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

FORM 10-Q

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

For the quarterly period ended July 31, 2022

OR

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

For the transition period from ______ to ______

Commission File Number 001-37641

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

Wisconsin **(State or other jurisdiction of incorporation or organization)**	**39-1564801** **(I.R.S. Employer Identification Number)**
201 East Front Street **Mount Horeb, Wisconsin** **(Address of principal executive offices)**	**53572** **(Zip Code)**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, No Par Value	DLTH	NASDAQ Global Select Market

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 o

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

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

Large Accelerated Filer	o	Accelerated Filer	☑
Non-accelerated Filer	o	Smaller Reporting Company	☑
		Emerging Growth Company	o

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

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

The number of shares outstanding of the Registrant's Class A common stock, no par value, as of August 31, 2022, was 3,364,200.
The number of shares outstanding of the Registrant's Class B common stock, no par value, as of August 31, 2022, was 30,013,639.

DULUTH HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED July 31, 2022
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 31, 2022	January 30, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,369	$ 77,051
Receivables	5,764	5,455
Inventory, less reserves of $2,310 and $2,372, respectively	164,499	122,672
Prepaid expenses & other current assets	16,841	17,333
Prepaid catalog costs	35	10
Total current assets	202,508	222,521
Property and equipment, net	114,616	110,078
Operating lease right-of-use assets	114,980	120,911
Finance lease right-of-use assets, net	48,669	50,133
Available-for-sale security	5,823	6,554
Other assets, net	6,725	5,353
Total assets	$ 493,321	$ 515,550

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

DULUTH HOLDINGS INC.
Condensed Consolidated Balance Sheets – Liabilities and Shareholders' Equity
(Unaudited)
(Amounts in thousands)

	July 31, 2022	January 30, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 53,604	$ 45,402
Accrued expenses and other current liabilities	28,961	47,504
Income taxes payable	583	6,814
Current portion of operating lease liabilities	13,422	12,882
Current portion of finance lease liabilities	2,763	2,701
Current portion of Duluth long-term debt	—	—
Current maturities of TRI long-term debt	729	693
Total current liabilities	100,062	115,996
Operating lease liabilities, less current maturities	101,008	107,094
Finance lease liabilities, less current maturities	38,870	40,267
Duluth long-term debt, less current maturities	—	—
TRI long-term debt, less current maturities	26,271	26,608
Deferred tax liabilities	2,729	2,867
Total liabilities	268,940	292,832
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of July 31, 2022 and January 30, 2022	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of July 31, 2022 and January 30, 2022	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 30,089 shares issued and 29,977 shares outstanding as of July 31, 2022 and 29,786 shares issued and 29,707 shares outstanding as of January 30, 2022	—	—
Treasury stock, at cost; 112 and 79 shares as of July 31, 2022 and January 30, 2022, respectively	(1,458)	(1,002)
Capital stock	97,102	95,515
Retained earnings	131,943	130,868
Accumulated other comprehensive income	2	489
Total shareholders' equity of Duluth Holdings Inc.	227,589	225,870
Noncontrolling interest	(3,208)	(3,152)
Total shareholders' equity	224,381	222,718
Total liabilities and shareholders' equity	$ 493,321	$ 515,550

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

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

	Three Months Ended		Six Months Ended	
	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Net sales	$ 141,511	$ 149,127	$ 264,415	$ 282,546
Cost of goods sold (excluding depreciation and amortization)	65,903	67,701	121,744	134,577
Gross profit	75,608	81,426	142,671	147,969
Selling, general and administrative expenses	71,739	68,339	139,733	132,987
Operating income	3,869	13,087	2,938	14,982
Interest expense	879	1,182	1,755	2,490
Other income, net	78	56	124	72
Income before income taxes	3,068	11,961	1,307	12,564
Income tax expense	727	3,014	289	3,119
Net income	2,341	8,947	1,018	9,445
Less: Net loss attributable to noncontrolling interest	(27)	(45)	(56)	(91)
Net income attributable to controlling interest	$ 2,368	$ 8,992	$ 1,074	$ 9,536
Basic earnings per share (Class A and Class B):				
Weighted average shares of common stock outstanding	32,766	32,624	32,732	32,582
Net income per share attributable to controlling interest	$ 0.07	$ 0.28	$ 0.03	$ 0.29
Diluted earnings per share (Class A and Class B):				
Weighted average shares and equivalents outstanding	32,766	32,813	32,910	32,786
Net income per share attributable to controlling interest	$ 0.07	$ 0.27	$ 0.03	$ 0.29

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

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

	Three Months Ended		Six Months Ended	
	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Net income	$ 2,341	$ 8,947	$ 1,018	$ 9,445
Other comprehensive income				
Securities available-for sale:				
Unrealized security (loss) income arising during the period	(202)	419	(651)	689
Income tax (benefit) expense	(51)	105	(164)	173
Other comprehensive (loss) income	(151)	314	(487)	516
Comprehensive income	2,190	9,261	531	9,961
Comprehensive loss attributable to noncontrolling interest	(27)	(45)	(56)	(91)
Comprehensive income attributable to controlling interest	$ 2,217	$ 9,306	$ 587	$ 10,052

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

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

	Six Months Ended July 31, 2022						
	Capital stock						
	Shares	Amount	Treasury stock	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
Balance at January 30, 2022	33,071	$ 95,515	$ (1,002)	$ 130,868	$ 489	$ (3,152)	$ 222,718
Issuance of common stock	292	166	—	—	—	—	166
Stock-based compensation	—	618	—	—	—	—	618
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(33)	—	(455)	—	—	—	(455)
Other comprehensive loss	—	—	—	—	(336)	—	(336)
Net loss	—	—	—	(1,294)	—	(29)	(1,323)
Balance at May 1, 2022	33,329	$ 96,299	$ (1,457)	$ 129,575	$ 153	$ (3,181)	$ 221,389
Issuance of common stock	56	147	—	—	—	—	147
Stock-based compensation	—	656	—	—	—	—	656
Restricted stock forfeitures	(44)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(1)	—	—	—	(1)
Other comprehensive loss	—	—	—	—	(151)	—	(151)
Net income (loss)	—	—	—	2,368	—	(27)	2,341
Balance at July 31, 2022	33,341	$ 97,102	$ (1,458)	$ 131,943	$ 2	$ (3,208)	$ 224,381

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

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

	Six Months Ended August 1, 2021						
	Capital stock				Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
	Shares	Amount	Treasury stock	Retained earnings			
Balance at January 31, 2021	32,841	$ 92,875	$ (628)	$ 101,166	$ 48	$ (3,000)	$ 190,461
Issuance of common stock	101	132	—	—	—	—	132
Stock-based compensation	—	371	—	—	—	—	371
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(24)	—	(358)	—	—	—	(358)
Other comprehensive income	—	—	—	—	202	—	202
Net income (loss)	—	—	—	544	—	(46)	498
Balance at May 2, 2021	32,917	$ 93,378	$ (986)	$ 101,710	$ 250	$ (3,046)	$ 191,306
Issuance of common stock	142	139	—	—	—	—	139
Stock-based compensation	—	563	—	—	—	—	563
Restricted stock forfeitures	(2)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(5)	—	—	—	(5)
Other comprehensive income	—	—	—	—	314	—	314
Net income (loss)	—	—	—	8,992	—	(45)	8,947
Balance at August 1, 2021	33,057	$ 94,080	$ (991)	$ 110,702	$ 564	$ (3,091)	$ 201,264

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

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

	Six Months Ended	
	July 31, 2022	August 1, 2021
Cash flows from operating activities:		
Net income	$ 1,018	$ 9,445
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	15,374	14,516
Stock based compensation	1,274	1,007
Deferred income taxes	27	(312)
Loss on disposal of property and equipment	23	67
Changes in operating assets and liabilities:		
Receivables	(309)	(642)
Inventory	(41,827)	14,165
Prepaid expense & other current assets	86	(1,332)
Software hosting implementation costs, net	(529)	(1,220)
Deferred catalog costs	(25)	975
Trade accounts payable	9,549	2,889
Income taxes payable	(6,231)	(6,992)
Accrued expenses and deferred rent obligations	(18,974)	(4,908)
Other assets	(519)	(1,035)
Noncash lease impacts	(75)	(111)
Net cash (used in) provided by operating activities	(41,138)	26,512
Cash flows from investing activities:		
Purchases of property and equipment	(18,814)	(4,984)
Principal receipts from available-for-sale security	79	71
Proceeds from disposals	8	55
Net cash used in investing activities	(18,727)	(4,858)
Cash flows from financing activities:		
Proceeds from line of credit	—	5,000
Payments on line of credit	—	(5,000)
Payments on delayed draw term loan	—	(48,250)
Payments on TRI long term debt	(338)	(303)
Payments on finance lease obligations	(1,336)	(1,237)
Payments of tax withholding on vested restricted shares	(456)	(363)
Other	313	199
Net cash used in financing activities	(1,817)	(49,954)
Decrease in cash, cash equivalents	(61,682)	(28,300)
Cash and cash equivalents at beginning of period	77,051	47,221
Cash and cash equivalents at end of period	$ 15,369	$ 18,921
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,755	$ 2,519
Income taxes paid	$ 6,619	$ 10,461
Supplemental disclosure of non-cash information:		
Unpaid liability to acquire property and equipment	$ 2,236	$ 2,052

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

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

A. Nature of Operations

Duluth Holdings Inc. ("Duluth Trading" or the "Company"), a Wisconsin corporation, is a lifestyle brand of men's and women's casual wear, workwear and accessories sold primarily through the Company's own omnichannel platform. The Company's products are marketed under the Duluth Trading name, with the majority of products being exclusively developed and sold as Duluth Trading branded merchandise.

The Company identifies its operating segments according to how its business activities are managed and evaluated. The Company continues to report one reportable external segment, consistent with the Company's omnichannel business approach. The Company's revenues generated outside the United States were insignificant.

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."

B. Basis of Presentation

The condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The Company consolidates TRI Holdings, LLC ("TRI") as a variable interest entity (see Note 6 "Variable Interest Entity" for further information). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2022 is a 52-week period and ends on January 29, 2023. Fiscal 2021 was a 52-week period and ended on January 30, 2022. The three months of fiscal 2022 and fiscal 2021 represent the Company's 13-week periods ended July 31, 2022 and August 1, 2021, respectively.

The accompanying condensed consolidated financial statements as of and for the three and six months ended July 31, 2022 and August 1, 2021 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations as of and for the three and six months ended July 31, 2022 and August 1, 2021. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the fiscal year ended January 30, 2022.

C. COVID-19

In March 2020, a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, led to significant travel and transportation restrictions, including mandatory business closures and orders to shelter in place.

The ultimate impact of COVID-19 on our operational and financial performance still depends on future developments outside of our control. Given the uncertainty, we cannot reasonably estimate the continued impact on our business and whether that impact will be different than what we have already experienced.

D. Impairment Analysis

As of July 31, 2022 and for the three and six months ended, no triggering events or indicators of asset impairment were noted.

E. Inventory

Inventory consists of finished goods stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out valuation method. The Company records an inventory reserve for the anticipated loss associated with selling inventories below cost. Inventory reserve for excess and obsolete items was $2.3 million and $1.0 million as of July 31, 2022 and January 30, 2022, respectively.

The reserve for retail inventory shrinkage is adjusted to reflect the trend of historical physical inventory count results. The Company performs its retail store physical inventory counts in July and the difference between actual and estimated shrinkage, recorded in Cost of goods sold, may cause fluctuations in second fiscal quarter results. Due to the timing of the inventory counts, an insignificant retail inventory shrinkage reserve was outstanding as of July 31, 2022, compared to $1.4 million as of January 30, 2022.

F. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

(in thousands)	July 31, 2022	January 30, 2022
Prepaid expenses & other current assets		
Pending returns inventory, net	$ 1,824	$ 2,235
Current software hosting implementation costs, net	1,942	1,475
Other prepaid expenses	13,075	13,623
Prepaid expenses & other current assets	$ 16,841	$ 17,333
Other assets, net		
Goodwill	$ 402	$ 402
Intangible assets, net	459	246
Non-current software hosting implementation costs	3,885	2,949
Other assets, net	1,979	1,756
Other assets, net	$ 6,725	$ 5,353

G. Seasonality of Business

The Company's business is affected by the pattern of seasonality common to most 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.

H. Cash and Cash Equivalents

The Company considers short-term investments with original maturities of three months or less when purchased to be cash equivalents. Amounts receivable from credit card issuers are typically converted to cash within 2 to 4 days of the original sales transaction and are considered to be cash equivalents.

I. Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended January 30, 2022.

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

2. LEASES

Based on the criteria set forth in ASC Topic 842, *Leases* ("ASC 842"), the Company recognizes Right-of-use (ROU) assets and lease liabilities related to leases on the Company's consolidated balance sheets. The Company determines if an arrangement is, or contains, a lease at inception. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities reflect the obligation to make lease payments arising from the lease. At any given time during the lease term, the lease liability represents the present value of the remaining lease payments and the ROU asset is measured at the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs and the remaining balance of lease incentives received. Both the lease ROU asset and liability are reduced to zero at the end of the lease.

The Company leases retail space under non-cancelable lease agreements, which expire on various dates through 2036. Substantially all of these arrangements are store leases. Store leases generally have initial lease terms ranging from five years to fifteen years with renewal options and rent escalation provisions. At the commencement of a lease, the Company includes only the initial lease term as the option to extend is not reasonably certain. The Company does not record leases with a lease term of 12 months or less on the Company's consolidated balance sheets.

When calculating the lease liability on a discounted basis, the Company applies its estimated discount. The Company bases this discount on a collateralized interest rate as well as publicly available data for instruments with similar characteristics.

In addition to rent payments, leases for retail space contain payments for real estate taxes, insurance costs, common area maintenance, and utilities that are not fixed. The Company accounts for these costs as variable payments and does not include such costs as a lease component.

The expense components of the Company's leases reflected on the Company's consolidated statement of operations were as follows:

	Consolidated Statement of Operations	Three Months Ended		Six Months Ended	
(in thousands)		July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Finance lease expenses					
Amortization of right-of-use assets	Selling, general and administrative expenses	$ 840	$ 840	$ 1,680	$ 1,678
Interest on lease liabilities	Interest expense	459	486	925	981
Total finance lease expense		$ 1,299	$ 1,326	$ 2,605	$ 2,659
Operating lease expense	Selling, general and administrative expenses	$ 4,717	$ 3,849	$ 9,106	$ 7,800
Amortization of build-to-suit leases capital contribution	Selling, general and administrative expenses	321	321	642	649
Variable lease expense	Selling, general and administrative expenses	2,473	2,167	4,445	4,226
Total lease expense		$ 8,810	$ 7,663	$ 16,798	$ 15,334

Other information related to leases were as follows:

	Six Months Ended	
(in thousands)	July 31, 2022	August 1, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 1,336	$ 1,237
Operating cash flows from finance leases	$ 925	$ 981
Operating cash flows from operating leases	$ 9,166	$ 7,842
Weighted-average remaining lease term (in years):		
Finance leases	12	12
Operating leases	8	9
Weighted-average discount rate:		
Finance leases	4.4%	4.4%
Operating leases	4.1%	4.3%

Future minimum lease payments under the non-cancellable leases are as follows as of July 31, 2022:

Fiscal year	**Finance**	**Operating**
(in thousands)		
2022 (remainder of fiscal year)	$ 2,263	$ 8,872
2023	4,551	17,919
2024	4,736	17,304
2025	5,098	16,554
2026	3,993	15,612
Thereafter	33,225	59,227
Total future minimum lease payments	$ 53,866	$ 135,488
Less – Discount	(12,233)	(21,058)
Lease liability	$ 41,633	$ 114,430

3. DEBT AND CREDIT AGREEMENT

Debt consists of the following:

(in thousands)	July 31, 2022	January 30, 2022
TRI Senior Secured Note	$ 23,500	$ 23,801
TRI Note	3,500	3,500
	$ 27,000	$ 27,301
Less: current maturities	729	693
TRI long-term debt	$ 26,271	$ 26,608

TRI Holdings, LLC

TRI entered into a senior secured note ("TRI Senior Secured Note") with an original balance of $26.7 million. The TRI Senior Secured Note is scheduled to mature on October 15, 2038 and requires installment payments with an interest rate of 4.95%. See Note 6 "Variable Interest Entities" for further information.

TRI entered into a promissory note (“TRI Note”) with an original balance of $3.5 million. The TRI Note is scheduled to mature in November 2038 and requires annual interest payments at a rate of 3.05%, with a final balloon payment due in November 2038.

While the above notes are consolidated in accordance with ASC Topic 810, *Consolidation*, the Company is not the guarantor nor obligor of these notes.

Credit Agreement

On May 17, 2018, the Company entered into a credit agreement (the “Credit Agreement”) which provided for borrowing availability of up to $80.0 million in revolving credit and associated swing line (the “Revolver”) and borrowing availability of up to $50.0 million in a delayed draw term loan (“DDTL”), for a total credit facility of $130.0 million. On April 30, 2020, the Credit Agreement was amended to include an incremental DDTL of $20.5 million (the “Incremental DDTL”) that was available to draw upon before March 31, 2021, and matured on April 29, 2021, for a total credit facility of $150.5 million. The loan covenants were also amended to allow for greater flexibility during the Company’s peak borrowing periods in fiscal 2020. The interest rate applicable to the Revolver or DDTL was a fixed rate for a one-, two-, three- or six-month interest period equal to LIBOR (with a 1% floor) for such interest period plus a margin of 225 to 300 basis points, based upon the Company’s rent adjusted leverage ratio. The interest rate applicable to the Incremental DDTL was also a fixed rate over the aforementioned interest periods equal to LIBOR (with a 1% floor) for such interest period plus a margin of 275 to 350 basis points.

On May 14, 2021, the Company terminated the Credit Agreement, and entered into a new credit agreement (the “New Credit Agreement”), which was treated as a modification for accounting purposes. The New Credit Agreement originally matured on May 14, 2026 and provided for borrowings of up to $150.0 million that were available under a revolving senior credit facility, with a $5.0 million sublimit for issuance of standby letters of credit, as well as a $10.0 million sublimit for swing line loans. At the Company’s option, the interest rate applicable to the revolving senior credit facility was a floating rate equal to: (i) the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) plus the applicable rate of 1.25% to 2.00% determined based on the Company’s rent adjusted leverage ratio, or (ii) the base rate plus the applicable rate of 0.25% to 1.00% based on the Company’s rent adjusted leverage ratio. The New Credit Agreement was secured by essentially all Company assets and requires the Company to maintain compliance with certain financial and non-financial covenants, including a maximum rent adjusted leverage ratio and a minimum fixed charge coverage ratio as defined in the New Credit Agreement.

On July 8, 2022, the Company entered into the First Amendment to the New Credit Agreement (the “First Amendment”), which was treated as a modification for accounting purposes. The First Amendment amends the New Credit Agreement in order to (i) increase the revolving commitment from $150 million to $200 million; (ii) extend the maturity date from May 14, 2026 to July 8, 2027; (iii) amend the pricing index to replace BSBY with the Term Secured Overnight Financing Rate; and (iv) to reduce the commitment fee in some instances.

As of July 31, 2022 and for the six months then ended, the Company was in compliance with all financial and non-financial covenants contained within the New Credit Agreement and the First Amendment.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

(in thousands)	July 31, 2022	January 30, 2022
Salaries and benefits	$ 3,928	$ 11,773
Deferred revenue	8,110	10,791
Freight	3,281	8,942
Product returns	4,160	5,439
Unpaid purchases of property & equipment	1,225	794
Accrued advertising	4,604	600
Other	3,653	9,165
Total accrued expenses and other current liabilities	$ 28,961	$ 47,504

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

5. FAIR VALUE

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 are 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 fair value of the Company's available-for-sale security was valued based on a discounted cash flow method (Level 3), which incorporates the U.S. Treasury yield curve, credit information and an estimate of future cash flows. During the six months ended July 31, 2022, certain changes in the inputs did impact the fair value of the available-for-sale security. The calculated fair value is based on estimates that are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The amortized cost and fair value of the Company's available-for-sale security and the corresponding amount of gross unrealized gains and losses recognized in accumulated other comprehensive income are as follows:

	July 31, 2022			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 5,821	$ 2	$ —	$ 5,823

	January 30, 2022			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 5,900	$ 654	$ —	$ 6,554

The Company does not intend to sell the available-for-sale-security in the near term and does not believe that it will be required to sell the security. The Company reviews its securities on a quarterly basis to monitor its exposure to other-than-temporary impairment.

No other-than-temporary impairment was recorded in the unaudited condensed consolidated statements of operations for the six months ended July 31, 2022 or August 1, 2021.

The following table presents future principal receipts related to the Company's available-for-sale security by contractual maturity as of July 31, 2022.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 172	$ 172

After one year through five years	1,155	1,156
After five years through ten years	1,765	1,766
After ten years	2,729	2,729
Total	$ 5,821	$ 5,823

The carrying values and fair values of other financial instruments in the Consolidated Balance Sheets are as follows:

	July 31, 2022		January 30, 2022	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TRI Long-term debt, including short-term portion	$ 27,000	$ 24,701	$ 27,301	$ 27,804

The above long-term debt, including short-term portion is attributable to the consolidation of TRI in accordance with ASC Topic 810, *Consolidation*. The fair value was also based on a discounted cash flow method (Level 3) based on credit information and an estimate of future cash flows.

6. VARIABLE INTEREST ENTITY

Based upon the criteria set forth in ASC 810, *Consolidation*, the Company consolidates variable interest entities ("VIEs") in which it has a controlling financial interest and is therefore deemed the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance; and (b) the obligation to absorb the VIE losses and the right to receive benefits that are significant to the VIE. The Company has determined that it was the primary beneficiary of one variable interest entity ("VIE") as of July 31, 2022 and January 30, 2022.

The Company leases the Company's headquarters in Mt. Horeb, Wisconsin from TRI. In conjunction with the lease, the Company invested $6.3 million in a trust that loaned funds to TRI for the construction of the Company's headquarters. TRI is a Wisconsin limited liability company whose primary purpose and activity is to own this real property. The Company considers itself the primary beneficiary for TRI as the Company has both the power to direct the activities that most significantly impact the entity's economic performance and is expected to receive benefits that are significant to TRI. As the Company is the primary beneficiary, it consolidates TRI and the lease is eliminated in consolidation. The Company does not consolidate the trust as the Company is not the primary beneficiary.

The condensed consolidated balance sheets include the following amounts as a result of the consolidation of TRI as of July 31, 2022 and January 30, 2022:

(in thousands)	July 31, 2022	January 30, 2022
Cash	$ 30	$ 21
Property and equipment, net	23,870	24,180
Total assets	$ 23,900	$ 24,201
Other current liabilities	$ 108	$ 52
Current maturities of long-term debt	729	693
TRI Long-term debt	26,271	26,608
Noncontrolling interest in VIE	(3,208)	(3,152)
Total liabilities and shareholders' equity	$ 23,900	$ 24,201

7. 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 and are considered only for dilutive earnings per share unless considered anti-dilutive. The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation is as follows:

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Numerator - net income attributable to controlling interest	$ 2,368	$ 8,992	$ 1,074	$ 9,536
Denominator - weighted average shares (Class A and Class B)				
Basic	32,766	32,624	32,732	32,582
Dilutive shares	—	189	178	204
Diluted	32,766	32,813	32,910	32,786
Earnings per share (Class A and Class B)				
Basic	$ 0.07	$ 0.28	$ 0.03	$ 0.29
Diluted	$ 0.07	$ 0.27	$ 0.03	$ 0.29

The computation of diluted earnings per share excluded (0.1) million shares of unvested restricted stock for the three months ended July 31, 2022, because the inclusion of dilutive potential common shares outstanding would be anti-dilutive.

8. STOCK-BASED COMPENSATION

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

Total stock compensation expense associated with restricted stock recognized by the Company was $0.7 million and $1.3 million for the three and six months ended July 31, 2022, respectively. The Company's total stock compensation expense is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

A summary of the activity in the Company's unvested restricted stock during the six months ended July 31, 2022 is as follows:

	Shares	Weighted average fair value per share
Outstanding at January 30, 2022	405,334	$ 13.54
Granted	321,771	12.62
Vested	(124,352)	13.34
Forfeited	(44,435)	12.24
Outstanding at July 31, 2022	558,318	$ 13.21

At July 31, 2022, the Company had unrecognized compensation expense of $5.9 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 2.8 years.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	July 31, 2022	January 30, 2022
Land and land improvements	$ 4,486	$ 4,486
Leasehold improvements	48,795	48,093
Buildings	35,359	35,359
Vehicles	161	161
Warehouse equipment	17,661	17,735
Office equipment and furniture	53,811	53,607
Computer equipment	8,664	8,325
Software	36,203	34,207
	205,140	201,973
Accumulated depreciation and amortization	(108,080)	(97,473)
	97,060	104,500
Construction in progress	17,556	5,578
Property and equipment, net	$ 114,616	$ 110,078

10. REVENUE

The Company’s revenue primarily consists of the sale of apparel, footwear and hard goods. Revenue for merchandise that is shipped to our customers from our distribution centers and stores is recognized upon shipment. Store revenue is recognized at the point of sale, net of returns, and excludes taxes. Shipping and processing revenue generated from customer orders are included as a component of net sales and shipping and processing expense, including handling expense, is included as a component of selling, general and administrative expenses. Sales tax collected from customers and remitted to taxing authorities is excluded from revenue and is included in accrued expenses.

Sales disaggregated based upon sales channel is presented below.

	Three Months Ended		Six Months Ended	
(in thousands)	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Direct-to-consumer	$ 85,321	$ 85,264	$ 163,001	$ 173,630
Stores	56,190	63,863	101,414	108,916
	$ 141,511	$ 149,127	$ 264,415	$ 282,546

Contract Assets and Liabilities

The Company’s contract assets primarily consist of the right of return for amounts of inventory to be returned that is expected to be resold and is recorded in Prepaid expenses and other current assets on the Company’s consolidated balance sheets. The Company’s contract liabilities primarily consist of gift card liabilities and are recorded in Accrued expenses and other current liabilities under deferred revenue (see Note 4 “Accrued Expenses and Other Current Liabilities”) on the Company’s consolidated balance sheets. Upon issuance of a gift card, a liability is established for its cash value. The gift card liability is relieved and revenues on gift cards are recorded at the time of redemption by the customer.

Contract assets and liabilities on the Company’s consolidated balance sheets are presented in the following table:

(in thousands)	July 31, 2022	January 30, 2022
Contract assets	$ 1,824	$ 2,235
Contract liabilities	$ 8,110	$ 10,791

Revenue from gift cards is recognized when the gift card is redeemed by the customer for merchandise or as a gift card breakage, an estimate of gift cards which will not be redeemed. The Company does not record breakage revenue when escheat liability to the relevant jurisdictions exists. Gift card breakage is recorded within Net sales on the Company's consolidated statement of operations. The following table provides the reconciliation of the contract liability related to gift cards for the six months ended:

(in thousands)	July 31, 2022	August 1, 2021
Balance as of beginning of period	$ 10,791	$ 9,788
Gift cards sold	4,034	4,171
Gift cards redeemed	(6,468)	(5,919)
Gift card breakage	(247)	(283)
Balance as of end of period	$ 8,110	$ 7,757

11. INCOME TAXES

The provision for income taxes for the interim period is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. The effective tax rate related to controlling interest was 21% for the six months ended July 31, 2022 and 25% for the six months ended August 1, 2021. The income from TRI was excluded from the calculation of the Company's effective tax rate, as TRI is a limited liability company and not subject to income taxes.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses, otherwise known as "CECL". In addition, this guidance changes the recognition for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk and requires additional disclosures. On November 15, 2019, the FASB issued ASU No. 2019-10 *"Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815, and Leases (Topic 842),"* (ASU 2019-10"), which provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. ASU 2019-10 amends the effective dates for ASU 2016-13 for smaller reporting companies with fiscal years beginning after December 15, 2022, and interim periods within those years. The Company expects to adopt ASU 2016-13 on January 30, 2023, the first day of the Company's first quarter for the fiscal year ending January 28, 2024, the Company's fiscal year 2023. The Company is evaluating the impact adopting ASU 2016-13 will have on the Company's consolidated financial statements.

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

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and related notes of Duluth Holdings Inc. included in Item 1of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the Fiscal year ended January 30, 2022 ("2021 Form 10-K").

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2022 is a 52-week period and ends on January 29, 2023. Fiscal 2021 was a 52-week period and ended on January 30, 2022. The three months of fiscal 2022 and fiscal 2021 represent our 13-week periods ended July 31, 2022 and August 1, 2021, respectively.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. All statements other than statements of historical or current facts included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "could," "estimate," "expect," "project," "plan," "potential," "intend," "believe," "may," "might," "will," "objective," "should," "would," "can have," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenue, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties, including the risks and uncertainties described under Part I, Item 1A "Risk Factors," in our 2021 Form 10-K, and other SEC filings, which factors are incorporated by reference herein. These risks and uncertainties include, but are not limited to, the following: the prolonged effects of COVID-19 on store traffic and disruptions to our distribution network, supply chains and operations; our ability to maintain and enhance a strong brand image; effectively adapting to new challenges associated with our expansion into new geographic markets; generating adequate cash from our existing stores to support our growth; effectively relying on sources for merchandise located in foreign markets; transportation delays and interruptions, including port congestion; inability to timely and effectively obtain shipments of products from our suppliers and deliver merchandise to our customers; the inability to maintain the performance of a maturing store portfolio; the impact of changes in corporate tax regulations; identifying and responding to new and changing customer preferences; the success of the locations in which our stores are located; our ability to attract and retain customers in the various retail venues and locations in which our stores are located; 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 due to global market constraints; increases in costs of fuel or other energy, transportation or utility costs and in the costs of labor and employment; failure of our information technology systems to support our current and growing business, before and after our planned upgrades; and other factors that may be disclosed in our SEC filings or otherwise. Moreover, we operate in an evolving environment, new risk factors and uncertainties emerge from time to time and it is not possible for management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We qualify all of our forward-looking statements by these cautionary statements.

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

Overview

We are a lifestyle brand of men's and women's casual wear, workwear and accessories sold primarily through our own omnichannel platform. We offer products nationwide through our website and catalog. In 2010, we initiated our omnichannel platform with the opening of our first store. Since then, we have expanded our retail presence, and as of July 31, 2022, we operated 62 retail stores and three outlet stores.

We offer a comprehensive line of innovative, durable and functional products, such as our Longtail T® shirts, Buck Naked™ underwear, Fire Hose® work pants, and No-Yank® Tank, 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 decreased by 5.1% over the prior year second quarter to $141.5 million, and net sales in the first six months of fiscal 2022 decreased by 6.4% over the first six months of the prior year to $264.4 million;
- Net income of $2.4 million in fiscal 2022 second quarter compared to the prior year second quarter net income of $9.0 million, and net income in the first six months of fiscal 2022 of $1.1 million compared to net income in the first six months of fiscal 2021 of $9.5 million; and
- Adjusted EBITDA decreased to $13.2 million in fiscal 2022 second quarter compared to the prior year second quarter Adjusted EBITDA of $21.4 million, and adjusted EBITDA in the first six months of fiscal 2022 of $21.1 million compared to $31.4 million over the first six months of the prior year.

See the "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.

The Company continues to progress on further defining and executing the "Big Dam Blueprint," which management believes will unlock the Company's full potential for long-term, sustainable growth. As introduced in the second quarter of 2021, the Big Dam Blueprint focuses on the following key strategic areas:

- **Begin with a digital-first mindset** that integrates technology into all areas of the business, fundamentally changing how we operate and deliver value to customers.
- **Intensify efforts to optimize Duluth Trading's owned retail channels** by increasing focus and investments in our direct channel as our primary growth vehicle. We are conducting strategic research that will inform decisions on future stores regarding new locations and market share potential, size and layout.
- **Evolve the Company's multi-brand platform as a new pathway to grow the business.** Create unique brand positions, across men's and women's, for Duluth, 40Grit, Alaskan Hardgear, Buck Naked, and Best Made to address customer needs for various occasions including work, outdoor recreation, casual lifestyle, and first layer. Invest in the evolution of the Duluth Trading platform to enable the integration of new brands, expand our offerings and broaden our customer base.
- **Carefully test and learn to unlock long-term growth potential.** Explore new opportunities to engage current and potential customers through products, services and touchpoints that they expect and value.
- **Increase and, in some areas, accelerate investments to future proof the business.** Areas under analysis include greater automation across the logistics network; technology that will improve operations, generate positive impact and sustainable returns; support growth through multiple brands and seamlessly integrate new brands into the portfolio; and attract the talent, skillsets and expertise needed to scale the business.

Our management's discussion and analysis includes market sales metrics for our stores, website and catalog sales. Market areas are determined by a third-party that divides the United States and Puerto Rico into 280 unique geographical areas. Our store market sales metrics include sales from our stores, website and catalog. Our non-store market sales metrics include sales from our website and catalog.

Economic Conditions

In March 2020, a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, led to significant travel and transportation restrictions, including mandatory business closures and orders to shelter in place.

In addition to the COVID-19 pandemic, the United States economy has experienced high inflation during the first two quarters of 2022 and there are expectations in the market that inflation may remain at elevated levels.

The ultimate impact of COVID-19 and higher inflationary periods on our operational and financial performance still depends on future developments outside of our control. Given the uncertainty, we cannot reasonably estimate store traffic patterns and the prolonged impact on overall consumer demand. We continue to actively evaluate all federal, state and local regulations to ensure compliance by our store operations.

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-to-consumer sales are recognized upon shipment of the product and store sales are recognized at the point of sale.

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 and net realizable reserves; inbound freight; and freight from our distribution centers to our retail stores. The primary drivers of the costs of individual goods are raw material costs. Depreciation and amortization are excluded from gross profit. We expect gross profit to increase to the extent that we successfully grow our net sales. 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 digital and 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.

Adjusted EBITDA

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

We define Adjusted EBITDA as consolidated net income 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. We also use Adjusted EBITDA as the key financial metric in determining bonus compensation for our employees. This non-GAAP measure may not be comparable to similarly titled measures used by other companies.

Results of Operations

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

	Three Months Ended		Six Months Ended	
	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
(in thousands)				
Net sales	$ 141,511	$ 149,127	$ 264,415	$ 282,546
Cost of goods sold (excluding depreciation and amortization)	65,903	67,701	121,744	134,577
Gross profit	75,608	81,426	142,671	147,969
Selling, general and administrative expenses	71,739	68,339	139,733	132,987
Operating income	3,869	13,087	2,938	14,982
Interest expense	879	1,182	1,755	2,490
Other income, net	78	56	124	72
Income before income taxes	3,068	11,961	1,307	12,564
Income tax expense	727	3,014	289	3,119
Net income	2,341	8,947	1,018	9,445
Less: Net loss attributable to noncontrolling interest	(27)	(45)	(56)	(91)
Net income attributable to controlling interest	$ 2,368	$ 8,992	$ 1,074	$ 9,536
Percentage of Net sales:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	46.6 %	45.4 %	46.0 %	47.6 %
Gross margin	53.4 %	54.6 %	54.0 %	52.4 %
Selling, general and administrative expenses	50.7 %	45.8 %	52.8 %	47.1 %
Operating income	2.7 %	8.8 %	1.1 %	5.3 %
Interest expense	0.6 %	0.8 %	0.7 %	0.9 %
Other income, net	- %	- %	- %	- %
Income before income taxes	2.2 %	8.0 %	0.5 %	4.4 %
Income tax expense	0.5 %	2.0 %	0.1 %	1.1 %
Net income	1.7 %	6.0 %	0.4 %	3.3 %
Less: Net loss attributable to noncontrolling interest	- %	- %	- %	- %
Net income attributable to controlling interest	1.7 %	6.0 %	0.4 %	3.4 %

Three Months Ended July 31, 2022 Compared to Three Months Ended August 1, 2021

Net Sales

Net sales decreased $7.6 million, or 5.1%, to $141.5 million in the three months ended July 31, 2022 compared to $149.1 million in the three months ended August 1, 2021. The decrease was primarily driven by slower store traffic, coupled with lower clearance sales as compared to the prior year.

Store market net sales decreased $6.7 million, or 6.3%, to $100.4 million in the three months ended July 31, 2022 compared to $107.1 million in the three months ended August 1, 2021. The decrease was also driven by slower store traffic compared to the prior year second quarter. Non-store market net sales decreased by $0.8 million, or 1.9%, to $39.9 million in the three months ended July 31, 2022 compared to $40.7 million in the three months ended August 1, 2021.

Gross Profit

Gross profit decreased $5.8 million, or 7.1%, to $75.6 million in the three months ended July 31, 2022 compared to $81.4 million in the three months ended August 1, 2021. As a percentage of net sales, gross margin decreased to 53.4% of net sales in the three months ended July 31, 2022, compared to 54.6% of net sales in the three months ended August 1, 2021. The decrease in gross margin was primarily driven by a $1.3 million inventory write down, which mostly consisted of product that was damaged while in-transit. Excluding the non-recurring inventory write down, gross margin would have been 54.4%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $3.4 million, or 5.0%, to $71.7 million in the three months ended July 31, 2022 compared to $68.3 million in the three months ended August 1, 2021. Selling, general and administrative expenses as a percentage of net sales increased to 50.7% in the three months ended July 31, 2022, compared to 45.8% in the three months ended August 1, 2021.

The increase in selling, general and administrative expense was primarily due to increased digital advertising to drive brand awareness and store traffic, investments in new headcount, as well as increased depreciation from continued capital investments.

Income Taxes

Income tax expense was $0.7 million in the three months ended July 31, 2022, compared to income tax expense of $3.0 million in the three months ended August 1, 2021. The effective tax rate related to controlling interest was 23% for the three months ended July 31, 2022 compared to 25% for the three months ended August 1, 2021.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest was $2.4 million, in the three months ended July 31, 2022 compared to net income of $9.0 million in the three months ended August 1, 2021, due to the factors discussed above.

Six Months Ended July 31, 2022 Compared to Six Months Ended August 1, 2021

Net Sales

Net sales decreased $18.1 million, or 6.4%, to $264.4 million in the six months ended July 31, 2022 compared to $282.6 million in the six months ended August 1, 2021. The decrease was primarily due to heavier promotions and clearance events in the prior year, coupled with slower store traffic in the current year.

Store market net sales decreased $11.5 million, or 5.8%, to $185.5 million in the six months ended July 31, 2022 compared to $197.0 million in the six months ended August 1, 2021. The decrease was also driven by slower store traffic compared to the prior year. Non-store market net sales decreased by $6.0 million, or 7.3%, to $76.6 million in the six months ended July 31, 2022 compared to $82.7 million in the six months ended August 1, 2021. The decrease was driven by a decrease in promotional events in the current year compared to the prior year.

Gross Profit

Gross profit decreased $5.3 million, or 3.6%, to $142.7 million in the six months ended July 31, 2022 compared to $148.0 million in the six months ended August 1, 2021. As a percentage of net sales, gross margin increased to 54.0% of net sales in the six months ended July 31, 2022, compared to 52.4% of net sales in the six months ended August 1, 2021. Excluding the aforementioned non-recurring inventory write down of $1.3 million during the second quarter, gross margin would have been 54.5%.

The increase in gross margin was driven by a higher mix of full price sales due to successfully dialing back promotional and clearance activity, particularly during the first quarter of the current year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $6.7 million, or 5.1%, to $139.7 million in the six months ended July 31, 2022 compared to $133.0 million in the six months ended August 1, 2021. Selling, general and administrative expenses as a percentage of net sales increased to 52.8% in the six months ended July 31, 2022, compared to 47.1% in the six months ended August 1, 2021.

The increase in selling, general and administrative expense was primarily due to investments in new headcount, increased depreciation from continued capital investments, as well as increased digital advertising expense.

Income Taxes

Income tax expense was $0.3 million in the six months ended July 31, 2022, compared to income tax expense of $3.1 million in the six months ended August 1, 2021. The effective tax rate related to controlling interest was 21% for the six months ended July 31, 2022 compared to 25% for the six months ended August 1, 2021.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest was $1.1 million, in the six months ended July 31, 2022 compared to net income of $9.5 million in the six months ended August 1, 2021, due to the factors discussed above.

Reconciliation of Net Income to EBITDA and EBITDA to Adjusted EBITDA

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

	Three Months Ended		Six Months Ended	
(in thousands)	July 31, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Net income	$ 2,341	$ 8,947	$ 1,018	$ 9,445
Depreciation and amortization	7,854	7,242	15,374	14,516
Amortization of internal-use software hosting subscription implementation costs	787	405	1,420	774
Interest expense	879	1,182	1,755	2,490
Income tax expense	727	3,014	289	3,119
EBITDA	$ 12,588	$ 20,790	$ 19,856	$ 30,344
Stock based compensation	656	637	1,274	1,007
Adjusted EBITDA	$ 13,244	$ 21,427	$ 21,130	$ 31,351

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA decreased $8.2 million to $13.2 million in the three months ended July 31, 2022 compared to $21.4 million in the three months ended August 1, 2021. As a percentage of net sales, Adjusted EBITDA decreased to 9.4% of net sales in the three months ended July 31, 2022 compared to 14.4% of net sales in the three months ended August 1, 2021.

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA decreased $10.3 million to $21.1 million in the six months ended July 31, 2022 compared to $31.4 million in the six months ended August 1, 2021. As a percentage of net sales, Adjusted EBITDA decreased to 8.0% of net sales in the six months ended July 31, 2022 compared to 11.1% of net sales in the six months ended August 1, 2021.

Liquidity and Capital Resources

General

Our business relies on cash from operating activities and a credit facility as our primary sources of liquidity. Our primary cash needs have been for inventory, marketing and advertising, payroll, store leases, capital expenditures associated with infrastructure and information technology. The most significant components of our working capital are cash, inventory, accounts payable and other current liabilities. At July 31, 2022, our net working capital was $102.4 million, including $15.4 million of cash and cash equivalents.

We expect to spend approximately $40.0 million in fiscal 2022 on capital expenditures, inclusive of software hosting implementation costs, primarily due to investments in logistics optimization, including the introduction of automated fulfillment centers. 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. We also use cash in our investing activities for capital expenditures throughout all four quarters of our fiscal year.

We believe that our cash flow from operating activities and the availability of cash under our credit facility will be sufficient to cover working capital requirements and anticipated capital expenditures for the foreseeable future.

Cash Flow Analysis

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

	Six Months Ended	
	July 31, 2022	August 1, 2021
(in thousands)		
Net cash (used in) provided by operating activities	$ (41,138)	$ 26,512
Net cash used in investing activities	(18,727)	(4,858)
Net cash used in financing activities	(1,817)	(49,954)
Decrease in cash, cash equivalents	$ (61,682)	$ (28,300)

Net Cash (Used in) Provided by Operating Activities

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

For the six months ended July 31, 2022, net cash used in operating activities was $41.1 million, which primarily consisted of cash used in operating assets and liabilities of $58.9 million. The cash used in operating assets and liabilities of $58.9 million was primarily due to a $41.8 million increase in inventory and a $19.0 million decrease in accrued expenses, partially offset by a $9.5 million increase in trade accounts payable.

For the six months ended August 1, 2021, net cash provided by operating activities was $26.5 million, which primarily consisted of net income of $9.5 million, non-cash depreciation and amortization of $14.5 million, and cash provided by operating assets and liabilities of $1.8 million. The cash provided by operating assets and liabilities of $1.8 million primarily consisted of a $14.2 million decrease in inventory and a $2.9 million increase in trade accounts payable, partially offset by a $7.0 million decrease in income taxes payable and a $4.9 million decrease in accrued expenses.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth related to investments in infrastructure and information technology.

For the six months ended July 31, 2022, net cash used in investing activities was $18.7 million and was primarily driven by capital expenditures of $18.8 million for new investments in the distribution network and information technology.

For the six months ended August 1, 2021, net cash used in investing activities was $4.9 million and was primarily driven by capital expenditures of $5.0 million for new investments in the distribution network and information technology.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and payments related to our revolving line of credit and other long-term debt, as well as payments on finance lease obligations.

For the six months ended July 31, 2022, net cash used in financing activities was $1.8 million, primarily consisting of payments on finance lease obligations.

For the six months ended August 1, 2021, net cash used in financing activities was $50.0 million, primarily consisting of the full paydown of the Company’s bank debt.

Contractual Obligations

There have been no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements.

Critical Accounting Policies and Critical Accounting Estimates

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

As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in our 2021 Form 10-K.

Recent Accounting Pronouncements

See Note 12 “Recent Accounting Pronouncements,” of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1, of this quarterly report on Form 10-Q for information regarding recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risks described in our 2021 Form 10-K. See Note 3 “Debt and Credit Agreement,” of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1, of this quarterly report on Form 10-Q, for disclosure on our interest rate related to borrowings under our credit agreement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that may have a material adverse effect on our business, financial condition and results of operations. For a detailed discussion of the risks that affect our business, please refer to the section entitled “Risk Factors” in our 2021 Form 10-K, or other SEC filings. There have been no material changes to our risk factors as previously disclosed in our fiscal 2021 Annual Report on Form 10-K.

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

We did not sell any equity securities during the quarter ended July 31, 2022, which were not registered under the Securities Act.

The following table contains information of shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees' restricted stock during the three months ended July 31, 2022.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet to be purchased under the plans or programs
May 2, 2022 - May 29, 2022	—	$ —	—	$ —
May 30, 2022 - July 3, 2022	365	10.38	—	—
July 4, 2022 - July 31, 2022	—	—	—	—
Total	365	$ 10.38	—	$ —

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	
10.1	First Amendment, dated as of July 8, 2022, among Duluth Holdings Inc., the Lenders party thereto, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, BofA Securities, Inc., as a Joint Lead Arranger and Sole Bookrunner, and Keybanc Capital Markets Inc., as a Joint Lead Arranger, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K date July 8, 2022.
10.2	Offer Letter Dated July 27, 2022 by and between Albert J. Sutera and Duluth Holdings Inc.*
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**
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 2022 has been formatted in Inline XBRL (Inline Extensible Business Reporting Language and contained in Exhibits 101).

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* Filed herewith

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

SIGNATURES

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

Date: September 2, 2022

DULUTH HOLDINGS INC.
(Registrant)

/s/ David Loretta
David Loretta
Senior Vice President and Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

/s/ Michael Murphy
Michael Murphy
Vice President and Chief Accounting Officer
(On behalf of the Registrant and as Principal Accounting Officer)

July 27, 2022

Dear AJ:

It is my pleasure to extend the following offer of employment to you on behalf of Duluth Trading Company. This letter will highlight some of the details of your employment. If you are in agreement with the terms of this offer, please acknowledge your acceptance verbally by end of business on **8/1/2022** and subsequently by signing and returning a copy of this letter to me.

Position Title: Senior Vice President, Chief Technology Officer & Logistics

Start Date: 8/14/2022

Reporting Relationship: Sam Sato, President & CEO

Base Salary: Your annual base salary will be $370,000, which is paid bi-weekly and is subject to deductions for taxes and other withholdings that are required by law. Your salary will be reviewed annually starting April 2023.

Bonus Potential: You will be eligible to participate in the Company's bonus plan for executive level employees as then in effect. For fiscal 2022, your bonus target is at 65% of your base salary and is contingent upon us meeting certain financial thresholds that are established annually. The maximum bonus award will be 130% of your base salary. Bonus payout is in March or April following year-end and your payout will be prorated for fiscal 2022 based on your start date.

Initial Stock Grant: You will receive an initial restricted stock grant with a grant date fair value of $370,000, with the number of Class B shares to be determined based on the closing market price on the date of the stock grant, which will be your first date of employment. The grant will vest 100% on the 3rd anniversary of the initial grant date, provided that you have been continuously employed through the vesting date.

LTI: In March or April of each year, you will be entitled to an annual grant of restricted stock, subject to Compensation Committee approval and Board ratification. Your target grant will have a grant date fair value equal to 50% of your base salary. The grant will vest 25% each year on a 4 year schedule, provided you are still employed on each vesting date.

Benefits: You will be eligible to participate in the Company’s health, dental, life, disability, 401(K), and flex spending plans. You are also eligible for the BeniComp Select Executive Medical Reimbursement Plan for you and your eligible dependents up to $15,000 per year. A summary of these plans is attached.

Severance Benefits: As a member of the Executive team you will be a participant in the Executive General Severance Plan and the Executive Change in Control Severance Plan. A summary of these plans is attached.

Time Off: Eligible employees are free to take leave when they require it, for vacation time, personal days, and sick leave, including, but not limited to, time off required under applicable local and state sick leave laws, subject to the limitations described in the Unlimited Time Off Policy for Exempt Employees.

Employee Purchase Program: The employee purchase program provides you with a 40% discount for personal use, including gift giving and can be redeemed online or at any one of our retail locations.

Relocation: Duluth Trading Company's relocation policy is designed to assist you and your family by providing you with a comprehensive relocation package that facilitates your move while minimizing personal disruption and expense.

We have outsourced the day-to-day relocation administration to NEI Global Relocation Company ("NEI"). You will work with one point of coordination, your NEI Account Executive, throughout the relocation process. NEI is familiar with our policy, and the specific benefits provided to you.

NEI is able to answer any relocation-related questions you or your family may have along the way. Before listing your home for sale or purchasing a new home, you are asked to contact your NEI Account Executive to discuss the appropriate procedures to follow and the benefits for which you qualify. Using NEI selected vendors for the various aspects of your move will help make your relocation as smooth as possible and result in cost savings for Duluth Trading Company.

Background Check: This offer is contingent upon your passing a background check, reference check and signing a confidentiality and business ideas agreement. Your employment with Duluth Trading Company is at-will and either party can terminate the relationship at any time with or without cause and with or without notice.

Consistent with Duluth's policy, we will commence a background check as a condition of employment. If our third-party vendor is unable to complete your background check due to office closures and/or the temporary inability to gather all relevant background information, we will wait an additional five (5) business days to see if we receive a complete background check. If we do not receive a complete report, we would like to move forward with your onboarding; however, we reserve the right to end your employment based on the result of the background check when it is completed.

I trust this letter confirms your understanding of the major items related to our offer of employment. If not, please contact me to resolve any outstanding items.

We look forward to you being a part of our growing company and anticipate wonderful contributions from you in your new role.

Sincerely,

/s/ Sam Sato
Sam Sato
President & CEO
Duluth Holdings Inc.

/s/ AJ Sutera *8/1/2022*
AJ Sutera Date

Exhibit 31.1

CERTIFICATIONS

I, Sam Sato, Chief Executive Officer, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: September 2, 2022

/s/ Sam Sato
Sam Sato
Chief Executive Officer

CERTIFICATIONS

I, David Loretta, Chief Financial Officer, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2022

/s/ David Loretta
David Loretta
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the “Company”) for the quarterly period ended July 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sam Sato, 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/ Sam Sato
Name:	**Sam Sato**
Title:	**Chief Executive Officer**
Date:	**September 2, 2022**

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the “Company”) for the quarterly period ended July 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Loretta, 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/ David Loretta
Name:	**David Loretta**
Title:	**Chief Financial Officer**
Date:	**September 2, 2022**

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.