulations; and
- political instability and acts of terrorism.

Any increase in the cost of merchandise purchased from these suppliers or restriction on the merchandise made available by these suppliers could have an adverse effect on our business and results of operations.

Manufacturers in China have experienced increased costs in recent years due to shortages of labor and the fluctuation of the Chinese Yuan in relation to the U.S. dollar. If we are unable to successfully mitigate a significant portion of such product cost increases, our results of operations could be adversely affected.

New initiatives may be proposed in the United States that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, would increase the cost of products purchased from suppliers in such countries with which we do business. Any inability on our part to rely on our foreign sources of production due to any of the factors listed above could have an adverse effect on our business, results of operations and financial condition.

The success of our direct channel depends on customers' use of our digital platform, including our website, and response to catalogs and digital marketing; if our overall marketing strategies, including our maintenance of a robust customer list, is not successful, our business and results of operations could be materially adversely affected.

The level of customer traffic and volume of customer purchases through our direct channel, which accounted for approximately 82% of our net sales in fiscal 2016, is substantially dependent on our ability to provide a content-rich and user-friendly website, widely distributed and informative catalogs, a fun, easy and hassle-free customer experience and reliable delivery of our products. If we are unable to maintain and increase customers' use of our e-commerce platform, including our website, which accounted for 83% of our direct channel net sales in fiscal 2016, and the volume of purchases decline, our business and results of operations could be adversely affected.

Customer response to our catalogs and digital marketing is substantially dependent on merchandise assortment, merchandise availability and creative presentation, as well as the selection of customers to whom our catalogs are sent and to whom our digital marketing is directed, changes in mailing strategies and the size of our mailings. Our maintenance of a robust customer list, which we believe includes desirable demographic characteristics for the products we offer, has also been a key component of our overall strategy. If the performance of our website, catalogs and email declines, or if our overall marketing strategy is not successful, our business and results of operations could be adversely affected.

Dependence on our e-commerce sales channel subjects us to numerous risks that could have a material adverse effect on our business, financial condition and results of operations.

Sales through our e-commerce business accounted for 68% of our total net sales in fiscal 2016. Our results of operations and financial condition are dependent on maintaining our e-commerce business and expanding our e-commerce business is an important part of our growth strategy. Dependence on our e-commerce business and its continued growth subjects us to certain risks, including:

- diversion of traffic from our stores;
- liability for online content;
- the need to keep pace with rapid technological change;
- government regulation of the Internet, including taxation; and
- risks related to the computer systems that operate our website and related support systems, including computer viruses, systems failure or inadequacy, electronic break-ins and similar disruptions.

Our failure to successfully respond to these risks and uncertainties could reduce our e-commerce sales, increase our costs, diminish our growth prospects, and damage our brand, which could negatively impact our business, financial condition and results of operations.

Competitive pricing pressures with respect to shipping our products to our customers may harm our business and results of operations.

Given the size of our direct segment net 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 our shipping and handling expense included in selling, general and administrative expenses. Online and omnichannel retailers are increasing their focus on delivery services, with customers increasingly seeking faster, guaranteed delivery times and low-price or free shipping. To remain competitive, we may be required to offer discounted, free or other more competitive shipping options to our customers, which may result in declines in our shipping and handling revenue and increased shipping and handling expense. Declines in shipping and handling revenues may have a material adverse effect on our gross profit and gross profit margin, as well as our Adjusted EBITDA to the extent there are not commensurate declines, or if there are increases, in our shipping and handling expense.

We are subject to payment-related risks.

We accept payments using a variety of methods, including credit cards, debit cards, gift cards and physical bank checks. For existing and future payment methods we offer to our customers, we may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in increased costs and reduce the ease of use of certain payment methods), as well as fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time, raising our operating costs and lowering profitability. We rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In each case, it could disrupt our business if these third-party service providers become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees and/or lose our ability to accept credit and debit card payments from our customers and process electronic funds transfers or facilitate other types of payments, and our business and operating results could be adversely affected.

We rely on third-party service providers, such as UPS and the United States Postal Service, ("USPS") to deliver products purchased through our direct channel to our customers and our business could be negatively impacted by disruptions in the operations of these third-party service providers.

Relying on third-party service providers puts us at risk from disruptions in their operations, such as employee strikes, inclement weather and their inability to meet our shipping demands. If we are forced to use other delivery service providers, our costs could increase and we may be unable to meet shipment deadlines. Moreover, we may be unable to obtain terms as favorable as those received from the transportation providers we currently use, which would further increase our costs. In addition, if our products are not delivered to our customers on time, our customers may cancel their orders or we may lose business from these customers in the future. These factors may negatively impact our financial condition and results of operations.

Increases in postage, paper and printing costs could adversely affect the costs of producing and distributing our catalogs and promotional mailings, which could have an adverse effect on our business and results of operations.

Catalog mailings are a key aspect of our business and increases in costs relating to postage, paper and printing would increase the cost of our catalog mailings and could reduce our profitability to the extent that we are unable to offset such increases by raising prices, by implementing more efficient printing, mailing, delivery and order fulfillment systems or by using alternative direct-mail formats.

We currently use the USPS for distribution of substantially all of our catalogs and are therefore vulnerable to postal rate increases. The current economic and legislative environments may lead to further rate increases or a discontinuation of the discounts for bulk mailings and sorting by zip code and carrier routes, which we currently leverage for cost savings.

Paper for catalogs and promotional mailings is a vital resource in the success of our business. The market price for paper has fluctuated significantly in the past and may continue to fluctuate in the future. In addition, the continued consolidation or closings of production facilities in the United States may have an impact on future pricing and supply availability of catalog paper. We do not have multi-year fixed-price contracts for the supply of paper and are not guaranteed access to, or reasonable prices for, the amounts required for the operation of our business over the long term.

We also depend upon external vendors to print and mail our catalogs. The limited number of printers capable of handling such needs subjects us to risks if any printer fails to perform under our agreement. Most of our catalog-related costs are incurred prior to mailing, and we are not able to adjust the costs of a particular catalog mailing to reflect the actual subsequent performance of the catalog.

If we fail to acquire new customers, or fail to do so in a cost-effective manner, we may not be able to increase net revenue or profit per active customer.

Our success depends on our ability to acquire customers in a cost-effective manner. In order to expand our customer base, we must appeal to and acquire customers who identify with the Duluth Trading brand. We have made significant investments related to customer acquisition and expect to continue to spend significant amounts to acquire additional customers. For example, our national television advertising campaigns are expensive and may not result in the cost-effective acquisition of customers. Furthermore, as our brand becomes more widely known in the market, future marketing campaigns may not result in the acquisition of new customers at the same rate as past campaigns.

We believe that many of our new customers originate from word-of-mouth and other non-paid referrals from existing customers. Therefore, we must ensure that our existing customers remain loyal in order for us to continue receiving those referrals. If our efforts to satisfy our existing customers are not successful, we may not be able to acquire sufficient numbers of new customers through word-of-mouth and other non-paid referrals so as to continue to grow our business in a cost-effective manner, and we may be required to incur significantly higher marketing expenses in order to acquire new customers.

We also use other paid and non-paid advertising. Our paid advertising includes search engine marketing, display advertising and paid social media. Our non-paid advertising efforts include search engine optimization, non-paid social media and email. We obtain a significant amount of traffic via search engines and, therefore, rely on search engines such as Google, Yahoo! and Bing. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to our sites can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results, causing our sites to place lower in search query results. A major search engine could change its algorithms in a manner that negatively affects our paid or non-paid search ranking, and competitive dynamics could impact the effectiveness of search engine marketing or search engine optimization. We also obtain a significant amount of traffic via social networking websites or other channels used by our current and prospective customers. As e-commerce and social networking continue to rapidly evolve, we must continue to establish relationships with these channels and may be unable to develop or maintain these relationships on acceptable terms. Additionally, digital advertising costs may continue to rise and as our usage of these channels expands, such costs may impact our ability to acquire new customers in a cost-effective manner. If the level of usage of these channels by our customer base does not grow as expected, we may suffer a decline in customer growth or net sales. A significant decrease in the level of usage or customer growth would have a material adverse effect on our business, financial condition and operating results.

We cannot assure you that the net profit from new customers we acquire will ultimately exceed the cost of acquiring those customers. If we fail to deliver an outstanding customer experience, or if consumers do not perceive the products we offer to be manufactured with high quality craftsmanship, we may not be able to acquire new customers. If we are unable to acquire new customers, our growth prospects may be materially adversely affected.

If we fail to manage our growth effectively, our business, financial condition and operating results could be harmed.

To manage our growth effectively, we must continue to implement our operational plans and strategies, improve and expand our infrastructure of people, information systems and facilities and expand, train and manage our employee base. We have rapidly increased employee headcount to support the growth in our business, and we intend for this growth to continue for the foreseeable future. The number of our employees increased from 89 full-time employees and 220 part-time and flexible part-time employees as of December 31, 2009 to 409 full-time employees and 1218 part-time and flexible part-time employees as of January 29, 2017, and we expect to add a significant number of employees in fiscal 2017. To support continued growth, we must effectively integrate, develop and motivate a large number of new employees. Failure to manage our hiring needs effectively or successfully integrate new employees may have a material adverse effect on our business, financial condition and operating results.

Additionally, the growth of our business places significant demands on our management and other employees. The growth of our business may require significant additional resources to meet these daily demands, which may not scale in a cost-effective manner or may negatively affect the quality of our website, retail stores, call center and other aspects of the customer experience. We are also required to manage relationships with a growing number of suppliers, customers and other third parties. Our information technology systems and our internal controls and procedures may not be adequate to support future growth of these relationships. If we are unable to manage the growth of our organization effectively, our business, financial condition and operating results may be materially adversely affected.

We depend on cash generated from our operations to support our growth, which could strain our growth.

We primarily rely on cash flow generated from our direct and retail sales to fund our current operations and our growth initiatives. It takes a significant amount of cash to open a new retail store. If we open a large number of stores relatively close in time, the cost of these retail store openings and the cost of continuing operations could reduce our cash position. An increase in our cash flow used for new stores could adversely affect our operations by reducing the amount of cash available to address other aspects of our business.

In addition, as we expand our business, we will need significant amounts of cash from operations to pay our existing and future lease obligations, purchase inventory, pay personnel and, if necessary, further invest in our infrastructure and facilities. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our existing revolving credit facility or future credit facilities, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures would be limited and we could be required to delay, curtail or eliminate planned store openings. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership may be diluted. Any debt financing we may incur may impose on us covenants that restrict our operations and will require interest payments that would create additional cash demands and financial risk for us.

We may be unable to accurately forecast our operating results and growth rate, and our growth rate may decline over time.

We may not be able to accurately forecast our operating results and growth rate. We use a variety of factors in our forecasting and planning processes, including historical results, recent history and assessments of economic and market conditions, among other things. The growth rates in net sales and profitability that we have experienced historically may not be sustainable as our customer base expands and we achieve higher market penetration rates, and our percentage growth rates may decrease. The growth of our sales and profitability depends on the continued growth of demand for the products we offer, and our business is affected by general economic and business conditions. A softening of demand, whether caused by changes in customer preferences or a weakening of the economy or other factors, may result in decreased net sales or growth. In addition, we experience seasonal trends in our business, and this variability may make it difficult to predict net sales and could result in significant fluctuations in our operating results from period to period. Furthermore, most of our expenses and investments are fixed, and we may not be able to adjust our spending in a timely manner to compensate for any unexpected shortfall in our net sales results. Failure to accurately forecast our operating results and growth rate could cause our actual results to be materially lower than anticipated, and if our growth rates decline as a result, investors’ perceptions of our business may be adversely affected, and the market price of our Class B common stock could decline.

If we cannot compete effectively in the apparel, footwear and accessories industry, our business and results of operations may be adversely affected.

The apparel, footwear and accessories industry is highly competitive. We compete with a diverse group of direct-to-consumer companies and retailers, including men’s and women’s specialty apparel chains, outdoor specialty stores, apparel catalog businesses and online apparel businesses that sell competing lines of merchandise. Our competitors may be able to adopt more aggressive pricing policies, adapt to changes in customers’ needs and preferences more quickly, devote greater resources to the design, sourcing, distribution, marketing and sale of their products or generate greater national brand recognition than us. In addition, as our business continues to expand, our competitors may seek to increase efforts to imitate our product designs, which could adversely affect our business and results of operations. An inability to overcome these potential competitive disadvantages or effectively market our products relative to our competitors could have an adverse effect on our business and results of operations.

Our product designs are not protected by substantial intellectual property rights.

Due to the rapid pace of change in the apparel, footwear and accessories industry, the length of time it takes to obtain patents and the expense and uncertainty of obtaining patent protection, we have not taken steps to obtain patent protection for our innovative product designs. Competitors have attempted to copy our product designs in the past, and we expect that if we are able to raise our national profile, our products may be subject to greater imitation by existing and new competitors. If we are not able to continue rapid innovation of new products and product features, our brand may be harmed and our results of operations may be materially adversely affected.

If we are unable to protect or preserve our brand image and our proprietary rights, our business may be adversely affected.

We regard our trademarks, copyrights, trade secrets and similar proprietary rights as critical to our success. As such, we rely on trademark and copyright law, trade secret protection and confidentiality agreements with our associates, consultants, suppliers and others to protect our proprietary rights. Nevertheless, the steps we take to protect our proprietary rights may be inadequate and we may experience difficulty in effectively limiting the unauthorized use of our trademarks and other intellectual property worldwide. Unauthorized use of our trademarks, copyrights, trade secrets or other intellectual property rights may cause significant damage to our brand and our ability to effectively represent ourselves to agents, suppliers, vendors, licensees and/or customers. While we intend to enforce our intellectual property rights, there can be no assurance that we are adequately protected in all countries or that we will prevail when defending our trademark and proprietary rights. If we are unable to protect or preserve the value of our trademarks, copyrights or other intellectual property rights for any reason, or if we fail to maintain our brand image due to merchandise and service quality issues, actual or perceived, adverse publicity, governmental investigations or litigation or other reasons, our brand and reputation could be damaged and our business may be adversely affected.

We may be subject to liability if we infringe upon the intellectual property rights of third parties.

Third parties may sue us for alleged infringement of their proprietary rights or use intellectual property rights to interfere with or attempt to interfere with the manufacture of products for us or the supply of products to us. The party claiming infringement might have greater resources than we do to pursue its claims, and we could be forced to incur substantial costs and devote significant management resources to defend against such litigation. If the party claiming infringement were to prevail, we could be forced to discontinue the use of the related trademark or design and/or pay significant damages or enter into expensive royalty or licensing arrangements with the prevailing party, assuming these royalty or licensing arrangements are available at all on an economically feasible basis, which they may not be. We could also be required to pay substantial damages. Such infringement claims could harm the Duluth Trading brand. In addition, any payments we are required to make and any injunction we are required to comply with as a result of such infringement could adversely affect our financial results.

If our key suppliers or service providers were unable or unwilling to provide the products and services we require, our business could be adversely affected.

During fiscal 2016, approximately 51% of our products were sourced through a third-party purchasing agent and 83% of our products were sourced through our top six suppliers. The remaining products were sourced from a variety of domestic and international suppliers. If these suppliers are unable or unwilling to provide the products or services that we require or materially increase their costs, our ability to offer and deliver our products on a timely and profitable basis could be impaired, which could have a material adverse effect on our business, financial condition and results of operations. We do not have written agreements with our top suppliers, and we cannot assure that any or all of our relationships will not be terminated or that such relationships will continue as presently in effect. Furthermore, if any of our significant suppliers were to become subject to bankruptcy, receivership or similar proceedings, customs actions, or other legal actions, we may be unable to arrange for alternate or replacement relationships on terms as favorable as our current terms, which could adversely affect our sales and operating results.

Our growth strategy is influenced by the willingness and ability of our suppliers to efficiently manufacture our products in a manner that is consistent with our standards for quality and value. If we cannot obtain a sufficient amount and variety of quality products at acceptable prices, it could have a negative impact on our competitive position. This could result in lower revenue and decreased customer interest in our product offerings, which, in turn, could adversely affect our business and results of operations. Our arrangements with our suppliers are generally not exclusive. As a result, our suppliers might be able to sell similar or identical products to certain of our competitors, some of which purchase products in significantly greater volume. Our competitors may enter into arrangements with suppliers that could impair our ability to obtain our products from those suppliers, including by requiring suppliers to enter into exclusive arrangements, which could limit our access to such arrangements or products.

We rely on third parties to provide us with services in connection with certain aspects of our business, and any failure by these third parties to perform their obligations could have an adverse effect on our business and results of operations.

We have entered into agreements with third parties for logistics services, information technology systems (including hosting our website), operating our call center during certain hours, software development and support, catalog production, select marketing services, distribution and packaging and employee benefits. Services provided by any of our third-party suppliers could be interrupted as a result of many factors, such as acts of nature or contract disputes. Any failure by a third party to provide us with services for which we have contracted on a timely basis or within service level expectations and performance standards could result in a disruption of our business and have an adverse effect on our business and results of operations.

Increases in the price of raw materials, fuel and labor, or their reduced availability, could increase our cost of goods and cause delays.

The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather patterns, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. Fluctuations in the price and availability of fuel, labor and raw materials, such as cotton, could affect our cost of goods and an inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our profitability, while any related pricing actions might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may have an adverse impact on our cash flow and working capital needs as well as those of our suppliers.

Our business is seasonal, and if we do not efficiently manage inventory levels, our results of operations could be adversely affected.

Our business is subject to seasonal influences, with net sales and net income realized during the fourth quarter of our fiscal year, which includes the holiday season. See Part I, Item 1 Business, under the heading "*Seasonality*," for our net sales and net income realized during the fourth quarter of our fiscal year for each of the past three fiscal years.

We must maintain sufficient inventory levels to operate our business successfully, but we must also avoid accumulating excess inventory, which increases working capital needs and potentially lowers gross margins. We obtain substantially all of our inventory from suppliers located outside the United States. Some of these suppliers often require lengthy advance notice of order requirements in order to be able to manufacture and supply products in the quantities requested. This usually requires us to order our products, and enter into commitments for the purchase of our products, well in advance of the time these products will be offered for sale. As a result, it may be difficult to respond to changes in customer demand. If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, inventory levels will not be appropriate and our results of operations could be adversely affected.

We expect a disproportionate amount of our net sales to occur during our fourth quarter. If we do not stock or restock popular products in amounts sufficient to meet customer demand, it could significantly affect our revenue and our future growth. If we overstock products, we may be required to take significant inventory markdowns or write-offs and incur commitment costs, which could reduce profitability. We may experience an increase in our net shipping cost due to complimentary upgrades, split-shipments and additional long-zone shipments necessary to ensure timely delivery for the holiday season. Furthermore, if too many customers access our website within a short period of time due to increased holiday demand, we may experience system interruptions that could make our website unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of products we sell as well as the attractiveness of our product offerings. In addition, we or our third-party service providers may be unable to adequately staff our fulfillment and customer service centers during these peak periods, and our delivery service providers and other fulfillment companies may be unable to meet the peak seasonal demand.

As a result of holiday sales, inventories, accounts payable and borrowings under our revolving line of credit typically reach their highest levels in October or November of each year (other than as a result of cash flow provided by or used in investing and financing activities). Inventories, accounts payable and borrowings under our revolving line of credit then decline steadily during the holiday season, resulting in our cash typically reaching its highest level, and borrowings under our revolving line of credit reaching their lowest level, as of December 31 of each year.

If our independent suppliers do not use ethical business practices or comply with applicable regulations and laws, our reputation could be materially harmed and on our business and results of operations may be adversely affected.

Our reputation and customers' willingness to purchase our products depend in part on our suppliers' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, freedom of association, unlawful inducements, safe and healthy working conditions and with all legal and regulatory requirements relating to the conduct of their business. While we operate compliance and monitoring programs to promote ethical and lawful business practices, we do not exercise ultimate control over our independent suppliers or their business practices and cannot guarantee their compliance with ethical and lawful business practices. Violation of labor or other laws by our suppliers, or the divergence of a supplier's labor practices from those generally accepted as ethical in the United States, could materially hurt our reputation, which could have an adverse effect on our business and results of operations.

If we fail to timely and effectively obtain shipments of products from our suppliers and deliver merchandise to our customers, our business and operating results could be adversely affected.

We do not own or operate any manufacturing facilities and therefore depend upon independent third-party suppliers for the manufacture of our merchandise. We cannot control all of the various factors that might affect timely and effective procurement of supplies of product from our third-party suppliers and delivery of merchandise to our customers. A majority of the products that we purchase must be shipped to our distribution centers in Wisconsin, Nevada and Kentucky. While our reliance on a limited number of distribution centers provides certain efficiencies, it also makes us more vulnerable to natural disasters, weather-related disruptions, accidents, system failures or other unforeseen causes that could delay or impair our ability to fulfill customer orders and/or ship merchandise to our stores, which could adversely affect sales. Our ability to mitigate the adverse impacts of these events depends in part upon the effectiveness of our disaster preparedness and response planning, as well as our business continuity planning. Our use of imports also makes us vulnerable to risks associated with products manufactured abroad, including, among other things, risks of damage, destruction or confiscation of products while in transit to a distribution center or at points of export or import, organized labor strikes and work stoppages, transportation and other delays in shipments, including as a result of heightened security screening and inspection processes or other port-of-entry limitations or restrictions in the United States, unexpected or significant port congestion, lack of freight availability and freight cost increases. In addition, if we experience a shortage of a popular item, we may be required to arrange for additional quantities of the item, if available, to be delivered through airfreight, which is significantly more expensive than standard shipping by sea. We may not be able to obtain sufficient freight capacity on a timely basis or at favorable shipping rates and, therefore, may not be able to receive merchandise from suppliers or deliver products to customers in a timely and cost-effective manner.

We rely upon third-party land-based and air freight carriers for merchandise shipments from our distribution centers to customers and our retail stores. Accordingly, we are subject to the risks, including labor disputes, union organizing activity, inclement weather and increased transportation costs, associated with such carriers' ability to provide delivery services to meet outbound shipping needs. In addition, if the cost of fuel rises, the cost to deliver merchandise from distribution centers to customers and our retail stores may rise and, although some of these costs are paid by our customers, such costs could have an adverse impact on our profitability. Failure to procure suppliers of products from our third-party suppliers and deliver merchandise to customers and our retail stores in a timely, effective and economically viable manner could damage our reputation and adversely affect our business. In addition, any increase in distribution costs and expenses could adversely affect our future financial performance.

Inventory shrinkage could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the risk of inventory loss and theft. Although our inventory shrinkage rates have not been material, or fluctuated significantly in recent years, we cannot assure you that actual rates of inventory loss and theft in the future will be within our estimates or that the measures we are taking will effectively reduce the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, it could have a material adverse effect on our business, financial condition and results of operations.

We are subject to data security and privacy risks that could negatively affect our results, operations or reputation.

In the normal course of business we often collect, retain and transmit certain sensitive and confidential customer information, including credit card information, over public networks. There is a significant concern by consumers and employees over the security of personal information transmitted over the Internet, identity theft and user privacy. Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, and we and our customers could suffer harm if sensitive and confidential customer information were accessed by third parties due to a security failure in our systems or one of our third-party service providers. It could require significant expenditures to remediate any such failure or breach, severely damage our reputation and our relationships with customers and expose us to risks of litigation and liability. In addition, as a result of recent security breaches at a number of prominent retailers, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become more uncertain. As a result, we may incur significant costs to comply with laws regarding the protection and unauthorized disclosure of personal information.

We rely significantly on information technology, and any inadequacy, interruption, integration failure or security failure of this technology could harm our ability to effectively operate our business.

Our ability to effectively manage and operate our business depends significantly on information technology systems. We rely heavily on information technology to track sales and inventory and manage our supply chain. We are also dependent on information technology, including the Internet, for our direct-to-consumer sales, including our e-commerce and catalog operations and retail business credit card transaction authorization. Despite our preventative efforts, our systems and those of our third-party service providers may be vulnerable to damage or interruption. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, difficulty in integrating new systems or systems of acquired businesses or a breach in security of these systems could adversely impact the operations of our business, including disruption of our ability to accept and fulfill customer orders, effective management of inventory, inefficient ordering and replenishment of products, e-commerce operations, retail business credit card transaction authorization and processing, corporate email communications and our interaction with the public on social media.

Our failure to retain our executive management team and to attract qualified new personnel could adversely affect our business and results of operations.

We depend on the talents and continued efforts of our executive management team. The loss of members of our executive management may disrupt our business and adversely affect our results of operations. Furthermore, our ability to manage further expansion will require us to continue to attract, motivate and retain additional qualified personnel. We believe that having an executive management team with qualified personnel who are passionate about our brand, have extensive industry experience and have a strong customer service ethic has been an important factor in our historical success, and we believe that it will continue to be important to growing our business. Competition for these types of personnel is intense, and we may not be successful in attracting, integrating and retaining the personnel required to grow and operate our business profitably.

An inability to attract and retain qualified employees to meet our staffing needs in our stores, distribution center or call center could result in higher payroll costs and adversely affect our operating results.

Our performance is dependent on attracting and retaining a large number of qualified employees. Many of those employees are in entry level or part-time positions with historically high rates of turnover. Many of our strategic initiatives require that we hire and/or develop associates with appropriate experience. Attracting and retaining a sufficient number of qualified employees to meet our staffing needs may be difficult, since the competition for these types of personnel is intense. If we cannot attract and retain employees with the qualifications we deem necessary to meet our staffing needs in our stores, fulfillment centers and call center, our ability to effectively operate may be adversely affected. In addition, our staffing needs are especially high during the peak holiday season. We cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel in future periods.

We may be subject to increased labor costs due to external factors, including changes in laws and regulations, and we may be subject to unionization, work stoppages or slowdowns.

Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, actions by our competitors with respect to compensation levels and changing demographics. Changes that adversely impact our ability to meet our labor needs in a cost-effective manner could adversely affect our operating results. In addition, the employer mandate provisions of the Patient Protection and Affordable Health Care Act (the “PPACA”), changes in regulations under the PPACA, changes in federal and state minimum wage laws and other laws and regulations relating to employee benefits could cause us to incur additional wage and benefit costs, which could negatively impact our business, financial condition and results of operations.

Currently, none of our employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union.

The National Labor Relations Board continually considers changes to labor regulations, many of which could significantly affect the nature of labor relations in the United States and how union elections and contract negotiations are conducted. If some or all of our employees were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations.

Prior to our IPO, we were treated as an "S" corporation under Subchapter S of the Internal Revenue Code, and claims of taxing authorities related to our prior status as an "S" corporation could harm us.

Concurrent with and as a result of our IPO, our "S" corporation status terminated, and we are currently treated as a "C" corporation for federal and applicable state income tax purposes. As a "C" corporation, we are subject to federal and state income taxes. In addition, if the unaudited, open tax years in which we were an "S" corporation are audited by the Internal Revenue Service (the "IRS"), and we are determined not to have qualified for, or to have violated, our "S" corporation status, we will be obligated to pay back taxes for all relevant open tax years on all of our taxable income while we were an "S" corporation, interest and possibly penalties, however, we may have the right to reclaim a portion of the tax distributions we made to our shareholders during those periods pursuant to a tax indemnification agreement with our existing shareholders. Any such claims could result in additional costs to us and could have a material adverse effect on our results of operations and financial condition.

We entered into a tax indemnification agreement with our existing shareholders prior to the IPO and could become obligated to make payments to them for any additional federal, state or local income taxes assessed against them for fiscal periods prior to the completion of our IPO.

We have historically been treated as an "S" corporation for U.S. federal income tax purposes. Concurrent with and as a result of our IPO, our "S" corporation status terminated and we are currently subject to federal income taxes and state income taxes. In the event of an adjustment to our reported taxable income for a period or periods prior to termination of our "S" corporation status, our shareholders during those periods could be liable for additional income taxes for those prior periods. Therefore, prior to the consummation of our IPO, we entered into a tax indemnification agreement with the then-existing shareholders. Pursuant to the tax indemnification agreement, we agreed to indemnify and hold harmless each such shareholder on an after-tax basis against additional income taxes, plus interest and penalties, resulting from adjustments made, as a result of a final determination made by a competent tax authority, to the taxable income we reported as an "S" corporation. Such indemnification will also include any reasonable and documented out-of-pocket expenses arising out of a claim for such tax liability.

Unseasonal or severe weather conditions may adversely affect our merchandise sales.

Our business is adversely affected by unseasonal weather conditions. Sales of certain seasonal apparel items, especially outerwear, are dependent in part on the weather and may decline in years in which weather conditions do not favor the use of these products. Sales of our spring and summer products, which traditionally consist of lighter weight clothing, are adversely affected by cool or wet weather. Similarly, sales of our fall and winter products, which are traditionally weighted toward outerwear, are adversely affected by mild, dry or warm weather. Severe weather events may impact our ability to supply our retail stores, deliver orders to customers on schedule and staff our retail stores, fulfillment centers and call center, which could have an adverse effect on our business and results of operations.

We may be subject to assessments for additional taxes, including sales taxes, which could adversely affect our business.

In accordance with current law, we pay, collect and/or remit taxes in those states where we or our subsidiary, as applicable, maintain a physical presence. While we believe that we have appropriately remitted all taxes based on our interpretation of applicable law, tax laws are complex and their application differs from state to state. It is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us or assert either an error in our calculation, a change in the application of law or an interpretation of the law that differs from our own, which may, if successful, adversely affect our business and results of operations.

Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of e-commerce and could diminish our opportunity to derive financial benefit from our activities.

In conjunction with the "Streamlined Sales Tax Project," an ongoing, multi-year effort by certain state and local governments to require collection and remittance of distant sales tax by out-of-state sellers, bills have been introduced in the U.S. Congress to overturn the U.S. Supreme Court's decision in *Quill Corp. v. North Dakota*, 540 U.S. 298 (1992), which limits the ability of state governments to require sellers outside of their own state to collect and remit sales taxes on goods purchased by in-state residents. An overturning of this decision may harm our customers and our business.

We may become involved in a number of legal proceedings and audits, and outcomes of such legal proceedings and audits could adversely affect our business, financial condition and results of operations.

Our business requires compliance with many laws and regulations, including labor and employment, customs, truth-in-advertising, consumer protection and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. Failure to achieve compliance could subject us to lawsuits and other proceedings, and could also lead to damage awards, fines and penalties. We may become involved in a number of legal proceedings and audits including government and agency investigations, and consumer, employment, tort and other litigation. We cannot predict with certainty the outcomes of these legal proceedings and other contingencies. The outcome of some of these legal proceedings, audits and other contingencies could require us to take, or refrain from taking, actions which could negatively affect our operations or require us to pay substantial amounts of money adversely affecting our financial condition and results of operations. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management's attention and resources, causing a material adverse effect on our business, financial condition and results of operations. There can be no assurance that any pending or future legal proceedings and audits will not have a material adverse effect on our business, financial condition and results of operations.

We may engage in strategic transactions that could negatively impact our liquidity, increase our expenses and present significant distractions to management.

We may consider strategic transactions and business arrangements, including, but not limited to, acquisitions, asset purchases, partnerships, joint ventures, restructurings and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could harm our operations and financial results.

We maintain debt that could adversely affect our operating flexibility and put us at a competitive disadvantage.

The borrowings under our revolving credit facility typically peak during our third or fourth fiscal quarter, and reached a peak of $15.7 million in fiscal 2016.Our level of debt and the limitations imposed on us by our credit agreement could have important consequences for investors, including the following:

- we may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes or may have to pay more for such financing;
- borrowings under our revolving credit facility are at a variable interest rate, making us more vulnerable to increases in interest rates; and
- we could be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions.

Our failure to comply with restrictive covenants under our revolving credit facility and other debt instruments could trigger prepayment obligations.

Our failure to comply with the restrictive covenants under our revolving credit facilities and other debt instruments could result in an event of default, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected by increased costs and rates.

Changes to accounting rules or regulations could significantly affect our financial results.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. New accounting rules or regulations and changes to existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations could negatively affect our results of operations and financial condition through increased compliance costs.

Risks Related to Ownership of our Class B Common Stock

The dual class structure of our common stock and the existing ownership of common stock by our executive officers, directors and their affiliates have the effect of concentrating voting control with our executive officers, directors and their affiliates for the foreseeable future, which will limit your ability to influence corporate matters.

Our Class A common stock has ten votes per share, and our Class B common stock has one vote per share. Given the greater number of votes per share attributed to our Class A common stock, our Executive Chairman, Stephen L. Schlecht, who is our only Class A shareholder, beneficially owns shares representing approximately 67.3% of the voting power of our outstanding capital stock. As a result of our dual class ownership structure, Mr. Schlecht will be able to exert a significant degree of influence or actual control over our management and affairs and over matters requiring shareholder approval, including the election of directors, a merger, consolidation or sale of all or substantially all of our assets and any other significant transaction. Furthermore, Mr. Schlecht will continue to exert a significant degree of influence or actual control over matters requiring shareholder approval, even if he owns a number of Class A shares representing as few as approximately 10%

of the outstanding shares of our capital stock. Further, Mr. Schlecht owns shares representing approximately 36.7% of the economic interest of our outstanding capital stock and, together with our other executive officers, directors and their affiliates, owns shares representing approximately 45.0% of the economic interest and 71.6% of the voting power of our outstanding capital stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future. For example, these shareholders will be able to control elections of directors, amendments of our articles of incorporation or bylaws, increases to the number of shares available for issuance under our equity incentive plans or adoption of new equity incentive plans and approval of any merger or sale of assets for the foreseeable future. This control may materially adversely affect the market price of our Class B common stock.

Additionally, the holder of our Class A common stock may cause us to make strategic decisions or pursue acquisitions that could involve risks to you or may not be aligned with your interests. The holder of our Class A common stock will also be entitled to a separate vote in the event we seek to amend our articles of incorporation in a manner that alters or changes the powers, preferences or special rights of the Class A common stock in a manner that affects its holder adversely.

We are a controlled company within the meaning of the NASDAQ rules, and as a result, we rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

Mr. Schlecht controls more than 50% of the total voting power of our common stock, and we are considered a controlled company under the NASDAQ corporate governance listing standards. As a controlled company, certain exemptions under the NASDAQ listing standards exempt us from the obligation to comply with certain NASDAQ corporate governance requirements, including the requirements:

- that a majority of our board of directors consist of independent directors, as defined under the rules of NASDAQ;
- that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

Although we intend to have a majority of independent directors on our board even though we will be a controlled company, there is no guarantee that we will not take advantage of this exemption in the future. Accordingly, as long as we are a controlled company, holders of our Class B common stock may not have the same protections afforded to shareholders of companies that are subject to all of the NASDAQ corporate governance requirements.

Our stock price may be volatile or may decline regardless of our operating performance, resulting in substantial losses for investors.

The market price of our Class B common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates or ratings by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- future sales by existing shareholders;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, operating results or capital commitments;
- changes in operating performance and stock market valuations of other technology or retail companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- changes in our board of directors or management;
- sales of large blocks of our Class B common stock, including sales by our executive officers, directors and significant shareholders;
- lawsuits threatened or filed against us;
- changes in laws or regulations applicable to our business;
- the expiration of contractual lock-up agreements;

- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging and other derivative transactions involving our capital stock;
- general economic conditions in the United States and abroad; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail and e-commerce companies. Stock prices of many retail companies and e-commerce companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and materially adversely affect our business, financial condition and operating results.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class B common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We are an "emerging growth company," and we cannot be certain if the reduced disclosure and exemption from the auditor attestation requirements applicable to "emerging growth companies" will make our Class B common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reduced regulatory and reporting requirements that are otherwise generally applicable to other public companies. As an emerging growth company: (i) we are exempt from the requirement to obtain an audit of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act; (ii) we are permitted to provide less extensive disclosure about our executive compensation arrangements; and (iii) we are not required to hold non-binding advisory votes on executive compensation or golden parachute provisions.

We remain an emerging growth company and may continue to take advantage of these provisions until the earliest to occur of: (i) the last day of our fiscal year following the fifth anniversary of our IPO, which anniversary will occur on the last day of fiscal 2020; (ii) the date on which we are deemed to be a "large accelerated filer" (which means (a) the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, (b) we have filed at least one annual report on Form 10-K, and (c) we have been subject to the reporting requirements of the Exchange Act for at least twelve months); (iii) the last day of our fiscal year during which our annual gross revenue exceeds $1.0 billion; and (iv) the date on which we issue more than $1.0 billion of non-convertible debt during the previous three-year period.

We cannot predict if investors will find our Class B common stock less attractive or our company less comparable to certain other public companies because we will rely on these exemptions. If some investors find our Class B common stock less attractive as a result of our reliance on these exemptions, there may be a less active trading market for our Class B common stock, and our stock price may be more volatile. We also cannot predict if the failure to seek independent auditor attestation of our internal control over financial reporting pursuant to Section 404 will cause certain inadequacies or weaknesses in our internal controls to go undetected.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain additional executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NASDAQ Global Select Market and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could materially adversely affect our business and results of operations.

We will need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be materially adversely affected.

As a result of disclosure of information in this annual report and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be materially adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially adversely affect our business, financial condition and operating results.

Anti-takeover provisions in our charter documents and under Wisconsin law could make an acquisition of our company more difficult, limit attempts by our shareholders to replace or remove our current management and limit the market price of our Class B common stock.

Provisions in our amended and restated articles of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. In addition to the dual class structure of our common stock, our amended and restated articles of incorporation and amended and restated bylaws include provisions that:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a shareholder rights plan;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by shareholders at annual or special shareholder meetings.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Wisconsin, the Wisconsin control share acquisition statute and Wisconsin's "business combination" provisions would apply and limit the ability of an acquiring person to engage in certain transactions or to exercise full voting power of acquired shares under certain circumstances. As a result, offers to acquire us, which may represent a premium over the available market price of our Class B common stock, may be withdrawn or otherwise fail to be realized.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location, primary use and size of our leased and owned facilities as of January 29, 2017:

Location	Segment	Primary Use	Approximate Gross Square Footage	Leased / Owned
Belleville, Wisconsin	Direct	Corporate headquarters and distribution center	220,000	Owned
Mt. Horeb, Wisconsin	Direct	Innovation center	24,000	Leased
Verona, Wisconsin	Direct	Returns center	30,000	Leased
Mt. Horeb, Wisconsin	Retail	Flagship store	8,000	Leased
Port Washington, Wisconsin	Retail	Store	9,000	Leased
Duluth, Minnesota	Retail	Store	17,000	Leased
Bloomington, Minnesota	Retail	Store	13,000	Leased
Fridley, Minnesota	Retail	Store	15,000	Leased
Ankeny, Iowa	Retail	Store	12,000	Leased
Sioux Falls, South Dakota	Retail	Store	9,000	Leased
Hoffman Estates, Illinois	Retail	Store	14,000	Leased
Downers Grove, Illinois	Retail	Store	14,000	Leased
Omaha, Nebraska	Retail	Store	21,000	Leased
LaCrosse, Wisconsin	Retail	Store	15,000	Leased
King of Prussia, Pennsylvania	Retail	Store	20,000	Leased
Manassas, Virginia	Retail	Store	15,000	Leased
Independence, Missouri	Retail	Store	15,000	Leased
Noblesville, Indiana	Retail	Store(1)	15,000	Leased
Burlington, Massachusetts	Retail	Store(2)	16,000	Leased
Macomb, Michigan	Retail	Store(2)	16,000	Leased
Warwick, Rhode Island	Retail	Store(2)	15,000	Leased
West Chester, Ohio	Retail	Store(2)	15,000	Leased
Pittsburgh, Pennsylvania	Retail	Store(2)	15,000	Leased
Belleville, Wisconsin	Direct/Retail	Outlet store and call center	16,000	Owned
Oshkosh, Wisconsin	Direct/Retail	Outlet store and call center	9,000	Leased

(1) Opened March 2, 2017.

(2) Leased to open new store.

The leases on our innovation center and retail stores expire at various times, subject to renewal options. We consider these properties to be in good condition and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers of Duluth Holdings Inc.

The following is a list of names and ages of executive officers of Duluth Trading indicating all positions and offices held by each such person and each such person's principal occupation(s) or employment during the past five years. Officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of shareholders. There are no family relationships among these officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The information presented below is as of March 20, 2017.

Name	Age	Office
Stephen L. Schlecht	69	Mr. Schlecht is the founder of our Company and has served as Executive Chairman of the Board since February 2015. Mr. Schlecht has served on our board of directors since our founding in 1986. Mr. Schlecht previously served as our Chief Executive Officer from February 2003 to February 2015, as President from February 2003 to February 2012 and as President and Chief Executive Officer of GEMPLER'S, Inc., which he founded in 1986, until February 2003. Mr. Schlecht holds a B.S.B.A. degree and an M.B.A. from Northwestern University. Mr. Schlecht has over 46 years of experience in the direct marketing and retail industries and has extensive leadership experience and strategic vision.
Stephanie L. Pugliese	46	Ms. Pugliese has served as President of the Company since February 2012 and as Chief Executive Officer since February 2015. Ms. Pugliese has previously served as our Chief Operating Officer from February 2014 to February 2015, as our Senior Vice President and Chief Merchandising Officer from July 2010 to February 2012, and as our Vice President of Product Development from November 2008 to July 2010. Ms. Pugliese previously served as a senior executive in several positions with Lands' End, Inc. from November 2005 to October 2008, including General Merchandising Manager of Women's Apparel, Men's Apparel, and the Home Division. She also previously held the position of Vice President of Merchandising at Ann Inc. from March 2000 to May 2003. Ms. Pugliese holds a B.A. degree in marketing from New York University Stern School of Business. Ms. Pugliese is a seasoned executive with over 25 years of experience in the retail apparel industry.
Mark M. DeOrio	62	Mr. DeOrio has been our Chief Financial Officer since August 2010. Mr. DeOrio has previously served as our Senior Vice President of Operations from August 2010 to January 2015. Mr. DeOrio previously held the positions of Chief Financial Officer and Vice President of Operations at eBags, Inc. from November 2004 to December 2009 and Vice President and Chief Financial Officer of Case Logic, Inc. from September 1996 to March 2004. Mr. DeOrio has held multiple senior financial positions during his 40 year career in the consumer products industry, including nine years with KPMG and four years at Huffy Bicycle Company as a divisional head of finance. Mr. DeOrio holds a B.B.A. degree in accounting from the University of Notre Dame, Mendoza School of Business and is a CPA (inactive).
Allen L. Dittrich	62	Mr. Dittrich has served as our Senior Vice President of Omnichannel Customer Experience and Operations since February 2015. He has previously served as Senior Vice President of Retail at Allen-Edmonds Shoe Corporation from November 2009 until February 2015 and Chief Executive Officer of Retail Associates Ltd. from February 2006 to October 2008. Mr. Dittrich has also previously served as Executive Vice President and Chief Operating Officer of Gander Mountain from 2003 to August 2005 and Chief Merchandising and Marketing Officer from April 1998 to 2003. Prior thereto, Mr. Dittrich served as a senior executive in several positions with the Department Store Division at Dayton Hudson where he was employed from 1977 to 1998, including Senior Vice President General Merchandising Manager Home and Cosmetics and Senior Vice President General Merchandising Manager of Men's and Children's. Mr. Dittrich also served on our advisory board for fiscal 2014. Mr. Dittrich holds a B.A. degree in Business Administration and Marketing from Winona State University. Mr. Dittrich has held multiple senior executive roles and has over 39 years of experience in the direct marketing and retail industries.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class B common stock is traded on the NASDAQ Global Select Market under the symbol "DLTH," since our initial public offering on November 19, 2015. The following table sets forth the reported high and low sales prices of our Class B common stock as reported by the NASDAQ Global Select Market, for the fiscal period indicated. On March 17, 2017, the last reported sale price of our Class B common stock was $18.85.

Fiscal 2016 quarter ended:	High	Low
January 29, 2017	$ 38.19	$ 22.58
October 30, 2016	31.79	24.23
July 31, 2016	27.21	21.13
May 1, 2016	25.65	14.00
Fiscal 2015 quarter ended:		
January 31, 2016 (commencing November 20, 2015)	$ 18.23	$ 12.76

Our Class A common stock is neither listed nor traded on an exchange.

As of March 17, 2017, there were approximately six holders of record based upon data provided by our transfer agent, one of whom is the sole holder of our Class A common stock and five of whom are holders of our Class B common stock. The number of shareholders of record is based upon the actual number of shareholders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations or other entities identified in security position listings maintained by depositories.

Dividends

Our Class B common stock began trading on November 20, 2015, following our initial public offering. Since that time, we have not declared any cash dividends, and we do not anticipate declaring any cash dividends in the foreseeable future.

Prior to our initial public offering, as an "S" corporation, we distributed annually to our shareholders amounts sufficient to cover their tax liabilities, due to the income that flowed through the shareholders' tax returns. Additional amounts were distributed from time to time to our shareholders at the discretion of the board of directors. During fiscal 2014, we paid distributions of $15.1 million to our shareholders. During fiscal 2015, we paid distributions of $60.1 million to our shareholders, which included $46.3 million for a portion of the estimated final distribution of $46.6 million (resulting from the termination of our "S" corporation status) and is 100% of the cumulative undistributed taxable earnings from the date of our formation through November 25, 2015. During the first quarter of fiscal 2016, we paid the remaining balance of our final "S" corporation distribution, which resulted in a total final distribution of $46.6 million. The final "S" corporation distribution includes an amount of income based on our results of operations for the full 2015 calendar year, which is our 2015 tax year, prorated from January 1, 2015 through the date of our conversion to a "C" corporation.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our equity compensation plans is set forth in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

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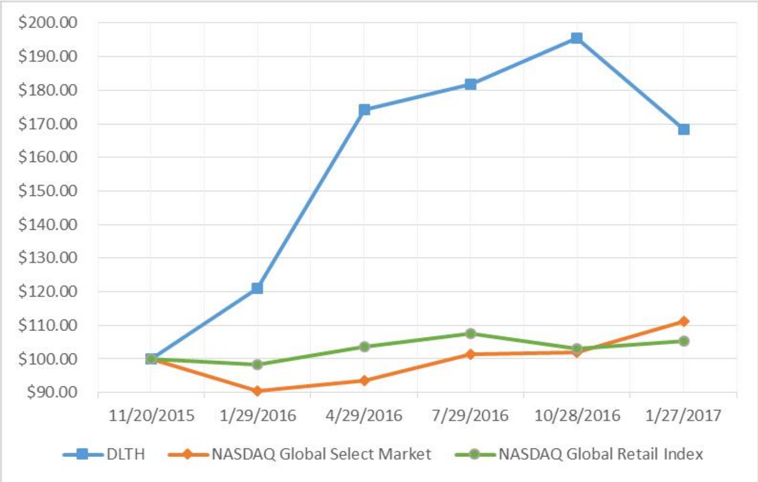
Stock Performance Graph

The following graph compares the cumulative total return to shareholders on Duluth Holdings Inc. Class B common stock from November 20, 2015, the first day our Class B common stock began trading on the NASDAQ Global Select Market, through January 27, 2017, the last day of fiscal 2016, for which trading occurred, with the NASDAQ Global Select Market Index and the NASDAQ Global Retail Index for the same period. The graph assumes an initial investment of $100 on November 20, 2015 in our Class B common stock, the NASDAQ Global Select Market and the NASDAQ Global Retail Index. The graph also assumes that the initial prices of our Class B common stock, the NASDAQ Global Select Market and the NASDAQ Global Retail Index on November 20, 2015 were the closing prices on that trading day.



Company/Market/Peer Group	11/20/2015	1/29/2016	4/29/2016	7/29/2016	10/28/2016	1/27/2017
DLTH	$ 100.00	$ 120.95	$ 174.29	$ 181.68	$ 195.53	$ 168.28
NASDAQ Global Select Market	$ 100.00	$ 90.57	$ 93.68	$ 101.31	$ 101.89	$ 111.06
NASDAQ Global Retail Index	$ 100.00	$ 98.18	$ 103.51	$ 107.69	$ 102.99	$ 105.32

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from Duluth Trading's audited consolidated financial statements, with the exception of the information presented in the pro forma net income information, which was unaudited, and should be read in conjunction with the consolidated financial statements and the notes thereto in Item 8. Financial Statements and Supplementary Data, and the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. Historical results are not necessarily indicative of future results.

	Fiscal Year Ended			
(in thousands, except per share and number of stores data)	January 29, 2017	January 31, 2016	February 1, 2015	February 2, 2014
Consolidated Statements of Operations:				
Net sales	$ 376,116	$ 304,157	$ 231,867	$ 163,089
Net income attributable to controlling interest	$ 21,315	$ 27,439	$ 23,647	$ 15,516
Basic earnings per share (Class A and Class B):				
Weighted average shares of common stock outstanding	31,527	25,250	23,815	23,632
Net income per share attributable to controlling interest	$ 0.68	$ 1.09	$ 0.99	$ 0.66
Diluted earnings per share (Class A and Class B):				
Weighted average shares and equivalents outstanding	32,249	25,978	24,002	23,703
Net income per share attributable to controlling interest	$ 0.66	$ 1.06	$ 0.99	$ 0.65
Pro forma net income information (Unaudited)[(1)]:				
Pro forma net income attributable to controlling interest		$ 17,267	$ 14,188	$ 9,310
Pro forma basic net income per share attributable to controlling interest (Class A and Class B)		$ 0.68	$ 0.60	$ 0.39
Pro forma diluted net income per share attributable to controlling interest (Class A and Class B)		$ 0.66	$ 0.59	$ 0.39
Consolidated Balance Sheets:				
Cash	$ 24,042	$ 37,873	$ 7,881	$ 7,500
Total assets	$ 155,967	$ 120,620	$ 70,949	$ 55,463
Total debt, including current portion	$ 777	$ 5,023	$ 5,683	$ 5,103
Working capital	$ 66,127	$ 73,700	$ 25,714	$ 22,035
Operating Data:				
Number of stores[(2)]	16	9	6	4
Capital expenditures	$ 28,672	$ 7,306	$ 5,269	$ 3,952
EBITDA[(3)]	$ 39,946	$ 32,168	$ 26,269	$ 17,548
Adjusted EBITDA[(3)]	$ 41,170	$ 34,003	$ 26,661	$ 17,624

(1) The unaudited pro forma net income information 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 approximate our statutory income tax rate, of 40%. No pro forma income tax expense was calculated on the income attributable to noncontrolling interest because this entity did not convert to "C" corporation. The Company was a "C" corporation for the entire fiscal year ended January 29, 2017, therefore pro forma net income information is not applicable for this period.

(2) Includes two outlet stores as of January 29, 2017 and January 31, 2016 and one outlet store as of February 1, 2015 and February 2, 2014.

(3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations – How We Assess the Performance of Our Business and Reconciliation of Net Income to EBITDA and EBITDA to Adjusted EBITDA" for our definition of Adjusted EBITDA and a reconciliation of net income to EBITDA and EBITDA to Adjusted EBITDA, both of which are non-GAAP financial measures.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes and information contained in other sections included elsewhere in this annual report, particularly, "Risk Factors," "Selected Financial Data," and "Business." This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Forward-Looking Statements." These forward-looking statements are subject to numerous risks and uncertainties, including those described under "Risk Factors." Our actual results could differ materially from those suggested or implied by any forward-looking statements.

The following discussion contains references to fiscal years 2016, 2015 and 2014, which refer to our fiscal years ended January 29, 2017, January 31, 2016 and February 1, 2015, respectively. Fiscal years 2016, 2015 and 2014 were 52-week periods.

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 82.3% of our fiscal 2016 consolidated 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 January 29, 2017, we operated 14 retail stores and two outlet stores. Net sales for our retail segment represented 17.7% of our fiscal 2016 consolidated net sales.

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 28 consecutive quarters through January 29, 2017;
- Net sales in fiscal 2016 increased by 23.7% over the prior year to $376.1 million;
- Net income in fiscal 2016 decreased by 22.3% over the prior year to $21.3 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 increased by 23.4% over the prior pro forma net income;
- Adjusted EBITDA in fiscal 2016 increased by 21.1% over the prior year to $41.2 million;
- 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.

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. We also use net sales as one of the key financial metrics we measured against in determining our annual bonus compensation for our employees.

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. We have excluded comparable store sales data from this Annual Report on Form 10-K due to the limited number of comparable retail stores as of January 29, 2017. 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. Depreciation and amortization is excluded from gross profit. 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, occupancy, depreciation, and payroll expenses. 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. Beginning with fiscal 2017, we will use Adjusted EBITDA as one of the key financial metrics in determining our annual bonus compensation plan for our employees.

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 believe 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 consolidated results of operations for the periods indicated, both in dollars and as a percentage of net sales.

	Fiscal Year Ended		
(in thousands)	January 29, 2017	January 31, 2016	February 1, 2015
Direct net sales	$ 309,674	$ 266,341	$ 208,909
Retail net sales	66,442	37,816	22,958
Net sales	376,116	304,157	231,867
Cost of goods sold (excluding depreciation and amortization)	161,970	130,636	100,877
Gross profit	214,146	173,521	130,990
Selling, general and administrative expenses	179,145	144,371	106,964
Operating income	35,001	29,150	24,026
Interest expense	194	306	341
Other income, net	247	181	422
Income before income taxes	35,054	29,025	24,107
Income tax expense	13,525	1,339	—
Net income	21,529	27,686	24,107
Less: Net income attributable to noncontrolling interest	214	247	460
Net income attributable to controlling interest	$ 21,315	$ 27,439	$ 23,647
Percentage of Net sales:			
Direct net sales	82.3 %	87.6 %	90.1 %
Retail net sales	17.7 %	12.4 %	9.9 %
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	43.1 %	43.0 %	43.5 %
Gross profit	56.9 %	57.0 %	56.5 %
Selling, general and administrative expenses	47.6 %	47.5 %	46.1 %
Operating income	9.3 %	9.6 %	10.4 %
Interest expense	0.1 %	0.1 %	0.1 %
Other income, net	0.1 %	0.1 %	0.2 %
Income before income taxes	9.3 %	9.5 %	10.4 %
Income tax expense	3.6 %	0.4 %	- %
Net income	5.7 %	9.1 %	10.4 %
Less: Net income attributable to noncontrolling interest	0.1 %	0.1 %	0.2 %
Net income attributable to controlling interest	5.7 %	9.0 %	10.2 %
Pro Forma Net Income Information[(1)]:			
Income attributable to controlling interest before provision for income taxes		$ 28,778	$ 23,647
Pro forma provision for income taxes		11,511	9,459
Pro forma net income attributable to controlling interest		$ 17,267	$ 14,188

(1) The unaudited pro forma net income information for fiscal 2015 and fiscal 2014 presented 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 approximate our statutory income tax rate, of 40%. 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.

Fiscal 2016 Compared to Fiscal 2015

Net Sales

Net sales increased $72.0 million, or 23.7%, to $376.1 million in fiscal 2016 compared to $304.2 million in fiscal 2015, driven by gains in both direct and retail segments of $43.3 million, or 16.3%, and $28.6 million, or 75.7%, respectively, across all product categories. The direct net sales gains were primarily attributable to an increase in website sales. Our website visits increased 14.9% in fiscal 2016 compared to fiscal 2015. The $28.6 million increase in retail net sales was primarily attributable to the opening of seven new stores during fiscal 2016.

Gross Profit

Gross profit increased $40.6 million, or 23.4%, to $214.1 million in fiscal 2016 compared to $173.5 million in fiscal 2015. As a percentage of net sales, gross margin decreased 10 basis points to 56.9% of net sales in fiscal 2016 compared to 57.0% of net sales in fiscal 2015. The slight decrease in gross margin rate was primarily due to a highly promotional retail environment, particularly during our fiscal fourth quarter, which was partially offset by a product mix shift into higher margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $34.8 million, or 24.1%, to $179.1 million in fiscal 2016 compared to $144.4 million in fiscal 2015. Selling, general and administrative expenses as percentage of net sales increased 10 basis points to 47.6% in fiscal 2016, compared to 47.5% in fiscal 2015. The increase in selling, general and administrative expenses of $34.8 million was primarily attributable to increases of $13.3 million in advertising and marketing costs, $9.8 million in selling expenses and $11.7 million in general and administrative expenses.

As a percentage of net sales, advertising and marketing costs decreased 50 basis points to 20.9% in fiscal 2016, compared to 21.4% in fiscal 2015. The 50 basis point decrease in advertising and marketing costs as a percentage of net sales was primarily attributable to our planned decrease in catalog spend as a percentage of net sales, which was partially offset by an increase in our men’s television advertising.

As a percentage of net sales, selling expenses decreased 10 basis points to 13.9% in fiscal 2016, compared to 14.0% in fiscal 2015. The slight decrease in selling expenses as a percentage of net sales was primarily due a decrease of 40 basis points in shipping expenses due to leverage from the increase in retail net sales, coupled with a decrease of 10 basis points in distribution labor due to the effective utilization of our expanded Belleville distribution center versus the two third party logistics providers (“3PLs”). This was partially offset by an increase of 40 basis points in customer service expense due to the growth of retail.

As a percentage of net sales, general and administrative expenses increased 70 basis points to 12.8% in fiscal 2016, compared to 12.1% in fiscal 2015. The 70 basis point increase in general and administrative expenses as a percentage of net sales was primarily due to an increase of 80 basis points in rent expenses and related store opening costs due to the opening of seven new stores in fiscal 2016, an increase of 30 basis points in depreciation expense primarily due to the increase in stores and infrastructure and technology investments, and an increase of 20 basis points in consulting expenses, which was partially offset by a decrease of 60 basis points in personnel cost primarily due to leverage from higher net sales. Fiscal 2015 includes 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 percentage of net sales, general and administrative expenses increased 120 basis points.

Interest Expense

Interest expense decreased $0.1 million to $0.2 million in fiscal 2016 compared to $0.3 million in fiscal 2015. The decrease in interest expense was primarily due to lower outstanding balances during fiscal 2016 compared to fiscal 2015 on our revolving line of credit as a result of cash proceeds from our IPO in November 2015.

Provision for Income Taxes

Income tax expense was $13.5 million in fiscal 2016 compared to $1.3 million in fiscal 2015. The prior year $1.3 million income tax expense consisted of a $1.2 million one-time deferred tax expense recognized upon the conversion of the Company to a “C” corporation on November 25, 2015. Our effective tax rate related to controlling interest was 38.8% and 4.7% in fiscal 2016 and fiscal 2015, respectively. 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 distributive 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 $2.0 million, or 17.5%, to $13.5 million in fiscal 2016 from $11.5 million in fiscal 2015.

Net Income

Net income decreased $6.1 million, or 22.3%, to $21.3 million in fiscal 2016 compared to $27.4 million in fiscal 2015, primarily due to the factors discussed above. Applying a pro forma 40% “C” corporation effective tax rate to full year fiscal 2015, net income increased $4.0 million, or 23.4%, to $21.3 million in fiscal 2016 from pro forma net income of $17.3 million in fiscal 2015.

Fiscal 2015 Compared to Fiscal 2014

Net Sales

Net sales increased $72.3 million, or 31.2%, to $304.2 million in fiscal 2015 compared to $231.9 million in fiscal 2014, driven by gains in both the direct and retail segments of $57.4 million, or 27.5%, and $14.9 million, or 64.7%, respectively, across the majority of all product categories. The direct net sales gains were largely attributable to our marketing efforts, which resulted in greater e-commerce traffic to our website and sales through our call center. Our website visits increased 28.1% in fiscal 2015 compared to fiscal 2014. The increase in retail net sales was primarily attributable to the opening of two new retail stores and an outlet store during fiscal 2015 and having two existing retail stores being opened for the full year fiscal 2015 versus a partial year in fiscal 2014, coupled with net sales growth in comparable stores.

Gross Profit

Gross profit increased $42.5 million, or 32.5%, to $173.5 million in fiscal 2015 compared to $131.0 million in fiscal 2014. As a percentage of net sales, gross margin increased 50 basis points to 57.0% of net sales in fiscal 2015, compared to 56.5% of net sales in fiscal 2014. The increase in gross profit of $42.5 million was primarily driven by an increase in net sales as discussed above. The increase in gross margin rate was primarily attributable to product mix, with a shift into higher margin products in fiscal 2015 compared to fiscal 2014, coupled with improved cost.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $37.4 million, or 35.0%, to $144.4 million in fiscal 2015 compared to $107.0 million in fiscal 2014. Selling, general and administrative expenses as a percentage of net sales were 47.5% and 46.1% during fiscal 2015 and fiscal 2014, respectively. The increase in selling, general and administrative expenses of $37.4 million was attributable to an increase of $15.8 million in advertising and marketing costs, $11.1 million in selling expenses and $10.5 million in general and administrative expenses.

The $15.8 million increase in advertising and marketing costs was primarily driven by our continued marketing efforts. As a percentage of net of sales, advertising and marketing costs increased slightly by 10 basis points to 21.4% in fiscal 2015, compared to 21.3% in fiscal 2014.

The $11.1 million increase in selling expense was primarily due to an increase in distribution labor as a result of increased net sales coupled with expenses incurred in the implementation of our warehouse management system and 3PL infrastructure to support the continued growth of our business and an increased in shipping expense due to increased net sales. As a percentage of net sales, selling expense increased 50 basis points to 14.0% in fiscal 2015 compared to 13.5% in fiscal 2014. The 50 basis point increase in selling expense as a percentage of net sales was primarily driven by an increase in distribution labor of 80 basis points as discussed above, partially offset by a decrease in shipping expense of 40 basis points due to favorable shipping rates, coupled with having our two 3PL's closer to our customers, which reduced the cost of a delivered package.

The $10.5 million increase in general and administrative expenses was primarily due to an increase in personnel expense due to the growth of our business, an increase in consulting and professional fees and an increase in depreciation expense due to retail stores, information technology and infrastructure investments. The increased consulting-related fees were primarily attributable to the implementation of our new warehouse management system and the increased professional fees were primarily due to us becoming a public company. As a percentage of net sales, general and administrative expenses increased 80 basis points to 12.1% in fiscal 2015, compared to 11.3% in fiscal 2014, primarily due to the factors discussed above.

Interest Expense

Interest expense was $0.3 million for both fiscal 2015 and fiscal 2014.

Provision for Income Taxes

Income tax expense was $1.3 million in fiscal 2015, which consisted of $1.2 million for a one-time deferred tax expense recognized upon the conversion to a “C” corporation and $0.1 million of expense related to activity during the portion of fiscal 2015 that we were a “C” corporation (November 25, 2015 through January 31, 2016).

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 distributive 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 $2.1 million, or 21.7%, to $11.5 million in fiscal 2015 from $9.5 million in fiscal 2014.

Net Income

Net income increased $3.8 million, or 16.0% to $27.4 million in fiscal 2015 compared to $23.6 million in fiscal 2014, primarily due to the factors discussed above. Applying a pro forma 40% "C" corporation effective tax rate to both fiscal 2015 and fiscal 2014, rather than the "S" corporation tax rate that actually applied to us prior to our IPO, pro forma net income increased $3.1 million, or 21.7%, to $17.3 million in fiscal 2015 from $14.2 million in fiscal 2014.

Reconciliation of Net Income to EBITDA and EBITDA to Adjusted EBITDA

The following table represents 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.

	Fiscal Year Ended		
(in thousands)	January 29, 2017	January 31, 2016	February 1, 2015
Net income	$ 21,529	$ 27,686	$ 24,107
Depreciation and amortization	4,698	2,837	1,821
Interest expense	194	306	341
Income tax expense	13,525	1,339	—
EBITDA	39,946	32,168	26,269
Non-cash stock based compensation	1,224	720	74
Payment of grantees' tax liabilities associated with grant of restricted stock awards	—	1,115	318
Adjusted EBITDA	$ 41,170	$ 34,003	$ 26,661

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA increased $7.2 million, or 21.1%, to $41.2 million in fiscal 2016 compared to $34.0 million in fiscal 2015. As a percentage of net sales, Adjusted EBITDA decreased 30 basis points to 10.9% of net sales in fiscal 2016 compared to 11.2% of net sales in fiscal 2015.

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA increased $7.3 million, or 27.5%, to $34.0 million in fiscal 2015 compared to $26.7 million in fiscal 2014. As a percentage of net sales, Adjusted EBITDA decreased 30 basis points to 11.2% of net sales in fiscal 2015 compared to 11.5% of net sales in fiscal 2014.

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. Effective August 1, 2017, our revolving line of credit increases by $10 million allowing borrowings of up to $50.0 million through July 31, 2018. Our primary cash needs have been for inventory, marketing and advertising, payroll, store leases, and 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 $31.0 million to $35.0 million in fiscal 2017 on capital expenditures, including a total of approximately $23.0 million to $27.0 million for new retail store expansion. Specifically, we expect it will take approximately $2.0 million to $2.6 million in capital expenditures and starting inventory to open a new store, and we anticipate opening 10 to 12 stores in fiscal 2017. At January 29, 2017, our working capital was $66.1 million, which includes cash of $24.0 million. 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. During the first three quarters of our fiscal year, we utilize our revolving line of credit facility to finance these cash requirements.

We believe that our cash balance as of January 29, 2017, 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.

	Fiscal Year Ended		
(in thousands)	**January 29, 2017**	**January 31, 2016**	**February 1, 2015**
Net cash provided by operating activities	$ 20,253	$ 14,214	$ 22,628
Net cash used in investing activities	(30,341)	(7,362)	(7,147)
Net cash provided by (used in) financing activities	(3,743)	23,140	(15,100)
Increase (Decrease) in cash	$ (13,831)	$ 29,992	$ 381

Net Cash Provided by 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 fiscal 2016, net cash provided by operating activities was $20.3 million, which consisted of net income of $21.5 million, non-cash depreciation and amortization of $4.7 million, amortization of stock-based compensation of $1.2 million and deferred income taxes of $1.5 million, offset by cash used in operating assets and liabilities of $8.7 million. The cash used in operating assets and liabilities of $8.7 million primarily consisted of a $14.4 million increase in inventory due to growth and supply of inventory for our new retail stores in the first quarter of fiscal 2017, coupled with a $3.0 million decrease in trade accounts payable, primarily due to timing of payments, which was partially offset by an increase in income taxes payable of $3.9 million, as a result of being a “C” corporation for the entire fiscal year, and accrued expenses of $4.8 million, primarily due increases in deferred revenue and unpaid purchases of property and equipment.

For fiscal 2015, net cash provided by operating activities was $14.2 million, which consisted of net income of $27.7 million, non-cash depreciation and amortization of $2.8 million and amortization of stock-based compensation of $0.7 million, offset by cash used in operating assets and liabilities of $17.1 million. The cash used in operating assets and liabilities of $17.1 million primarily consisted of $14.6 million increase in inventory and prepaid expenses due to growth, coupled with a $5.5 million decrease in trade accounts payable due to timing of payments, which was partially offset by an increase in income taxes payable of $1.3 million due to our conversion from a “S” corporation to a “C” corporation.

For fiscal 2014, net cash provided by operating activities was $22.6 million, which consisted of net income of $24.1 million, non-cash depreciation and amortization of $1.8 million and other of $0.1 million, offset by cash used in operating assets and liabilities of $3.4 million. The cash used in operating assets and liabilities of $3.4 million primarily consisted of $11.8 million increase in inventory and prepaid expenses due to growth and opening of new stores, partially offset by $7.9 million increase in trade accounts payable and accrued expenses due to timing of payments.

Net Cash Used in Investing Activities

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

For fiscal 2016, net cash used in investing activities was $30.3 million, primarily driven by capital expenditures of $28.7 million for the opening of seven new stores, expansion of our Belleville distribution center, and investments in information technology.

For fiscal 2015, net cash used in investing activities was $7.4 million, primarily driven by capital expenditures related to the opening of three new stores, coupled with the implementation of our warehouse management system.

For fiscal 2014, net cash used in investing activities was $7.1 million, primarily driven by capital expenditures of $5.3 million, due mainly to the opening of new corporate office facilities and two new stores, coupled with cash used of $1.8 million for the deconsolidation of Schlecht Enterprises.

Net Cash Provided by (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 fiscal 2016, net cash used in financing activities was $3.7 million, primarily consisting of uses of $4.2 million payments on long-term debt, offset by proceeds of $0.7 million for capital contributions to variable interest entities.

For fiscal 2015, net cash provided by financing activities was $23.1 million, primarily consisting of $83.9 million in net proceeds from our IPO, which was consummated during the fourth quarter, proceeds of $47.1 million from long term debt and $0.3 million for capital contributions to variable interest entities, partially offset by uses of $60.1 million for distributions to our then shareholders due to our “S” corporation status prior to our IPO, $0.6 million net payment on our revolving line of credit, $0.4 million in distributions to holders of noncontrolling interest in variable interest entities and $0.3 million of capital lease payments.

For fiscal 2014, net cash used in financing activities was $15.1 million, primarily consisting of uses of $15.1 million in tax distributions to our shareholders due to our “S” corporation status, driven by our higher net income in fiscal 2014 and the timing of distributions relating to net income generated in fiscal 2013, $0.9 million for payments on mortgage notes and $0.3 million in distributions to holders of noncontrolling interest in variable interest entities, offset by proceeds of $0.6 million, net from our revolving line of credit and $0.6 million from long-term obligations.

Line of Credit

On October 7, 2016, we amended and restated our existing Amended and Restated Loan Agreement dated as of June 13, 2011, as amended (the “Amended and Restated Agreement”). The Amended and Restated Agreement provides for borrowing availability of up to $40.0 million from October 7, 2016 through July 31, 2017, up to $50.0 million from August 1, 2017 through July 31, 2018 and up to $60.0 million from August 1, 2018 through July 31, 2019. The Amended and Restated Agreement matures on July 31, 2019, and bears interest, payable monthly, at a rate equal to the adjusted LIBOR rate, as defined in the Amended and Restated Agreement (effective rate of 2.0% at January 29, 2017). The Amended and Restated Agreement is secured by essentially all Company assets and requires that we maintain compliance with certain financial and non-financial covenants, including minimum tangible net worth and a minimum trailing twelve month EBITDA. In addition, the Amended and Restated Agreement does not contain borrowing base limits. As of and for the fiscal year ended January 29, 2017, we were in compliance with all financial and non-financial covenants.

Contractual Obligations

We enter into long term contractual obligations and commitments in the normal course of business. As of January 29, 2017, our contractual cash obligations were as follows:

	Maturing in:				
(in thousands)	Total	2017	2018 to 2019	2020 to 2021	2022 and after
Debt[1]	$ 727	$ 727	$ —	$ —	$ —
Capital lease obligations[2]	62	18	14	14	16
Operating leases[3]	57,163	4,338	9,792	9,469	33,564
Total	$ 57,952	$ 5,083	$ 9,806	$ 9,483	$ 33,580

(1) Consists of a mortgage note.

(2) The capital leases represent minimum lease payments, including imputed interest not reflected in the Consolidated Statements of Financial Position and Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

(3) Our store leases generally have initial lease terms of 5-15 years and include renewal options on substantially the same terms and conditions as the original leases. Includes related party leases and build-to-suit lease obligations.

Off-Balance Sheet Arrangements

We are not a party to any off balance sheet arrangements, except for operating leases, as discussed in “Contractual Obligations” section above.

Critical Accounting Policies and Estimates

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

We evaluated the development and selection of our critical accounting policies and estimates and believe that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in the consolidated financial statements have not been materially impacted by such variances. More information on all of our significant accounting policies can be found in Note 2, “Summary of Significant Accounting Policies” of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Revenue Recognition

We recognize revenue from direct sales generally upon customer receipt of the product and from retail sales at the point of sale. This represents the point at which all risks and rewards of ownership of the product are passed, there is persuasive evidence that an arrangement exists, title has passed to the customer, the price to the buyer is fixed or determinable and collectability is reasonably assured.

We recognize shipping and handling fees as revenue included in net sales when generated from a customer order upon customer receipt of the product. Costs of shipping and handling are included in selling, general and administrative expenses.

Sales tax collected is not recognized as revenue as it is ultimately remitted to governmental authorities.

We reserve for projected merchandise returns based on both historical and actual experience, as well as various other assumptions that we believe to be reasonable. Actual merchandise returns are monitored regularly and have not been materially different from the estimates recorded. Product returns often represent merchandise that can be resold. Amounts refunded to customers are generally made by issuing the same payment tender as used in the original purchase. Merchandise exchanges of the same product and price are not considered merchandise returns and are therefore excluded when calculating the sales returns reserve.

Inventories

Our inventories are composed of finished goods and are stated at the lower of cost or market, with cost determined using the first-in, first-out method. Market is determined based on net realizable value, which includes the cost to dispose. To determine if the value of inventory should be marked down below original cost, we consider current and anticipated demand, customer preference and the inventory’s age. The inventory value is adjusted periodically to reflect current market conditions, which requires our judgments that may significantly affect the ending inventory valuation, as well as gross margin. The significant estimates used in inventory valuation are obsolescence (including excess and slow-moving inventory and lower of cost or market reserves) and estimates of inventory shrinkage. We adjust our inventory for obsolescence based on historical trends, aging reports, specific identification and our estimates of future retail sales prices.

Due to these factors, our obsolescence and shrinkage reserves contain uncertainties. Both estimates have calculations that require us to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. If actual observed obsolescence or periodic updates of our shrinkage estimates differ from our original estimates, we adjust our inventory reserves accordingly throughout the period. We do not believe that changes in the assumptions used in these estimates would have a significant effect on our net income or inventory balances. We have not made any material changes to our assumptions included in the calculations of the obsolescence and shrinkage reserves during the periods presented, nor have we recorded significant adjustments related to the physical inventory process.

Long-Lived Assets

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action or an assessment by a regulator. If the sum of the estimated undiscounted future cash flows related to the asset is less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset. Impairment charges are included in selling, general and administrative expenses.

We evaluate long-lived tangible assets at an individual store level, which is the lowest level at which independent cash flows can be identified. We evaluate corporate assets or other long-lived assets that are not store-specific at the consolidated level.

Since there is typically no active market for our long-lived tangible assets, we estimate fair values based on the expected future cash flows. We estimate future cash flows based on store-level historical results, current trends, and operating and cash flow projections. Our estimates are subject to uncertainty and may be affected by a number of factors outside our control, including general economic conditions and the competitive environment. While we believe our estimates and judgments about future cash flows are reasonable, future impairment charges may be required if the expected cash flow estimates, as projected, do not occur or if events change requiring us to revise our estimates.

Stock-Based Compensation – Private Company Equity Grants

We have issued restricted shares of our Class B common stock to key employees, executives and board members under restricted stock agreements. These issuances generally vest evenly over a period ranging from two to five years from the grant date and become fully vested on the applicable anniversary date of each restricted stock agreement, unless otherwise stated in the terms of each individual award. Prior to November 19, 2015, we were a private company with no active public market for our Class B common stock. The fair value of our Class B common stock was measured on September 30, 2014, December 31, 2013 and December 31, 2012 for our fiscal years 2015, 2014 and 2013, respectively. The restricted stock value is based on the estimated fair value of our Class B common stock on the grant date, which may differ from the fair value measure dates above. In the absence of a public trading market, we considered numerous objective and subjective factors to determine our best estimate of the fair value of the restricted shares of our Class B common stock on the grant date. Our estimate of this stock-based compensation is equivalent to the fair value of our Class B common stock that is ultimately expected to vest. The stock-based compensation is recognized as compensation expense over the requisite service period or a sale or change in control of our Company if such event occurs prior to the completion of the service period.

Our estimate of pre-vesting forfeitures, or forfeiture rate, was based on our internal analysis, which included the award recipients' positions within the company and the vesting period of the awards. As such, we estimated the forfeiture rate was zero, which resulted in our recording the gross value of the awards as stock-based compensation expense in our consolidated statements of income. We will reassess the forfeiture rate assumption in future periods.

Determination of Fair Value of Class B Common Stock on Grant Date. When we were a private company with no active public market for our Class B common stock, we determined the estimated per share fair value of our Class B common stock on the valuation date using a valuation consistent with the requirements of the IRS (Revenue Ruling 59-60), the Department of Labor (Proposed Regulation—2510.3-18(b)(4)(ii)(B)) and Uniform Standards of Professional Appraisal Practice. In conducting this valuation, we considered all objective and subjective factors that we believed to be relevant, including our best estimate of our business condition, prospects and operating performance. Within this contemporaneous valuation performed by us, a range of factors, assumptions and methodologies were used. The significant factors included:

- outlook and condition of the economy, the industry and our company;
- our financial condition;
- our earnings capacity and future prospects;
- our dividend paying capacity;
- historic sales of our Class B common stock and size of the block of Class B common stock to be valued;
- market prices of publicly traded securities of companies engaged in the same or similar industry classification;
- prices, terms and conditions affecting past sales of similar Class B common stock;
- marketability and liquidity considerations of our Class B common stock;
- physical condition, remaining life expectancy and functional and economic utility of our property and equipment; and
- relative risk of the investment.

After considering the information presented by our management, our board of directors rendered its final fair value determination.

Class B Common Stock Valuation Methodologies. For the valuation of our Class B common stock, management estimated on the valuation date, our common equity value on a continuing operations basis, primarily using the income and market comparable approaches. The common equity value is the difference between the business enterprise value and debt value after adjustment for a marketability and liquidity discount of five percent.

The income approach utilized the discounted cash flow ("DCF") methodology by discounting the anticipated cash flow stream from business operations. This valuation analysis involved a discrete projection of operating cash flow and a residual value calculation at the end of the projection. The discounted cash flow was based on a detailed projection of sales, cost of sales, operating expenses, depreciation, taxes, capital expenditures and working capital changes. Both the projected cash flows and residual value were discounted to present value based on a weighted average cost of capital calculation.

The market comparable approach utilizes earnings, sales and equity price ratios from comparable transactions. This was a process of collecting relevant market data, adjusting for comparability differences and applying price multipliers to the earnings, sales and operating equity of the company. Our market comparable analysis derived values based on stock transactions involving publicly traded companies because of the availability of complete and consistent information. Comparable companies were selected after a database search based on standard industrial codes of publicly traded companies. Earnings multipliers are a function of earnings growth and earnings volatility. Earnings multipliers derived for us were below the averages for the comparable companies because of our higher asset utilization, smaller size and higher return on assets.

We believe that the procedures employed in the DCF and market comparable methodologies were reasonable and consistent with generally accepted practices.

Income Taxes

Prior to November 25, 2015, we were taxed as an "S" corporation for income tax purposes under section 1362 of the Internal Revenue Code and therefore were not subject to federal and state income taxes. On November 25, 2015, our "S" corporation status terminated and we became subject to corporate-level federal and state income taxes at prevailing "C" corporation rates.

We account for income taxes and the related accounts using the liability method in accordance with ASC Topic 740, *Income Taxes*. Under this method, we accrue income taxes payable or refundable and recognize deferred tax assets and liabilities based on differences between U.S. GAAP and tax bases of assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse, and recognize the effect of a change in enacted rates in the period of enactment.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

We establish assets and liabilities for uncertain tax positions taken or expected to be taken in income tax returns, using a more-likely-than-not recognition threshold. We recognize penalties and interest related to uncertain tax positions as income tax expense.

See Note 8 "Income Taxes," of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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 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 expect to adopt ASU 2014-09 retrospectively with the cumulative effect of initially applying the update recognized at the date of the adoption along with additional disclosures. Our review is ongoing and we have not yet identified any material changes in the timing of revenue recognition. We continue to evaluate the new disclosure requirements of ASU 2014-09 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. We will adopt ASU 2015-11 as of January 30, 2017, the first day of our fiscal year 2017 and do not anticipate a significant impact to 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 balance sheet.

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. We expect to early adopt ASU 2016-02 on January 29, 2018, the first day of our first quarter for the fiscal year ending February 3, 2019, our fiscal year 2018. We conduct our retail operations through leased stores and therefore, we expect the adoption of ASU 2016-02 to have a significant impact on our consolidated financial statements.

Statement of Cash Flows

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows* (Topic 230*): Restricted Cash* ("ASU 2016-18"), which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. ASU 2016-18 is effective for public entities with fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We expect to adopt ASU 2016-18 on January 29, 2018, the first day of our first quarter for the fiscal year ending February 3, 2019, our fiscal year 2018. We are evaluating the level of impact of adopting ASU 2016-18 will have on our consolidated financial statements.

ITEM 7A. 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 adjusted LIBOR rate, as defined in the Amended and Restated Agreement (effective rate of 2.0% at January 29, 2017). As of January 29, 2017, there was no balance outstanding under the revolving line of credit. Based on the average interest rate on the revolving line of credit during 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Duluth Holdings Inc.

We have audited the accompanying consolidated balance sheets of Duluth Holdings Inc. (a Wisconsin corporation) and subsidiary and affiliate (the Company) as of January 29 2017 and January 31, 2016, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended January 29, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duluth Holdings Inc. and subsidiary and affiliates as of January 29, 2017 and January 31, 2016, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2017, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Chicago, Illinois
March 22, 2017

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

	January 29, 2017	January 31, 2016
ASSETS		
Current Assets:		
Cash	$ 24,042	$ 37,873
Accounts receivable	45	20
Other receivables	349	76
Inventory, less reserve for excess and obsolete items of $1,242 and $1,404, respectively	70,368	55,303
Prepaid expenses	4,860	3,683
Deferred catalog costs	1,582	1,435
Total current assets	101,246	98,390
Property and equipment, net	52,432	21,529
Restricted cash	1,435	—
Goodwill	402	402
Other assets, net	452	299
Total assets	$ 155,967	$ 120,620
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 9,330	$ 10,611
Accrued expenses and other current liabilities	19,822	12,049
Income taxes payable	5,225	1,308
Current maturities of long-term debt	742	722
Total current liabilities	35,119	24,690
Finance lease obligations under build-to-suit leases	3,349	—
Long-term debt, less current maturities	35	4,301
Deferred rent obligations, less current maturities	2,109	1,112
Deferred tax liabilities	1,567	31
Total liabilities	42,179	30,134
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of January 29, 2017 and January 31, 2016	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 and 3,364 shares issued and outstanding as of January 29, 2017 and January 31, 2016, respectively	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 29,012 and 28,952 shares issued and outstanding as of January 29, 2017 and January 31, 2016, respectively	—	—
Capital stock	86,446	85,389
Retained earnings	24,733	3,443
Accumulated other comprehensive loss	—	(27)
Total shareholders' equity of Duluth Holdings Inc.	111,179	88,805
Noncontrolling interest	2,609	1,681
Total shareholders' equity	113,788	90,486
Total liabilities and shareholders' equity	$ 155,967	$ 120,620

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

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

	Fiscal Year Ended		
	January 29, 2017	January 31, 2016	February 1, 2015
Net sales	$ 376,116	$ 304,157	$ 231,867
Cost of goods sold (excluding depreciation and amortization)	161,970	130,636	100,877
Gross profit	214,146	173,521	130,990
Selling, general and administrative expenses	179,145	144,371	106,964
Operating income	35,001	29,150	24,026
Interest expense	194	306	341
Other income, net	247	181	422
Income before income taxes	35,054	29,025	24,107
Income tax expense	13,525	1,339	—
Net income	21,529	27,686	24,107
Less: Net income attributable to noncontrolling interest	214	247	460
Net income attributable to controlling interest	$ 21,315	$ 27,439	$ 23,647
Basic earnings per share (Class A and Class B):			
Weighted average shares of common stock outstanding	31,527	25,250	23,815
Net income per share attributable to controlling interest	$ 0.68	$ 1.09	$ 0.99
Diluted earnings per share (Class A and Class B):			
Weighted average shares and equivalents outstanding	32,249	25,978	24,002
Net income per share attributable to controlling interest	$ 0.66	$ 1.06	$ 0.99
Pro forma net income information (Unaudited) (Note 1):			
Income attributable to controlling interest before provision for income taxes		$ 28,778	$ 23,647
Pro forma provision for income taxes		11,511	9,459
Pro forma net income attributable to controlling interest		$ 17,267	$ 14,188
Pro forma basic net income per share attributable to controlling interest (Class A and Class B)		$ 0.68	$ 0.60
Pro forma diluted net income per share attributable to controlling interest (Class A and Class B)		$ 0.66	$ 0.59

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

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

	Fiscal Year Ended		
	January 29, 2017	January 31, 2016	February 1, 2015
Net income	$ 21,529	$ 27,686	$ 24,107
Other comprehensive income			
Change in value of interest rate swap agreement	27	18	13
Comprehensive income	21,556	27,704	24,120
Comprehensive income attributable to noncontrolling interest	214	247	518
Comprehensive income attributable to controlling interest	$ 21,342	$ 27,457	$ 23,602

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

DULUTH HOLDINGS INC.
Consolidated Statements of Shareholders' Equity
(Amounts in thousands)

	Capital stock		Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in variable interest entities	Total shareholders' equity
	Shares	Amount				
Balance at February 2, 2014	23,938	$ 728	$ 29,508	$ —	$ 993	$ 31,229
Issuance of common stock	124	—	—	—	—	—
Amortization of stock-based compensation	—	74	—	—	—	74
Capital contributions	—	—	—	—	50	50
Distributions	—	—	(15,078)	—	(330)	(15,408)
Unrecognized gain (loss) on intercompany property transfer	—	—	(2,052)	—	2,052	—
Deconsolidation of Schlecht Enterprises, LLC	—	—	—	—	(1,803)	(1,803)
Net income	—	—	23,647	—	460	24,107
Other comprehensive income from change in value of interest rate swap agreement	—	—	—	(45)	58	13
Balance at February 1, 2015	24,062	$ 802	$ 36,025	$ (45)	$ 1,480	$ 38,262
Issuance of common stock	587	—	—	—	—	—
Issuance of common stock in initial public offering, net of costs	7,667	83,923	—	—	—	83,923
Amortization of stock-based compensation	—	664	56	—	—	720
Capital contributions	—	—	—	—	344	344
Distributions	—	—	(60,077)	—	(390)	(60,467)
Net income	—	—	27,439	—	247	27,686
Other comprehensive income from change in value of interest rate swap agreement	—	—	—	18	—	18
Balance at January 31, 2016	32,316	$ 85,389	$ 3,443	$ (27)	$ 1,681	$ 90,486
Issuance of common stock	60	—	—	—	—	—
Amortization of stock-based compensation	—	1,057	167	—	—	1,224
Capital contributions	—	—	—	—	744	744
Distributions	—	—	(192)	—	(30)	(222)
Net income	—	—	21,315	—	214	21,529
Other comprehensive income from change in value of interest rate swap agreement	—	—	—	27	—	27
Balance at January 29, 2017	32,376	$ 86,446	$ 24,733	$ —	$ 2,609	$ 113,788

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

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

	Fiscal Year Ended		
	January 29, 2017	January 31, 2016	February 1, 2015
Cash flows from operating activities:			
Net income	$ 21,529	$ 27,686	$ 24,107
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,698	2,837	1,821
Amortization of stock-based compensation	1,224	720	74
Deferred income taxes	1,536	31	—
Loss on disposal of property and equipment	3	5	4
Changes in operating assets and liabilities:			
Accounts receivable	(25)	(3)	(16)
Other receivables	(273)	(2)	393
Inventory	(14,446)	(13,623)	(10,554)
Prepaid expense	(1,177)	(967)	(1,214)
Deferred catalog costs	1,472	1,502	157
Trade accounts payable	(2,962)	(5,544)	4,239
Income taxes payable	3,917	1,308	—
Accrued expenses and deferred rent obligations	4,757	264	3,617
Net cash provided by operating activities	20,253	14,214	22,628
Cash flows from investing activities:			
Purchases of property and equipment	(28,672)	(7,306)	(5,269)
Change in restricted cash	(1,435)	—	—
Purchases of other assets	(234)	(56)	(105)
Deconsolidation of Schlecht Enterprises, LLC	—	—	(1,773)
Net cash used in investing activities	(30,341)	(7,362)	(7,147)
Cash flows from financing activities:			
Net proceeds from initial public offering	—	83,923	—
Proceeds from line of credit	25,385	102,862	56,615
Payments on line of credit	(25,385)	(103,462)	(56,015)
Proceeds from long term debt	—	47,100	632
Payments on long term debt	(4,226)	(46,899)	(927)
Payments on capital lease obligations	(20)	(261)	(47)
Payments on finance lease obligations under build-to-suit leases	(19)	—	—
Distributions to shareholders	(192)	(60,077)	(15,078)
Distributions to holders of noncontrolling interest in variable interest entities	(30)	(390)	(330)
Capital contributions to variable interest entities	744	344	50
Net cash provided by (used in) financing activities	(3,743)	23,140	(15,100)
Increase (Decrease) in cash	(13,831)	29,992	381
Cash at beginning of period	37,873	7,881	7,500
Cash at end of period	$ 24,042	$ 37,873	$ 7,881
Supplemental disclosure of cash flow information			
Interest paid	$ 185	$ 301	$ 340
Income taxes paid	$ 6,698	$ —	$ —
Property and equipment acquired under capital leases	$ —	$ —	$ 323
Property and equipment acquired under build-to-suit leases	$ 3,369	$ —	$ —
Unpaid liability to acquire property and equipment	$ 3,485	$ 112	$ —

During fiscal 2014, the Company deconsolidated the accounts of Schlecht Enterprises, LLC. As a result, the Company recognized a decrease of $1.8 million to cash, a decrease of $1.8 million to noncontrolling interest in variable interest entities, and an increase of $0.03 million to accounts payable.

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

DULUTH HOLDINGS INC.
Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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 omnichannel platform with the opening of its first store. Since then, Duluth Trading has expanded its retail presence, and as of January 29, 2017, the Company operated 14 retail stores and two outlet stores across the Midwestern and Eastern United States. The Company’s products are marketed under the Duluth Trading Company 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 of 1986, as amended (the “Code”), and the Company completed its initial public offering (“IPO”). The Company issued and sold 7,666,667 shares of its Class B common stock, which includes 1,000,000 shares of Class B common stock issued pursuant to the underwriters’ option to purchase additional shares, at a price of $12.00 per share, less the underwriting discount. The Company received net proceeds of approximately $83.9 million after deducting the underwriting discount of $6.4 million and related fees and expenses of approximately $1.7 million. The Company used $46.6 million of the net proceeds from the IPO to pay the total final distribution of 100% of the cumulative undistributed taxable earnings to its then existing shareholders from the date of its formation through the date of termination of its “S” corporation status.

Basis of Presentation

The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). 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, 2015 and 2014 ended on January 29, 2017, January 31, 2016, and February 1, 2015, respectively, and were all 52-week periods.

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.

Unaudited Pro Forma Net Income Information

For the year ended January 31, 2016 and February 1, 2015, the unaudited 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 year ended January 31, 2016 and February 1, 2015, the unaudited pro forma basic and diluted net income per share of Class A and Class B common stock is computed using the unaudited pro forma net income, as discussed above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent, Duluth Holdings Inc., and its wholly-owned subsidiary, Duluth Trading Company, LLC. Effective October 3, 2016, Duluth Trading Company, LLC was dissolved and no longer consolidated, which did not impact the Company's consolidated financial statements. The Company also consolidates Schlecht Retail Ventures LLC ("SRV") as a variable interest entity (see Note 5 "Variable Interest Entities"). Prior to May 21, 2014, the Company consolidated Schlecht Enterprises, LLC ("SE") as a variable interest entity. Effective May 21, 2014, SE was no longer considered a variable interest entity and was not consolidated after that date.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when the following four criteria are met:

- persuasive evidence of an arrangement exists;
- title has passed to the customer;
- the sales price is fixed and determinable and no further obligation exists; and
- collectability is reasonably assured.

These criteria are met upon customer receipt of the product (for direct sales) or at the point of sale (for retail store transactions). At the time of revenue recognition, the Company provides for estimated costs that may be incurred for product warranties and sales returns. A liability is recognized at the time a gift card is sold, and revenue is recognized at the time the gift card is redeemed for merchandise.

Cost of Goods Sold and Selling, General and Administrative Expenses

The following table illustrates the primary costs classified in cost of goods sold and selling, general and administrative expenses:

Cost of Goods Sold	Selling, General and Administrative Expenses
Direct cost of purchased merchandise	Payroll and payroll-related costs
Inventory shrinkage and inventory adjustments due to obsolescence	Third party logistics ("3PL")
Inbound freight	Occupancy expenses related to stores and operations at the Company's headquarters, including utilities
Freight from the Company's distribution centers to its stores	Depreciation and amortization
	Advertising expenses, including television and catalog
	Freight associated with shipping product to customers
	Consulting and professional fees

Deferred Catalog and Advertising Expenses

The Company's direct-response advertising consists of producing, printing and mailing catalogs, which are capitalized as deferred catalog costs and amortized over the expected term of the related revenue stream (generally three to five months from the date catalogs are mailed). The Company's non-direct response advertising costs are expensed as they are incurred. Non-direct response advertising costs primarily consist of billboards, web marketing programs, and radio and television advertisements.

Catalog and advertising expenses were $78.5 million, $65.2 million and $49.4 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Shipping and Processing

Shipping and processing revenue generated from customer orders has been classified as a component of net sales. Shipping and processing expense, including handling expense, has been classified as a component of selling, general and administrative expenses. The Company incurred shipping and processing expenses of $24.3 million, $20.4 million and $16.3 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Income Taxes

Prior to November 25, 2015, the Company was taxed as an "S" corporation for 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 rates.

As a result of the conversion, effective November 25, 2015, the Company accounts for income taxes and related accounts using the liability method in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"). Under ASC 740, the Company accrues income taxes payable or refundable and recognizes deferred tax assets and liabilities based on differences between U.S. GAAP and tax bases of assets and liabilities. The Company measures deferred tax assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse, and recognizes the effect of a change in enacted rates in the period of enactment.

The Company establishes assets and liabilities for uncertain tax positions taken or expected to be taken in income tax returns, using a more-likely-than-not recognition threshold. The Company recognizes penalties and interest related to uncertain tax positions as income tax expense.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. At various times during the year, the Company has certain cash balances deposited in financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Restricted Cash

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

Significant Suppliers

The Company's principal supplier of inventory accounted for 51%, 54% and 59% of total inventory expenditures in fiscal 2016, fiscal 2015 and fiscal 2014, respectively. The Company also had a second supplier that accounted for 21%, 17% and 16% of total inventory expenditures in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Inventory Valuation

Inventory, consisting of purchased product, is valued at the lower cost or market with cost determined under the first-in, first-out method.

Property and Equipment

Property and equipment consist of the following:

(in thousands)	January 29, 2017	January 31, 2016
Land and land improvements	$ 2,986	$ 1,107
Leasehold improvements	12,752	5,617
Buildings	16,178	8,991
Vehicles	177	98
Warehouse equipment	3,939	2,380
Office equipment and furniture	11,125	5,638
Computer equipment	2,509	1,779
Software	6,659	6,327
	56,325	31,937
Accumulated depreciation and amortization	(15,529)	(10,907)
	40,796	21,030
Construction in progress	11,636	499
Property and equipment, net	$ 52,432	$ 21,529

The Company recorded depreciation expense of $4.6 million, $2.8 million and $1.8 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively. The Company expenses all routine repair and maintenance costs that do not extend the estimated useful life of the asset.

Property and equipment are carried at cost and are generally depreciated using the straight-line method over the estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life. Depreciable lives by major classification are as follows:

	Years
Land improvements	15 - 40
Leasehold improvements	3 - 15
Buildings	39
Vehicles	5 - 10
Warehouse equipment	5 - 15
Office equipment and furniture	3 - 10
Computer equipment	3 - 5
Software	3

Build-to-Suit Lease

The Company may at times be involved in the construction of stores to be leased by the Company and, depending on the extent to which the Company is involved, the Company may be deemed the owner of the leased premises for accounting purposes during the store construction period. For leases that the Company is deemed the owner of the property during the construction period, upon commencement of the construction project, the Company is required to capitalize the cash and non-cash assets contributed by the landlord for construction as property and equipment on the Company's Consolidated Balance Sheets. Upon the completion of the construction project, the Company performs an analysis on the lease to determine if the Company qualifies for sale-leaseback treatment. For those qualifying leases, the finance lease obligation and the associated property and equipment are removed and the difference is reclassified to either prepaid or deferred rent and amortized over the lease term as an increase or decrease to rent expense. If the lease does not qualify for sale-leaseback treatment, the finance lease obligation is amortized over the lease term based on the rent payments in the lease agreement and the associated property and equipment are depreciated over the estimated useful life.

As of January 29, 2017, the Company capitalized $6.6 million in property and equipment and $0.01 million in accumulated depreciation and recorded a $3.3 million non-current liability related to build-to-suit lease transactions in which the Company is considered the owner for accounting purposes. The Company did not have any build-to-suit lease transactions as of January 31, 2016.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired. ASC Topic 350, *Intangibles-Goodwill and Other*, requires that goodwill be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. The Company's management uses its judgment in assessing whether goodwill may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, competitive activities, loss of key personnel and acts by governments may signal that an asset has become impaired.

Total goodwill is reported in the Company's direct segment. Management performed a qualitative assessment of goodwill as of December 31, 2016, 2015 and 2014, and determined that it was more likely than not that the fair value of the Company was greater than its carrying amount; as such, no further evaluation of goodwill was deemed necessary. No impairment was recognized for the years ended January 29, 2017, January 31, 2016 or February 1, 2015.

Other Assets

Other assets include loan origination fees, trade names and other non-current assets which are amortized over their estimated useful lives ranging from three to fifteen years. Other assets also include security deposits required by certain of the Company's lease agreements and prepaid expenses which are not expected to be amortized within the next 12 months. Amortization expense was $0.1 million for each fiscal 2016, fiscal 2015 and fiscal 2014. Accumulated amortization was $0.2 million at both January 29, 2017 and January 31, 2016.

Scheduled future amortization of amortizable other assets are as follows as of January 29, 2017:

Fiscal year		
(in thousands)		
2017	$	55
2018		20
2019		17
2020		12
2021		12
Thereafter		67
	$	183

Impairment of Long-Lived Assets

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and the carrying value of the asset or group of assets. Such analyses necessarily involve judgment.

For fiscal 2016, fiscal 2015 and fiscal 2014, management did not identify any events or changes in circumstances that indicated the potential impairment of long-lived assets.

Deferred Rent Obligation

Certain of the Company's operating lease agreements contain provisions for future rent increases, a rent free period, and/or a period in which rental payments are reduced (abated). For each such agreement, the total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is charged to deferred rent obligations, the current portion of which is included in accrued other expenses in the consolidated balance sheets.

Store Opening Costs

Store opening costs are expensed as incurred and are included in selling, general and administrative expenses.

Stock-Based Compensation

In connection with the IPO, the Company adopted the 2015 Equity Incentive Plan of Duluth Holdings Inc. ("2015 Plan"), which provides compensation alternatives such as stock options, shares, restricted stock, restricted stock units, deferred stock and performance share units, using or based on the Company's Class B common stock. At the time of adoption, the Company reserved 1,614,631 shares of Class B common stock for the issuance of awards under the 2015 Plan. On the first day of the first four fiscal years following the IPO, the number of shares reserved for future issuance under the 2015 Plan will increase by 1.25% of the number of Class A and Class B common stock outstanding on the last day of the immediately preceding fiscal year. On January 30, 2017, the number of Class B common stock available for future issuance under the 2015 Plan was 2,340,132 shares.

The Company accounts for its stock-based compensation plan in accordance with ASC Topic 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. Restricted stock issued to board members generally vests over a period of one year. Restricted stock issued to key employees and executives typically vests over a period of two to five years based on the terms for each individual award. The fair value of the restricted stock is determined based on the market value of the Company's Class B common stock on the grant date. Restricted stock forfeitures are recognized as incurred.

For restricted stock awards granted prior to the Company's IPO, the fair value of the Company's Class B common stock was calculated by an independent third party and was estimated by taking the average of the results of applying discounted cash flow and market comparable analyses. This value was then discounted due to the lack of marketability and liquidity of the restricted stock.

Total stock compensation expense associated with restricted stock recognized by the Company was $1.2 million, $0.7 million and $0.07 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively, and is included in selling, general and administrative expenses on the Consolidated Statements of Operations.

The following is a summary of the activity in the Company's non-vested restricted stock during the years ended January 29, 2017, January, 31, 2016, and February, 1, 2015:

	Shares	Weighted average grant date fair value per share
Outstanding at February 2, 2014	123,354	$ 0.76
Granted	123,354	2.58
Outstanding at February 1, 2015	246,708	1.67
Granted	587,769	3.78
Vested	(38,124)	3.35
Outstanding at January 31, 2016	796,353	3.15
Granted	59,814	23.41
Vested	(61,455)	7.52
Outstanding at January 29, 2017	794,712	$ 4.34

At January 29, 2017, the Company had unrecognized compensation expense of $2.0 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 1.8 years.

Taxes Collected from Customers

The Company presents all non-income government-assessed taxes (sales, use and value-added taxes) collected from its customers and remitted to governmental agencies on a net basis (excluded from revenue) in its consolidated financial statements.

Other Comprehensive Income or Loss

Other comprehensive income or loss represents the change in equity from non-shareholder or non-member transactions, which is not included in the statements of earnings but is reported as a separate component of shareholders' equity. For fiscal 2016, fiscal 2015 and fiscal 2014, other comprehensive income or loss consists of changes in the fair value of the Company's interest rate swap agreements.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. ASC 820 describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying values of cash, accounts receivable, accounts payable and long-term obligations approximate fair value. The carrying value of goodwill and intangible assets are tested annually, or more frequently if an event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3).

Reclassifications

The Company has reclassified certain prior year amounts to conform to the current year's presentation. The reclassifications had no effect on prior year net income.

3. DEBT AND LINES OF CREDIT

Debt consists of the following:

(in thousands)	January 29, 2017	January 31, 2016
Mortgage Note due March 2017	$ —	$ 3,203
Mortgage Note due May 2019	—	527
SRV Mortgage Note due September 2017	727	767
SRV Mortgage Note due August 2016	—	456
Capitalized lease obligations	50	70
	$ 777	$ 5,023
Less: current maturities	(742)	(722)
Long-term debt	$ 35	$ 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, with a final balloon payment due in March 2017. On August 23, 2016, the Company paid off the remaining balance of the Mortgage 2017 Note in the amount of $3.1 million. 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. On August 15, 2016, the Company paid off the remaining balance of the Mortgage 2019 Note in the amount of $0.5 million.

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.

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.

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

Lines of Credit

On October 7, 2016, the Company amended and restated its existing Amended and Restated Loan Agreement dated as of June 13, 2011, as amended (the “Amended and Restated Agreement”). The Amended and Restated Agreement provides for borrowing availability of up to $40.0 million from October 7, 2016 through July 31, 2017, up to $50.0 million from August 1, 2017 through July 31, 2018, and up to $60.0 million from August 1, 2018 through July 31, 2019. The Amended and Restated Agreement matures on July 31, 2019, and bears interest, payable monthly, at a rate equal to the adjusted LIBOR rate, as defined in the Amended and Restated Agreement (effective rate of 2.0% at January 29, 2017). The Amended and Restated Agreement is secured by essentially all Company assets and requires the Company to maintain compliance with certain financial and non-financial covenants, including minimum tangible net worth and a minimum trailing twelve month EBITDA. In addition, the Amended and Restated Agreement does not contain borrowing base limits.

SRV had available a $0.6 million revolving line of credit from a bank which bore interest, payable monthly, at a rate equal to the one-month LIBOR rate plus 1.5 percentage points. SRV had outstanding borrowings of $0.6 million on the revolving line of credit at February 1, 2015. The outstanding balance was paid in full and the agreement terminated in February 2015.

As of January 29, 2017 and for the fiscal year then ended, the Company was in compliance with all financial and non-financial covenants for all debts discussed above.

Future principal maturities of all debt including capital leases are as follows as of January 29, 2017:

Fiscal year		
(in thousands)		
2017	$	742
2018		6
2019		6
2020		6
2021		6
Thereafter		11
	$	777

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

		January 29, 2017		**January 31, 2016**
(in thousands)				
Salaries and benefits	$	3,885	$	3,649
Deferred revenue		5,590		2,744
Freight		1,574		2,089
Product returns		1,088		1,244
Catalog costs		556		—
Unpaid purchases of property & equipment		3,485		112
Other		3,644		2,211
Total accrued expenses and other current liabilities	$	19,822	$	12,049

5. 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 January 29, 2017 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.

On May 21, 2014, the Company acquired certain real property of SRV with a net book value of $1.0 million for cash consideration of $1.1 million. SRV recorded the $0.1 million gain on disposal of this property as an adjustment to retained earnings. The Company recorded the cost and accumulated depreciation of the acquired property at book value and recorded the excess purchase price over net book value as an adjustment to retained earnings. As a result, the consolidated balance sheet was not impacted by this transaction.

Through May 21, 2014, the Company leased certain distribution and administrative office facilities from SE, a VIE whose sole purpose and activity was to own this real property. SE is a Wisconsin limited liability company that is owned by the majority shareholder of the Company. Through May 21, 2014, the Company considered itself the primary beneficiary for SE as the Company was expected to receive a majority of SE's expected residual returns based on the activity of SE. As the Company was the primary beneficiary, it consolidated SE through that date and the lease was eliminated in consolidation. On May 21, 2014, the Company acquired certain real property of SE with a net book value of $3.0 million for total consideration of $5.0 million. The Company assumed SE's existing mortgage note on the property, which had a carrying value of $3.4 million and paid the remaining consideration of $1.6 million in cash. SE recorded the $2.0 million gain on disposal of these assets as an adjustment to retained earnings. The Company recorded the cost and accumulated depreciation and amortization of the acquired property and loan origination fees at book value and recorded the excess purchase price over net book value as an adjustment to retained earnings. As a result, the consolidated balance sheet was not impacted by this transaction. As a result of the termination of the lease, the Company no longer leases any assets from SE and the Company no longer considers itself the primary beneficiary for SE.

The consolidated balance sheets include the following amounts as a result of the consolidation of SRV:

(in thousands)	January 29, 2017	January 31, 2016
Cash	$ 139	$ 92
Other receivables	9	9
Property and equipment, net	3,248	2,823
Other assets, net	5	11
Total assets	$ 3,401	$ 2,935
Other current liabilities	$ 792	$ 527
Long-term debt	—	727
Noncontrolling interest in VIE	2,609	1,681
Total liabilities and shareholders' equity	$ 3,401	$ 2,935

The real property owned by SRV is collateral for SRV's 2017 Note, see (Note 3 "Debt and Lines of Credit").

The Company does not consolidate Schlecht Port Washington LLC ("SPW") as the Company is not the primary beneficiary.

6. 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:

	Fiscal Year Ended		
(in thousands, except per share data)	January 29, 2017	January 31, 2016	February 1, 2015
Numerator - net income attributable to controlling interest	$ 21,315	$ 27,439	$ 23,647
Denominator - weighted average shares (Class A and Class B)			
Basic	31,527	25,250	23,815
Dilutive shares	722	728	187
Diluted	32,249	25,978	24,002
Earnings per share (Class A and Class B)			
Basic	$ 0.68	$ 1.09	$ 0.99
Diluted	$ 0.66	$ 1.06	$ 0.99

7. SEGMENT REPORTING

The Company has two operating segments, which are also its reportable segments: direct and retail. The direct segment includes revenues from the Company's website and catalogs. The retail segment includes revenues 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 respective 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.

Net sales by product is not presented because providing the information is impracticable. Net sales outside of the United States were insignificant. Variable allocations of assets are not made for segment reporting. The Company does not have any assets outside of the United States.

Segment information is presented in the following tables:

	Fiscal Year Ended		
(in thousands)	January 29, 2017	January 31, 2016	February 1, 2015
Net sales			
Direct	$ 309,674	$ 266,341	$ 208,909
Retail	66,442	37,816	22,958
Total net sales	$ 376,116	$ 304,157	$ 231,867
Operating income			
Direct	$ 24,458	$ 21,031	$ 19,500
Retail	10,543	8,119	4,526
Total operating income	35,001	29,150	24,026
Interest expense	194	306	341
Other income, net	247	181	422
Income before income taxes	$ 35,054	$ 29,025	$ 24,107

Segment total assets

(in thousands)	January 29, 2017	January 31, 2016
Direct	$ 115,239	$ 106,733
Retail	40,728	13,887
Total assets at period end	$ 155,967	$ 120,620

Segment depreciation and amortization

	Fiscal Year Ended		
(in thousands)	January 29, 2017	January 31, 2016	February 1, 2015
Direct	$ 2,763	$ 1,786	$ 1,138
Retail	1,935	1,051	683
Total depreciation and amortization	$ 4,698	$ 2,837	$ 1,821

Segment capital expenditures

	Fiscal Year Ended		
(in thousands)	January 29, 2017	January 31, 2016	February 1, 2015
Direct	$ 13,307	$ 3,550	$ 2,613
Retail	15,365	3,756	2,656
Total capital expenditures	$ 28,672	$ 7,306	$ 5,269

8. 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 rates.

The components of income tax expense were as follows:

	Fiscal Year Ended	
(in thousands)	January 29, 2017	January 31, 2016
Current:		
Federal	$ 10,009	$ 1,114
State	1,980	194
	11,989	1,308
Deferred:		
Federal	1,496	100
State	40	(69)
	1,536	31
Total income tax expense	$ 13,525	$ 1,339

A reconciliation of income tax expense to the amount computed at the federal statutory rate were as follows:

	Fiscal Year Ended					
	January 29, 2017			January 31, 2016		
(in thousands)						
Federal taxes at statutory rate	$	12,194	35.0 %	$	10,073	35.0 %
Tax effect of earnings not subject to federal income tax due to "S" corporation status		—	— %		(8,952)	(31.1)%
State and local income taxes, net of federal benefit		1,315	3.8 %		124	0.4 %
Impact of change in tax status		—	— %		94	0.3 %
Other		16	0.1 %		—	— %
Total income tax expense	$	13,525	38.9 %	$	1,339	4.6 %

As a result of the conversion to a “C” corporation, the Company recorded an increase in net deferred tax liabilities of $0.1 million and a one-time deferred tax expense of $0.1 million during the fourth quarter of fiscal 2015.

Deferred income taxes reflect the net tax effects of temporary differences between U.S. GAAP and tax bases of assets and liabilities. Significant components of deferred tax assets and liabilities were as follows:

	January 29, 2017		January 31, 2016	
(in thousands)				
Deferred tax assets:				
Returns allowance	$	424	$	485
Uniform capitalization		754		597
Inventory		484		548
Deferred rent		902		479
Accruals		2,128		975
Advance payments		267		—
Total deferred tax assets		4,959		3,084
Deferred tax liabilities:				
Property and equipment		5,130		1,283
Stock-based compensation		227		686
Prepaid expenses		1,069		1,026
Goodwill and intangibles		100		120
Total deferred tax liabilities		6,526		3,115
Net deferred tax liabilities	$	1,567	$	31

Uncertain Tax Positions

As of January 29, 2017 and January 31, 2016, there were no material unrecognized tax benefits. The Company does not anticipate that there will be a material change in the balance of the unrecognized tax benefits in the next 12 months. Any interest and penalties related to uncertain tax positions are recorded in income tax expense. There were no amounts recorded as tax expense for interest or penalties for the years ended January 29, 2017, January 31, 2016, and February 1, 2015.

The Company files income tax returns in the United States federal jurisdiction and in various state jurisdictions. Federal tax returns for tax years beginning January 1, 2013, and state tax returns for tax years beginning January 1, 2012, are open for examination.

9. LEASES

The Company is party to non-cancellable operating leases. Store leases generally have initial lease terms ranging from five to fifteen years with renewal options on substantially the same terms and conditions as the original leases.

The Company leases retail space in Port Washington, Wisconsin from SPW, an entity that is owned by the majority shareholder of the Company. The lease expires in December 2023 and is accounted for as an operating lease. The Company has the option to renew the lease for one additional five-year period under substantially the same terms. The lease provides for base monthly payments of $10,600 beginning in October 2013 and effective January 2015, monthly payments increase by 2%

annually. As of January 29, 2017, the base monthly payment was $11,300. Rental expense was $0.1 million for fiscal 2016, fiscal 2015 and fiscal 2014.

Future minimum lease payments under the non-cancellable operating leases are as follows as of January 29, 2017:

Fiscal year	Related party	Other	Total
(in thousands)			
2017	$ 131	$ 4,207	$ 4,338
2018	145	4,799	4,944
2019	147	4,701	4,848
2020	144	4,618	4,762
2021	146	4,561	4,707
Thereafter	289	33,275	33,564
Total future minimum lease payments	$ 1,002	$ 56,161	$ 57,163

Total rent expense under non-cancellable operating leases was $3.5 million, $1.7 million and $1.2 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

10. RELATED PARTY TRANSACTIONS

The Company leases certain real property from an entity owned by the majority shareholder. See Note 9 “Leases.”

11. RETIREMENT PLAN

The Company has a contributory 401(k) profit sharing plan (the “Plan”) which covers all employees who have attained age 21 and who have met minimum service requirements. The Company makes quarterly non-discretionary “safe harbor” matching contributions to the Plan equal to 100% of the basic contribution made by each participant on the first 3% of his or her compensation plus 50% of the basic contribution made by each participant on the next 2% of his or her compensation.

The Company is also permitted to make discretionary profit sharing contributions to the Plan. There were no profit sharing contributions for the plan year ended December 31, 2016, 2015 and 2014.

The Company’s total expenses under the Plan were $0.6 million, $0.5 million and $0.4 million for fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

12. COMMITMENTS AND CONTINGENCIES

From time to time, the Company becomes involved in lawsuits and other claims arising from its ordinary course of business. Because of the uncertainties related to the incurrence, amount and range of loss on any pending litigation or claim, management is currently unable to predict the ultimate outcome of any litigation or claim, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome. Management believes, after considering a number of factors and the nature of any outstanding litigation or claims, that the outcome will not have a material effect upon the Company’s results of operations, financial condition or cash flows. However, because of the unpredictable nature of these matters, the Company cannot provide any assurances regarding the outcome of any litigation or claim to which it is a party or the impact on it of an adverse ruling in such matters.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal 2016							
	First Quarter	% of Net Sales	Second Quarter	% of Net Sales	Third Quarter	% of Net Sales	Fourth Quarter	% of Net Sales
(in thousands, except earnings per common share)								
Net sales	$ 68,632	100.0%	$ 65,823	100.0%	$ 67,008	100.0%	$ 174,653	100.0%
Gross profit	39,691	57.8%	38,922	59.1%	38,748	57.8%	96,785	55.4%
Operating income	5,341	7.8%	5,986	9.1%	819	1.2%	22,855	13.1%
Net income attributable to controlling interest	3,241	4.7%	3,619	5.5%	462	0.7%	13,993	8.0%
Basic earnings per common share attributable to controlling interest (Class A and Class B)	0.10		0.11		0.01		0.44	
Diluted earnings per common share attributable to controlling interest (Class A and Class B)	0.10		0.11		0.01		0.43	

	Fiscal 2015							
	First Quarter	% of Net Sales	Second Quarter	% of Net Sales	Third Quarter	% of Net Sales	Fourth Quarter	% of Net Sales
(in thousands, except earnings per common share)								
Net sales	$ 56,807	100.0%	$ 51,677	100.0%	$ 55,296	100.0%	$ 140,377	100.0%
Gross profit	32,663	57.5%	30,462	58.9%	31,604	57.2%	78,792	56.1%
Operating income	2,754	4.8%	5,755	11.1%	1,646	3.0%	18,995	13.5%
Net income attributable to controlling interest	2,691	4.7%	5,699	11.0%	1,509	2.7%	17,540	12.5%
Basic earnings per common share attributable to controlling interest (Class A and Class B)	0.11		0.24		0.06		0.59	
Diluted earnings per common share attributable to controlling interest (Class A and Class B)	0.11		0.24		0.06		0.58	

14. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

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. The Company will adopt ASU 2015-11 as of January 30, 2017, the first day of the Company's fiscal year 2017 and does not anticipate a significant impact to 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 adopted ASU 2016-09 as of May 1, 2016 and there was no significant impact to 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 adopted ASU 2015-17 as of January 31, 2016 and has reported deferred tax assets and liabilities as noncurrent on the balance sheet.

Recently Issued Accounting Pronouncements Not Yet Adopted

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 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 expects to adopt ASU 2014-09 retrospectively with the cumulative effect of initially applying the update recognized at the date of the adoption along with additional disclosures. The Company's review is ongoing and the Company has not yet identified any material changes in the timing of revenue recognition. The Company continues to evaluate the new disclosure requirements of ASU 2014-09 on its consolidated financial statements.

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 (right-of-use asset and lease liability), 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. The Company expects to early adopt ASU 2016-02 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 conducts its retail operations through leased stores and therefore, the Company expects the adoption of ASU 2016-02 to have a significant impact on its consolidated financial statements.

Statement of Cash Flows

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows* (Topic 230*): Restricted Cash* ("ASU 2016-18"), which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. ASU 2016-18 is effective for public entities with fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. The Company expects to adopt ASU 2016-18 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 is evaluating the level of impact of adopting ASU 2016-18 will have on the Company's consolidated financial statements.

DULUTH HOLDINGS INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended January 29, 2017, January 31, 2016 and February 1, 2015
(Amounts in thousands)

	Beginning Balance	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Ending Balance
Inventory reserve					
Year ended January 29, 2017	$ 1,404	$ (162)	$ —	$ —	$ 1,242
Year ended January 31, 2016	1,290	114	—	—	1,404
Year ended February 1, 2015	743	547	—	—	1,290
Product returns reserve					
Year ended January 29, 2017	$ 1,244	$ (156)	$ —	$ —	$ 1,088
Year ended January 31, 2016	961	283	—	—	1,244
Year ended February 1, 2015	909	52	—	—	961

See accompanying Report of Independent Registered Public Accounting Firm.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 the evaluation of our disclosure controls and procedures as of January 29, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act). Management assessed the effectiveness of its internal control over financial reporting as of January 29, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in the Internal Control-Integrated Framework (2013), or the COSO Report. Management has concluded that as of January 29, 2017, its internal control over financial reporting is effective based on the criteria set forth in the COSO Report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during our fiscal fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item concerning our directors, audit committee, and audit committee financial experts, code of ethics and compliance with Section 16(a) of the Exchange Act is incorporated by reference to information under the captions “Proposal One: Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement for our 2017 annual meeting of shareholders to be held on July 18, 2017 (the "Proxy Statement"). It is anticipated that our Proxy Statement will be filed with the Securities and Exchange Commission on or about May 26, 2017.

We have adopted a code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. We have posted the code of business conduct and ethics on our website at http://ir.duluthtrading.com under the tab “Corporate Governance—Documents & Charters—Code of Business Conduct and Ethics.” We intend to satisfy our disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waiver of, any provisions of our code of business conduct and ethics that applies to our principal executive officer, principal financial officer and principal accounting officer and our directors by posting such information to our website.

Our code of business conduct and ethics is available in print for any shareholder who requests it by writing to: Secretary, Duluth Holdings Inc., 170 Countryside Drive, Belleville, Wisconsin, 53508. We are not including the information available on or through our website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Pursuant to General Instruction G(3), certain information with respect to our executive officers is set forth under the caption "Executive Officers of Duluth Holdings Inc." as of March 20, 2017 of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference to the sections of the Proxy Statement entitled "Executive Compensation," "Director Compensation," and "Compensation Committee Interlocks and Insider Participation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information required by this Item is incorporated by reference to the sections of the Proxy Statement entitled "Security Ownership of Certain Beneficial Owners," "Security Ownership of Management" and "Securities Authorized for Issuance under Equity Compensation Plans."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference to the sections of the Proxy Statement entitled "Transactions and Relationships – Related Party Transactions" and "Proposal One: Election of Directors."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Audit Committee Report."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE

Financial Statements and Financial Statement Schedule

See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K. Schedule II is included in Part II, Item 8, all other financial statement schedules have been omitted because they are not required or are not applicable or because the information required in those schedules either is not material or is included in the consolidated financial statements or the accompanying notes.

Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

DULUTH HOLDINGS INC.

By: /s/ Stephanie L. Pugliese
Stephanie L. Pugliese
President and Chief Executive Officer

DATE: March 22, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

Name	Title	Date
/s/ Stephanie L. Pugliese Stephanie L. Pugliese	President and Chief Executive Officer and a Director (Principal Executive Officer)	March 22, 2017
/s/ Mark M. DeOrio Mark M. DeOrio	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 22, 2017

Directors: Stephen L. Schlecht, E. David Coolidge III, Francesca M. Edwardson, William E. Ferry, Thomas G. Folliard, David C. Finch, C. Roger Lewis, and Brenda I. Morris.

By: */s/ Stephanie L. Pugliese* March 22, 2017
Stephanie L. Pugliese
Attorney-In-Fact*

*Pursuant to authority granted by powers of attorney, copies of which are filed herewith.

EXHIBIT INDEX

Exhibit No.	
3.1	Amended and Restated Articles of Incorporation of Duluth Holdings Inc., incorporated by reference to Exhibit 3.1 of Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-1 (File No. 333-207300), filed November 19, 2015.
3.2	Amended and Restated Bylaws of Duluth Holdings Inc., incorporated by reference to Exhibit 3.1 of the Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-1 (File No. 333-207300), filed November 9, 2015.
10.1+	Employment Agreement between Duluth Holdings Inc. and Stephen L. Schlecht, incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.2+	Employment Agreement between Duluth Holdings Inc. and Stephanie Pugliese, incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.3+	Employment Agreement between Duluth Holdings Inc. and Mark M. DeOrio, incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.4+	Employment Agreement between Duluth Holdings Inc. and Al Dittrich, incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.5+	Restricted Stock Agreement between Duluth Holdings Inc. and Stephanie Pugliese, dated April 30, 2012, incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.6+	Restricted Stock Agreement between Duluth Holdings Inc. and Stephanie Pugliese, dated April 1, 2014, incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.7+	Restricted Stock Agreement between Duluth Holdings Inc. and Stephanie Pugliese, dated February 2, 2015, incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.8+	Restricted Stock Agreement between Duluth Holdings Inc. and Al Dittrich, dated February 2, 2015, incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.9+	Restrictive Covenant Agreement between Duluth Holdings Inc. and Stephanie Pugliese, incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.10+	Restrictive Covenant Agreement between Duluth Holdings Inc. and Al Dittrich, incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.11+	Summary of Outside Director Compensation Program, incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.12+	2015 Equity Incentive Plan of Duluth Holdings Inc., incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q, filed December 18, 2015.
10.13+	Form of Restricted Stock Agreement for non-employee directors under the 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.14	Lease between Schlecht Retail Ventures LLC and Duluth Holdings Inc., dated September 12, 2014 (100 First Street, Mt. Horeb, Wisconsin), incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.15	Commercial Lease between Schlecht Retail Ventures LLC and Duluth Holdings Inc., dated February 14, 2010 (100 West Main Street, Mt. Horeb, Wisconsin), incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.

10.16	Retail Space Lease between LDC-728 Milwaukee, LLC and Duluth Holdings Inc., dated January 23, 2012 (108 North Franklin Street, Port Washington, Wisconsin), incorporated by reference to Exhibit 10.20 of the Company’s Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.17	First Amendment to Retail Lease between LDC-728 Milwaukee, LLC and Duluth Holdings Inc., dated January 23, 2012 (108 North Franklin Street, Port Washington, Wisconsin), incorporated by reference to Exhibit 10.21 of the Company’s Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.18	Second Amendment to Retail Lease between Schlecht Port Washington LLC and Duluth Holdings Inc., dated January 23, 2012 (108 North Franklin Street, Port Washington, Wisconsin), incorporated by reference to Exhibit 10.22 of the Company’s Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.19	Form of S Corporation Termination, Tax Allocation and Indemnification Agreement among Duluth Holdings Inc. and shareholders of Duluth Holdings Inc., incorporated by reference to Exhibit 10.23 of Pre-Effective Amendment No. 1 to the Company’s Registration Statement on Form S-1 (File No. 333-207300), filed October 13, 2015.
10.20+	Annual Incentive Plan, incorporated by reference to Exhibit 10.33 of Pre-Effective Amendment No. 1 to the Company’s Registration Statement on Form S-1 (File No. 333-207300), filed October 13, 2015.
10.21+	Form of Restricted Stock Agreement for executives under the 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q dated May 1, 2016.
10.22	Second Amended and Restated Loan Agreement, dated October 7, 2016, among BMO Harris Bank N.A. (f/k/a Harris N.A.) and Duluth Holdings Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 7, 2016.
10.23	Fifth Amended and Restated Revolving Note, dated October 7, 2016, among BMO Harris Bank N.A. (f/k/a Harris N.A.) and Duluth Holdings Inc. incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated October 7, 2016.
10.24	Second Amended and Restated Security Agreement dated October 7, 2016, among BMO Harris Bank N.A. (f/k/a Harris N.A.) and Duluth Holdings Inc. incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated October 7, 2016.
23.1	Consent of Independent Registered Public Accounting Firm.*
24.1	Power of Attorney*
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**

+ Indicates a management contract or compensation plan or arrangement
* Filed herewith
** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed.”

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 22, 2017, with respect to the consolidated financial statements and schedule in the Annual Report of Duluth Holdings Inc. on Form 10-K for the year ended January 29, 2017. We consent to the incorporation by reference of said report in the Registration Statements of Duluth Holdings Inc. on Form S-8 (File No. 333-209540, File No. 333-208185, and File No. 333-216128).

/s/ GRANT THORNTON LLP

Chicago, Illinois
March 22, 2017

Exhibit 24.1

POWER OF ATTORNEY FOR ANNUAL REPORT ON FORM 10-K

Each of the undersigned directors of Duluth Holdings Inc. (the "Corporation") hereby designates and appoints Stephen L. Schlecht, Stephanie L. Pugliese and Mark M. DeOrio, and each of them, the undersigned's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in the undersigned's name, place and stead to sign for the undersigned and in the undersigned's name in the capacity as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended January 29, 2017, and to file the same, with all exhibits thereto, other documents in connection therewith, and any amendments to any of the foregoing, with the Securities and Exchange Commission and any other regulatory authority, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or the undersigned's substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have each executed this Power of Attorney for Annual Report on Form 10-K, on one or more counterparts, as of the 21st day of March, 2017.

/s/ Stephen L. Schlecht Stephen L. Schlecht	*/s/ Stephanie L. Pugliese* Stephanie L. Pugliese
/s/ E. David Coolidge III E. David Coolidge III	*/s/ Thomas G. Folliard* Thomas G. Folliard
/s/ Francesca M. Edwardson Francesca M. Edwardson	*/s/ C. Roger Lewis* C. Roger Lewis
/s/ William E. Ferry William E. Ferry	*/s/ Brenda I. Morris* Brenda I. Morris
/s/ David C. Finch David C. Finch	

Exhibit 31.1

CERTIFICATIONS

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

1. I have reviewed this Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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: March 22, 2017

/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 Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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: March 22, 2017

/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 Annual Report on Form 10-K of Duluth Holdings Inc. (the "Company") for the fiscal year ended January 29, 2017 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:	**March 22, 2017**

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 Annual Report on Form 10-K of Duluth Holdings Inc. (the “Company”) for the fiscal year ended January 29, 2017 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:	**March 22, 2017**

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.