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 February 2, 2020
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)**
201 East Front Street, Mount Horeb, Wisconsin	**53572**
(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	Trading Symbol	Name of each exchange on which registered
Class B Common Stock, No Par Value	DLTH	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging Growth Company	☒		

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $129.6 million based upon the closing price on the last business day of the registrant's most recently completed second fiscal quarter (August 4, 2019).

The number of shares outstanding of the Registrant's Class A common stock, no par value, as of March 16, 2020, was 3,364,200. The number of shares outstanding of the Registrant's Class B common stock, no par value, as of March 16, 2020 was 29,359,910.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed within 120 days of February 2, 2020 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 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 and sales tax;
- 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, prolonged public health crises, epidemics or pandemics 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;
- changes in U.S. and non-U.S. laws affecting the importation and taxation of goods, including imposition of unilateral tariffs on imported goods;

- our ability to secure the personal and/or 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 2019, 2018 and 2017, which refer to our fiscal years ended February 2, 2020, February 3, 2019, and January 28, 2018, respectively. Fiscal years 2019, 2018, and 2017 were 52-week, 53-week, and 52-week periods, respectively.

In fiscal 2019, we opened a total of 15 retail stores adding approximately 215,000 gross square feet to our stores.

Duluth Trading is a 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. 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 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. 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 February 2, 2020, we operated 58 retail stores and three outlet stores.

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 were 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 a 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.

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 growing lifestyle brand and have built strong brand awareness and successfully acquired customers over multiple 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, retail stores and catalogs. 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.
- ***Growing Sales in New and Existing Store Markets.*** 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. 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 the opportunity to selectively grow our U.S. retail presence. We have executed six new store leases four of which are for stores to be opened in fiscal 2020 and will assess additional opportunities for new stores as presented. 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. Once we begin to return to normal retail operations our top priority efforts will be to drive awareness of and traffic to our stores with total market growth being our key success. Key drivers of our retail stores will include fresh assortments each season, targeted marketing and a more personalized web and store experience. We plan to continue building our organization and investing in software systems and operational infrastructure to support the growth in our retail segment.
- ***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 our Duluth-built business wear, outerwear and footwear. Through product introductions that expand seasonality, occasions for wear and opening price points, 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 26% of our net sales in fiscal 2019. 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, retail stores and our catalogs 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

Our omnichannel business strategy allows our sales channels to work in synergy to seamlessly deliver a consistent brand experience to the customer, including consistent marketing, pricing and product presentation. All sales channels are fully integrated, including stores, website, catalogs and customer contact centers. Our marketing campaigns and technology advancements are designed to generate demand for our omnichannel business rather than separate sales channels. Store sales are primarily fulfilled from that store's inventory, but may also be shipped from any of our fulfillment centers or from a different store location if an item is not available at the original store. Website and catalog orders are primarily shipped to our customer through our fulfillment centers, but may also be shipped from a different store location if an item is not available in a distribution center or customers can view in-store inventory from our website and can choose store pick up through our Buy-Online-Pickup-In-Store program. In addition, website orders can be returned at store locations. As customers continue to utilize multiple sales channels, we have and will continue to adapt our approach to meet that demand. 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 customer.

Direct Segment

Our direct channel, which comprised approximately 57% of our fiscal 2019 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. 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.
- *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. Our catalogs reflect our tailored approach to marketing and include particular expressions of our brand that resonate with our target customers. 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 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

As of February 2, 2020 we operated 58 retail stores and three outlet stores. Our existing stores have been profitable in both metropolitan and rural locations. 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 product offering includes men's and women's apparel, intimates, footwear, accessories and hardgoods. Our stores typically range in size from approximately 6,000 to 15,000 square feet of selling space. Our retail stores also provide ancillary marketing benefits, such as brand visibility in high traffic areas.

Retail Store Environment

Our retail stores 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 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)	February 2, 2020	February 3, 2019	$ Change	% Change
Men's	$ 419,122	$ 395,536	$ 23,586	6.0%
Women's	162,816	141,244	21,572	15.3%
Hard goods/other	33,686	31,322	2,364	7.5%
Total net sales	$ 615,624	$ 568,102	$ 47,522	8.4%

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.

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.
- *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.
- *Catalogs*. Our catalogs are an important part of our heritage and represent a tangible vehicle for our authentic and humorous storytelling. 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.
- *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, with a national airing on the ABC television network. In 2017, we secured a five-year partnership as the "Official Off-Sled Outfitter" of USA Luge, providing vests, pants, socks, boots and other cold-weather gear and were featured at the 2018 Winter Olympic Games in Pyeongchang, South Korea.

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. In fiscal 2019, 54% 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 12% of our purchases in fiscal 2019 came from our second largest supplier, which is based in Thailand. We believe sourcing inventory through these agents 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 operate two distribution centers located in Belleville, Wisconsin and Dubuque, Iowa. The approximate square footage of each facility is included in Item 2 of Part I of this report. We also contract with two third-party logistics ("3PLs") centers in Sparks, Nevada and Carlisle, Pennsylvania. 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 lease a warehouse space located in Verona, Wisconsin. The approximate square footage is included in Item 2 of Part I of this report. Our returns center handles the majority of 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.

We recently implemented a new order management system and E-commerce website. Our new order management system allows 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. The new E-commerce website allows us to provide our customers with a reliable and secure channel to shop our products. This allows 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, trademark offices in other jurisdictions, 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®, Cab Commander®, Crouch Gusset®, Dry on the Fly®, Duluth Trading Co®, Duluthflex®, Fire Hose®, Longtail T®, No Polo Shirt®, No Yank® 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 February 2, 2020, we employed 941 full-time and 2,063 part-time and flexible part-time employees, 1,810 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)				
2019	$ 259,649	42.2 %	$ 24,375	128.8 %
2018	$ 250,541	44.1 %	$ 20,620	89.0 %
2017	$ 217,805	46.2 %	$ 19,528	83.6 %

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 under the "Investors" tab as soon as reasonably practicable after such reports are filed with, or furnished to the SEC.

Additional Information

The outbreak of the coronavirus ("COVID-19") continues to grow both in the U.S. and globally, and related government and private sector responsive actions are adversely affecting our business operations. As of March 19, 2020, we have closed eight stores and are actively evaluating additional closures and will fully comply with all federal, state and local regulations. In response to this impact on our business and potential of prolonged declines in consumer spending, the Company is currently evaluating and executing strategies to curtail expenses and capital spending, including, but not limited to restricting 2020 new stores to those with previously executed leases, extending capacity in the Company's bank line of credit, if needed, have drawn an additional $30 million on our delayed draw term loan and have delayed certain non-essential technology projects. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving.

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

The recent Coronavirus outbreak has been declared a pandemic by the World Health Organization and recently has spread to the United States and many other parts of the world and may continue to adversely affect our business operations, store traffic, employee availability, financial condition, liquidity and cash flow for an extended period of time.

The outbreak of the Coronavirus ("COVID-19") continues to grow both in the U.S. and globally, and related government and private sector responsive actions may continue to adversely affect our business operations. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving.

As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state and local authorities to avoid large gatherings of people or self-quarantine may continue to increase, which may continue to adversely affect traffic to our stores, results in further reduced store hours or result in store closures. Ongoing significant reductions in customer visits to, and spending at, our stores caused by COVID-19 would result in further loss of sales and profits and other material adverse effects. The extent of the impact of COVID-19 on our business, financial results, liquidity and cash flows will depend largely on future developments, including new information that may emerge concerning the severity and action taken to contain or prevent further spread within the U.S. and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.

If the COVID-19 outbreak continues and persists for an extended period of time, we expect there will be significant and material disruptions to our supply chain and operations, and delays in the manufacturing and shipment of our products, which may then have a material adverse effect on our business and results of operations.

These and other potential impacts of COVID-19, could therefore materially and adversely affect our business, financial condition and results of operations.

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 privacy 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 reduce the revenue of our direct channel and adversely affect the operating results of our retail channel.

The growth in the number of our retail stores may draw customers away from our website and catalogs, which could materially adversely affect net sales from 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.

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

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, 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.

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 Mount Horeb, 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.

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 have been required to offer discounted, free or other more competitive shipping options to our customers, which has resulted in declines in our shipping and handling revenue and increased shipping and handling expense. We expect further declines in shipping and handling revenues as compared to prior years. Further 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 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.

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;
- political instability and acts of terrorism; and
- the occurrence of a natural disaster, unusual weather conditions, or prolonged public health crises, epidemics or pandemics in foreign countries from which we source our products.

The occurrence of one or more of these events could result in disruptions to our operations, which in turn could increase our cost of goods sold, decrease our gross profit, or impact our ability to deliver to our customers. For example, the recent outbreak of COVID-19 has led to work and travel restrictions as well as temporary closure of production and logistics constraints due to workforce availability. If the COVID-19 outbreak continues and persists for an extended period of time, there may be significant and material disruptions to our supply chain and operations, and delays in the manufacture and shipment of our products, which may then have a material 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 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, 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, results of operations and stock price 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.

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
- threats to the computer systems that operate our website and related support systems, including viruses, malware and other malicious code, misconfiguration, systems failure or inadequacy, compromise or unauthorized access 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.

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 suffer a data breach, or 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 systems containing payment information 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. We may be subject to shipping surcharges during the peak holiday shopping season, which may have a negative impact on our earnings. 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 and promotional mailings are key aspects of our business and increases in costs relating to postage, paper and printing would increase these costs 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.

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. 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 and borrowings under our credit facility 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 or increase our debt. An increase in our cash flow used for new stores could adversely affect our operations by reducing the amount of cash available or borrowing capacity to address other aspects of our business.

In addition, as we expand our business, we will need significant amounts of cash to pay our existing and future lease obligations, purchase inventory, pay personnel and 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 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.

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, to support our growth plans, 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.

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.

Our products are sourced through third-party purchasing agents and 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 typically 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 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, Iowa, Nevada and Pennsylvania. 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, public health pandemics, such as the ongoing COVID-19 outbreak 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 customer personal and credit card information, employee personal information, and other sensitive and confidential information. The protection of customer and employee information, and the Company's intellectual property, from potential threats is vitally important to the Company. Consumers and employees continue to have significant concerns about the security of personal information, especially when transmitted over the Internet, and the use, retention, disclosure, and privacy of such information. We continually evaluate and upgrade our information systems, security measures, and practices to combat the ever-evolving cyber risks and to comply with our legal and regulatory obligations, and we provide cybersecurity awareness training around phishing, social engineering, and other cyber risks to our employees, in an effort to elevate our cybersecurity posture and give our workforce the skills to both avoid and report cyber threats. Despite our risk management efforts, vendor due diligence, and security measures, our facilities and systems and those of our third-party service providers, are subject to increasingly complex cyber risks, including cyber extortion, data breaches, unauthorized access, denial of service, vendor or employee misconduct, ransomware and other malicious software, and data exfiltration. We and our employees and customers could suffer significant harm if any personal, financial, or credit card information was accessed or disclosed by an unauthorized third party, or our information technology systems or those of our third party providers were compromised or subject to data loss, exfiltration, corruption, or disruption. Any security incident or data breach could severely damage our reputation and our relationships with customers, business partners and employees, cause us to incur significant costs and expenses to investigate, remediate and notify affected individuals, and expose us to an increased risk of litigation, regulatory enforcement, fines and penalties, and other losses and liabilities. In addition, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become more complex and uncertain due to recent high-profile privacy and security incidents and legislative efforts across the globe. As a result, we may incur significant costs to comply with laws regarding the use, retention, disclosure, security, and privacy 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 of 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 corporate office, 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 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. Many of our staffing needs in our stores, fulfillment centers and call center are entry-level or part-time positions with historically high rates of turnover. If we cannot attract and retain employees with the qualifications we deem necessary to meet our staffing needs in our corporate office, 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.

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.

An increasing number of states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, the Supreme Court of the United States recently ruled in *South Dakota v. Wayfair, Inc. et al*, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us and decrease our future sales, which could have an impact on our business, financial condition and results of operations.

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.

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 facility 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 and Chief Executive Officer, Stephen L. Schlecht, who is our only Class A shareholder, beneficially owns shares representing more than 50% 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. Mr. Schlecht together with our other executive officers, directors and their affiliates, owns shares representing the majority 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, particularly in our segment growth rates and margins;
- 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;
- 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;
- 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 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 lack of an independent auditor's attestation of our internal control over financial reporting pursuant to Section 404 would allow any material design or operating effectiveness in control deficiencies 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 February 2, 2020 (except as noted).

Location	Number of Stores	Primary Use	Gross Sq Ft	Leased/Owned
Retail Segment				
North East				
Connecticut	1	Store	9,792	Leased
Maine	1	Store	12,951	Leased
Massachusetts	1	Store	16,360	Leased
New Jersey	1	Store	13,300	Leased
Pennsylvania	2	Store	34,945	Leased
Rhode Island	1	Store	14,528	Leased
Midwest				
Illinois	2	Store	28,410	Leased
Indiana	1	Store	14,557	Leased
Iowa	1	Store	12,249	Leased
Kansas	1	Store	15,385	Leased
Michigan	3	Store	45,588	Leased
Minnesota	5	Store	63,563	Leased
Missouri	2	Store	27,692	Leased
Nebraska	1	Store	20,801	Leased
North Dakota	1	Store	14,557	Leased
Ohio	4	Store	58,420	Leased
South Dakota	1	Store	9,166	Leased
Wisconsin	4	Store	53,646	Leased
South				
Alabama	2	Store	31,312	Leased
Arkansas	1	Store	15,656	Leased
Florida	1	Store	14,557	Leased
Georgia	1	Store	20,041	Leased
Kentucky	1	Store	15,456	Leased
North Carolina	2	Store	41,672	Leased
Oklahoma	1	Store	15,536	Leased
Tennessee	2	Store	27,325	Leased
Texas	6	Store	92,212	Leased
Virginia	1	Store	15,000	Leased
West				
Alaska	1	Store	25,409	Leased
Colorado	3	Store	52,840	Leased
Oregon	1	Store	19,075	Leased
Utah	1	Store	15,602	Leased
Washington	1	Store	15,656	Leased
Leased to Open New Store				
Short Pump, VA[1]		Store	16,828	Leased
Springfield, OR		Store	20,388	Leased
Orland Park, IL		Store	10,000	Leased
Florence, KY		Store	11,441	Leased
Roseville, CA[2]		Store	15,000	Leased
Cherry Hill, NJ[2]		Store	11,441	Leased
Direct Segment				
Mount Horeb, WI		Corporate headquarters	108,000	Leased
Belleville, WI		Distribution center	220,000	Owned
Dubuque, IA		Distribution center	220,685	Leased
Verona, WI		Returns center	38,687	Leased
Mount Horeb, WI		Photo Studio	7,000	Leased
Direct/Retail				
Belleville, WI		Outlet store and call center	17,890	Owned
Oshkosh, WI		Outlet store and call center	12,777	Leased
Redwing, MN		Outlet store and call center	15,560	Leased

[1]Opened March 2020

[2]To open in fiscal 2021

The leases on our retail stores expire at various times and are 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.

Information about our Executive Officers

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, except as disclosed below, arrangements or understandings between any officer and any other person pursuant to which the officer was selected. The information presented below is as of March 19, 2020.

Name	Age	Office
Stephen L. Schlecht	72	Mr. Schlecht is the founder of our Company and has served as Executive Chairman of the Board since February 2015 and as Chief Executive Officer since August 2019. 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 49 years of experience in the direct marketing and retail industries and has extensive leadership experience and strategic vision. Mr. Schlecht is the father of Richard W Schlecht, our Senior Vice President of Product Development, Visual Merchandise and Creative.
David Loretta	52	Mr. Loretta has been our Chief Financial Officer since July 2017. Mr. Loretta previously served four years as President and Chief Financial Officer of Nordstrom Bank and led all financial and operating functions of their proprietary card operations. During his tenure, Mr. Loretta was responsible for financial reporting, budgeting, forecasting and long-range strategic planning as well as operational leadership. Previously at Nordstrom, Inc., he served as corporate Vice President and Treasurer overseeing treasury, investor relations and corporate development. Before his 13 years with Nordstrom, Mr. Loretta was Director of Planning and Analysis for Restoration Hardware, Inc., where he developed a companywide budgeting, forecasting and reporting process for the retail stores, catalog direct mail and e-commerce. Following his time at Nordstrom, Mr. Loretta launched and operated his own company, Pacific Time, LLC, a unique food and beverage business, from 2014 to 2016. Mr. Loretta holds a B.A. in Business Economics from the University of California, Riverside and earned an MBA from San Diego State University.
Allen L. Dittrich	65	Mr. Dittrich has served as our Senior Vice President and Chief Merchandising and Marketing Officer since October 2019 and previously served as our Chief Operating Officer from October 2018 to October 2019, and Senior Vice President of Omnichannel Customer Experience and Operations from February 2015 to October 2018. He previously served as Senior Vice President of Retail at Allen-Edmonds Shoe Corporation from November 2009 until February 2015. 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 42 years of experience in the direct marketing and retail industries.
Christopher M. Teufel	51	Mr. Teufel has served as our Senior Vice President of Information Technology and Logistics and Chief Information Officer since February 2020 and previously served as our Vice President of Information Technology and Logistics and Chief Information Officer from April 2019 to February 2020, and Vice President of Information Technology and Chief Information Officer from October 2017 to April 2019. Mr. Teufel previously served as Vice President of Digital Operations for Neiman Marcus from March 2016 to October 2017. Mr. Teufel has also previously served as Vice President and Senior Director of Technology at Nordstrom from 2001 to April 2016. Mr. Teufel holds a B.S. in Accounting from the Daniels College of Business at the University of Denver.

David S. Homolka	53	Mr. Homolka has served as our Senior Vice President of Human Resources, Retail Store Operations and Contact Center Operations since February 2020 and previously served as our Vice President of Human Resources, Store Operations and Asset Protection from January 2019 to February 2020, and Vice President of Human Resources from February 2017 to January 2019. Mr. Homolka previously served as Chief Property and Design Officer and Vice President of Real Estate, Store Design and Construction at Cabela's from October 2015 to February 2017 and Vice President of Human Resources and Asset Protection from January 2012 to October 2015.
Richard W. Schlecht	39	Mr. Schlecht has served as our Senior Vice President of Product Development, Visual Merchandise and Creative since February 2020 and has previously served as our Vice President of Product Development from March 2016 to February 2020 and Director of Product Development from September 2013 to March 2016. Mr. Schlecht holds a B.S.B.A. with a minor in Statistics from Denver University. Mr. Schlecht is the son of Stephen L. Schlecht, our Executive Chairman and Chief Executive Officer.

PART II

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

Common Stock Listing and Trading

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

Shareholders of Record

As of March 18, 2020, there were approximately 46 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 45 of whom are holders of our Class B common stock. We believe the number of beneficial holders of the Company's Class B common stock is in excess of this amount.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

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," 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.

Management's discussion focuses on fiscal 2019 results compared to fiscal 2018. Fiscal year 2019 was a 52-week period and fiscal year 2018 was a 53-week period. For a discussion of fiscal 2018 results compared to fiscal 2017, refer to the Company's Annual Report on Form 10-K for the year ended February 3, 2019.

Overview

We are a 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 56.9% of our fiscal 2019 consolidated net sales, compared to 61.7% in fiscal 2018. 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 February 2, 2020, we operated 58 retail stores and three outlet stores. Net sales for our retail segment represented 43.1% of our fiscal 2019 consolidated net sales, compared to 38.3% in fiscal 2018. In fiscal 2019, we opened a total of 15 retail stores, adding approximately 215,000 gross square feet to our 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 have increased year-over-year for 40 consecutive quarters through February 2, 2020;
- Net sales in fiscal 2019 increased by 8.4% over the prior year to $615.6 million;
- Net income in fiscal 2019 decreased compared to the prior year to $18.9 million;
- Adjusted EBITDA in fiscal 2019 was flat compared to the prior year at $51.9 million; and
- Our retail stores have achieved an average payback of less than two years.

We expect that the pace of capital outlays will moderate in 2020 as we rebalance our business model to focus driving greater long-term returns on the capital invested and growing our operating earnings and positive free cash flow. We plan to continue opening stores in new markets, but will plan for expanding square footage by 30% to 40% less than we have over the last 3 years. We believe the capital deployed for systems and infrastructure will also moderate as much of the investments needed to scale and support our business is in place now. As such, the expense associated with these investments is fixed and should allow for greater operating leverage in net earnings.

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, continuing retail expansion, selectively broadening assortments in certain men's product categories and growing our women's business.

The outbreak of the coronavirus ("COVID-19") continues to grow both in the U.S. and globally, and related government and private sector responsive actions are adversely affecting our business operations. As of March 19, 2020, we have closed eight stores and are actively evaluating additional closures and will fully comply with all federal, state and local regulations. In response to this impact on our business and potential of prolonged declines in consumer spending, the Company is currently evaluating and executing strategies to curtail expenses and capital spending, including, but not limited to restricting 2020 new stores to those with previously executed leases, extending capacity in the Company's bank line of credit, if needed, have drawn an additional $30 million on our delayed draw term loan and have delayed certain non-essential technology projects. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving.

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 shipment to a customer, while retail sales are recognized at the point of sale. We also use net sales as one of the key financial metrics we measure against in determining our annual bonus compensation for our employees.

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. We have experienced declines in shipping and handling revenues, and this trend is expected to continue. 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, digital marketing, 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 occupancy, depreciation, marketing, 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.

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)	February 2, 2020	February 3, 2019
Direct net sales	$ 350,371	$ 350,638
Retail net sales	265,253	217,464
Net sales	615,624	568,102
Cost of goods sold (excluding depreciation and amortization)	287,475	257,700
Gross profit	328,149	310,402
Selling, general and administrative expenses	300,041	273,221
Operating income	28,108	37,181
Interest expense	4,471	5,949
Other income, net	291	383
Income before income taxes	23,928	31,615
Income tax expense	5,429	8,450
Net income	18,499	23,165
Less: Net (loss) income attributable to noncontrolling interest	(422)	9
Net income attributable to controlling interest	$ 18,921	$ 23,156
Percentage of Net sales:		
Direct net sales	56.9 %	61.7 %
Retail net sales	43.1 %	38.3 %
Net sales	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	46.7 %	45.4 %
Gross profit	53.3 %	54.6 %
Selling, general and administrative expenses	48.7 %	48.1 %
Operating income	4.6 %	6.5 %
Interest expense	0.7 %	1.0 %
Other income, net	— %	0.1 %
Income before income taxes	3.9 %	5.6 %
Income tax expense	0.9 %	1.5 %
Net income	3.0 %	4.1 %
Less: Net (loss) income attributable to noncontrolling interest	— %	— %
Net income attributable to controlling interest	3.1 %	4.1 %

Fiscal 2019 Compared to Fiscal 2018

Net Sales

Net sales increased $47.5 million, or 8.4%, to $615.6 million in fiscal 2019 compared to $568.1 million in fiscal 2018. The $47.5 million increase was attributable to a $47.8 million, or 22.0%, increase in retail segment net sales partially offset by a $0.3 million, or 0.1%, decrease in direct segment net sales. The inclusion of the 53rd week in fiscal 2018 amounted to an additional $7.7 million of net sales.

The growth in our retail segment net sales during fiscal 2019 was due to the opening of 15 new stores since the prior comparable period, partially offset by a decline in existing store sales.

Gross Profit

Gross profit increased $17.7 million, or 5.7%, to $328.1 million in fiscal 2019 compared to $310.4 million in fiscal 2018. As a percentage of net sales, gross margin decreased to 53.3% of net sales in fiscal 2019 compared to 54.6% of net sales in fiscal 2018. The decrease in gross margin rate was primarily driven by additional global promotions and clearance activity throughout the first three quarters of the year. Gross margin did begin to stabilize in the fourth quarter of fiscal 2019 and exceeded the margins from the fourth quarter of fiscal 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $26.8 million, or 9.8%, to $300.0 million in fiscal 2019 compared to $273.2 million in fiscal 2018. Selling, general and administrative expenses as a percentage of net sales increased in fiscal 2019 to 48.7% of net sales, compared to 48.1% of net sales for fiscal 2018.

The increase in selling, general and administrative expenses was primarily due to increased occupancy, equipment and personnel costs to support the growth in the number of retail stores along with increased depreciation expense for investments in technology and corporate facilities. The increase in selling, general and administrative as a percentage of net sales was primarily due to increased depreciation expenses for investments in technology, partially offset by reduced catalog spend, improved shipping rates and efficiencies gained at the distribution centers and call center. Contributing to these efficiency gains was leasing a 220,685 square foot distribution center in Dubuque, IA during fiscal 2019, allowing the Company to lessen its reliance on more costly third-party logistics companies during the peak season.

Interest Expense

Interest expense decreased $1.5 million to $4.5 million in fiscal 2019 compared to $6.0 million in fiscal 2018. The decrease in interest expense was primarily attributable to certain build-to-suit leases being classified as operating leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (“ACS 842”). See Note 3 “Leases,” included in this Annual Report on Form 10-K for further information.

Income Taxes

Our effective tax rate related to controlling interest was 22.3% and 26.7% in fiscal 2019 and fiscal 2018, respectively. The decrease in the year-over-year effective tax rate is primarily due to recognizing $0.7 million in research and development tax credits from fiscal 2018, fiscal 2017 and fiscal 2016.

Net Income

Net income was $18.9 million in fiscal 2019 compared to $23.2 million in fiscal 2018, primarily due to the factors discussed above.

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)	**February 2, 2020**	**February 3, 2019**
Net income	$ 18,499	$ 23,165
Depreciation and amortization	22,083	12,594
Interest expense	4,471	5,949
Amortization of build-to-suit operating leases capital contribution	784	—
Income tax expense	5,429	8,450
EBITDA	51,266	50,158
Stock based compensation	647	1,668
Adjusted EBITDA	$ 51,913	$ 51,826

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA was flat compared to the prior year at $51.9 million. As a percentage of net sales, Adjusted EBITDA decreased to 8.4% of net sales in fiscal 2019 compared to 9.1% of net sales in fiscal 2018.

Liquidity and Capital Resources

General

Our business relies on cash from operating activities and a credit facility as our primary sources of liquidity. On May 17, 2018, we entered into a credit facility which provides for borrowings of up to $80.0 million on a revolving line of credit and an additional $50.0 million in a delayed draw term loan. The $80.0 million revolving line of credit matures on May 17, 2023 and we have the option to draw in various amounts on the $50.0 million term loan through May 16, 2020, with a maturity on May 17, 2023. 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 have executed six new store leases four of which are for stores to be opened in fiscal 2020. At February 2, 2020, our working capital was $83.4 million, which includes cash of $0.5 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.

Cash Flow Analysis

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

	Fiscal Year Ended	
(in thousands)	February 2, 2020	February 3, 2019
Net cash provided by operating activities	$ 6,696	$ 31,095
Net cash used in investing activities	(30,687)	(53,735)
Net cash provided by financing activities	21,495	18,642
Decrease in cash and restricted cash	$ (2,496)	$ (3,998)

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 2019, net cash provided by operating activities was $6.7 million, which consisted of net income of $18.5 million, non-cash depreciation and amortization of $22.1 million, amortization of stock-based compensation of $0.6 million and deferred income taxes of $1.2 million, offset by cash used in operating assets and liabilities of $33.4 million. The cash used in operating assets and liabilities of $33.4 million primarily consisted of a $50.2 million increase in inventory due to growth and supply of inventory for our new retail stores in the first quarter of fiscal 2019, which was partially offset by a $5.4 decrease in prepaid expenses, coupled with a $3.2 million increase in income taxes payable and a $7.6 million increase in trade accounts payable. The increase in trade accounts payable was primarily due to an increase in inventory and timing of payments.

For fiscal 2018, net cash provided by operating activities was $31.1 million, which consisted of net income of $23.2 million, non-cash depreciation and amortization of $12.6 million, amortization of stock-based compensation of $1.7 million, deferred income taxes of $8.0 million and loss on disposal of property and equipment of $0.2 million, offset by cash used in operating assets and liabilities of $14.5 million. The cash used in operating assets and liabilities of $14.5 million primarily consisted of a $11.0 million increase in inventory due to growth and supply of inventory for our new retail stores in the first quarter of fiscal 2019 and $5.6 million increase in prepaid expense, coupled with a $7.6 million decrease in income taxes payable, which was partially offset by increases in trade accounts payable and accrued expenses and deferred rent obligations of $10.3 million and $7.0 million, respectively. The increase in trade accounts payable and accrued expenses were primarily due to an increase in inventory and 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.

For fiscal 2019, net cash used in investing activities was $30.7 million, primarily driven by capital expenditures of $24.4 million, due mainly to the opening of 15 new stores, as well as investments in information technology and $6.3 million of capital contributions towards our build-to-suit stores.

For fiscal 2018, net cash used in investing activities was $53.7 million, primarily driven by capital expenditures of $53.0 million, due mainly to the opening of 15 new stores, as well as investments in information technology and the Belleville, Wisconsin distribution center.

Net Cash Provided by Financing Activities

Financing activities consist primarily of borrowings and payments related to our revolving line of credit, long-term debts, as well as proceeds from finance lease obligations and principal payments on long term debt by our consolidated variable interest entity TRI Holdings, LLC (“TRI”).

For fiscal 2019, net cash provided by financing activities was $21.5 million, which included borrowings of $271.8 million on our revolving line of credit and $20.0 million on our delayed draw term loan to support our capital expenditures discussed above and working capital needs, offset by payments of $269.0 million on our revolving line of credit.

For fiscal 2018, net cash provided by financing activities was $18.6 million, which included borrowings of $130.1 million on our revolving line of credit to support our capital expenditures discussed above and working capital needs, offset by payments of $113.5 million on our revolving line of credit and proceeds of $2.3 million from finance lease obligations in connection with our build-to-suit lease transactions.

Line of Credit

On May 17, 2018, we entered into a credit agreement. The credit agreement is secured by essentially all Company assets and requires that we maintain compliance with certain financial and non-financial covenants, including a trailing twelve month maximum rent adjusted leverage ratio and minimum fixed charge coverage ratio. See Note 4 “Debt and Line of Credit,” included in this Annual Report on Form 10-K for further information.

As of and for the fiscal year ended February 2, 2020, 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 February 2, 2020, our contractual cash obligations were as follows:

	Maturing in:				
(in thousands)	Total	2020	2021 to 2022	2023 to 2024	2025 and after
Revolving line of credit	$ 19,332	$ —	$ —	$ 19,332	$ —
Delayed draw term loan	20,000	—	—	20,000	—
VIE Debt (1)	29,711	557	1,316	1,615	26,223
Operating leases (2)	144,733	15,380	30,093	29,591	69,669
Finance leases (2)	53,984	3,311	6,622	6,844	37,207
Total	$ 267,760	$ 19,248	$ 38,031	$ 77,382	$ 133,099

(1) Consists of debt based on the consolidation of the VIE, TRI. The TRI debt listed above excludes financing fees which are a direct deduction from the carrying value of the related debt liability on the consolidated balance sheets. See Note 4 “Debt and Line of Credit,” included in this Annual Report on Form 10-K for further information.

(2) Our store leases generally have initial lease terms of 5-15 years and include renewal options and rent escalation provisions.

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.

Leases

Effective February 4, 2019, the Company adopted ASC 842, which resulted in a recognition of right-of-use asset ("ROU asset") 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. See Note 3 "Leases," of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Revenue Recognition

For the direct segment, we recognize revenue upon shipment following customer payment, which is when the customer obtains control of the product and has the ability to direct the use of the product, including, among other options, the ability to redirect the product to a different shipping destination. For the retail segment, we recognize revenues at the point of sale. This represents the point at which the customer obtains control of the product and has the ability to direct the use of the product.

We recognize shipping and handling fees as revenue included in net sales when generated from a customer order upon shipment or at the point of sale. 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 and net realizable value, with cost determined using the first-in, first-out method. 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." 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.

Income Taxes

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. A valuation allowance is established if it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

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 10 “Income Taxes,” of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of Duluth Holdings Inc, a Wisconsin corporation, and affiliate (collectively, the “Company”) as of February 2, 2020 and February 3, 2019, the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended February 2, 2020, and the related notes and financial statement schedule (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 2, 2020 and February 3, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 2, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in accounting principle
As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of February 4, 2019 due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842*).

Basis for opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2002.

Chicago, Illinois
March 20, 2020

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

	February 2, 2020	February 3, 2019
ASSETS		
Current Assets:		
Cash	$ 538	$ 731
Receivables	3,121	4,639
Inventory, net	147,849	97,685
Prepaid expenses & other current assets	9,503	12,640
Prepaid catalog costs	1,181	2,503
Total current assets	162,192	118,198
Property and equipment, net	137,071	167,109
Operating lease right-of-use assets	120,431	—
Finance lease right-of-use assets, net	46,677	—
Restricted cash	51	2,354
Available-for-sale security	6,432	6,295
Other assets, net	1,196	1,349
Total assets	$ 474,050	$ 295,305
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 33,053	$ 25,363
Accrued expenses and other current liabilities	29,464	26,530
Income tax payable	3,427	218
Current portion of operating lease liabilities	10,674	—
Current portion of finance lease liabilities	1,600	—
Current maturities of long-term debt	557	500
Total current liabilities	78,775	52,611
Operating lease liabilities, less current maturities	106,120	—
Finance lease liabilities, less current maturities	37,434	—
Duluth long-term debt, less current maturities	39,332	16,574
TRI long-term debt, less current maturities	27,778	28,251
Deferred tax liabilities	8,505	9,722
Finance lease obligations under build-to-suit leases	—	23,034
Deferred rent obligations, less current maturities	—	5,003
Total liabilities	297,944	135,195
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of February 2, 2020 and February 3, 2019	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of February 2, 2020 and February 3, 2019	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 29,191 shares issued and 29,172 shares outstanding as of February 2, 2020 and 29,215 shares issued and 29,210 outstanding as of February 3, 2019	—	—
Treasury stock, at cost; 19 and 5 shares as of February 2, 2020 and February 3, 2019, respectively	(407)	(92)
Capital stock	90,902	89,849
Retained earnings	87,589	70,592
Accumulated other comprehensive loss	188	—
Total shareholders' equity of Duluth Holdings Inc.	178,272	160,349
Noncontrolling interest	(2,166)	(239)
Total shareholders' equity	176,106	160,110
Total liabilities and shareholders' equity	$ 474,050	$ 295,305

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		
	February 2, 2020	February 3, 2019	January 28, 2018
Net sales	$ 615,624	$ 568,102	$ 471,447
Cost of goods sold (excluding depreciation and amortization)	287,475	257,700	210,428
Gross profit	328,149	310,402	261,019
Selling, general and administrative expenses	300,041	273,221	223,947
Operating income	28,108	37,181	37,072
Interest expense	4,471	5,949	1,988
Other income, net	291	383	421
Income before income taxes	23,928	31,615	35,505
Income tax expense	5,429	8,450	11,878
Net income	18,499	23,165	23,627
Less: Net (loss) income attributable to noncontrolling interest	(422)	9	276
Net income attributable to controlling interest	$ 18,921	$ 23,156	$ 23,351
Basic earnings per share (Class A and Class B):			
Weighted average shares of common stock outstanding	32,309	32,086	31,853
Net income per share attributable to controlling interest	$ 0.59	$ 0.72	$ 0.73
Diluted earnings per share (Class A and Class B):			
Weighted average shares and equivalents outstanding	32,371	32,317	32,285
Net income per share attributable to controlling interest	$ 0.58	$ 0.72	$ 0.72

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		
	February 2, 2020	**February 3, 2019**	**January 28, 2018**
Net income	$ 18,499	$ 23,165	$ 23,627
Other comprehensive income			
Securities available-for-sale:			
Unrealized security gains arising during the period	254	—	—
Income tax expense	66	—	—
Other comprehensive income	188	—	—
Comprehensive income	18,687	23,165	23,627
Comprehensive (loss) income attributable to noncontrolling interest	(422)	9	276
Comprehensive income attributable to controlling interest	$ 19,109	$ 23,156	$ 23,351

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						
	Shares	Amount	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in variable interest entities	Total shareholders' equity
Balance at January 29, 2017	32,376	$ 86,446	$ —	$ 24,733	$ —	$ 2,609	$ 113,788
Issuance of common stock	110	—	—	—	—	—	—
Restricted stock forfeitures	(21)	—	—	—	—	—	—
Stock-based compensation	—	1,597	—	—	—	—	1,597
Restricted stock surrendered for taxes	(3)	—	(57)	—	—	—	(57)
Capital contributions	—	—	—	—	—	794	794
Distributions	—	—	—	—	—	(400)	(400)
Net income	—	—	—	23,351	—	276	23,627
Balance at January 28, 2018	32,462	$ 88,043	$ (57)	$ 48,084	$ —	$ 3,279	$ 139,349
Cumulative effect from adoption of ASC 606	—	—	—	(648)	—	—	(648)
Issuance of common stock	135	138	—	—	—	—	138
Consolidation of TRI Holdings, LLC	—	—	—	—	—	(45)	(45)
Restricted stock forfeitures	(21)	—	—	—	—	—	—
Stock-based compensation	—	1,668	—	—	—	—	1,668
Restricted stock surrendered for taxes	(2)	—	(35)	—	—	—	(35)
Deconsolidation of Schlecht Retail Ventures LLC	—	—	—	—	—	(3,482)	(3,482)
Net income	—	—	—	23,156	—	9	23,165
Balance at February 3, 2019	32,574	$ 89,849	$ (92)	$ 70,592	$ —	$ (239)	$ 160,110
Cumulative effect from adoption of ASC 842	—	—	—	(1,924)	—	—	(1,924)
Issuance of common stock	211	554	—	—	—	—	554
Consolidation of TRI Holdings, LLC	—	—	—	—	—	(1,505)	(1,505)
Stock-based compensation	—	499	—	—	—	—	499
Restricted stock forfeitures	(234)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(15)	—	(315)	—	—	—	(315)
Other comprehensive income	—	—	—	—	188	—	188
Net income	—	—	—	18,921	—	(422)	18,499
Balance at February 2, 2020	32,536	$ 90,902	$ (407)	$ 87,589	$ 188	$ (2,166)	$ 176,106

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		
	February 2, 2020	February 3, 2019	January 28, 2018
Cash flows from operating activities:			
Net income	$ 18,499	$ 23,165	$ 23,627
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,083	12,594	7,330
Stock-based compensation	647	1,668	1,597
Deferred income taxes	(1,151)	7,999	533
Loss on disposal of property and equipment	—	162	2
Changes in operating assets and liabilities:			
Receivables	1,518	(4,329)	69
Inventory	(50,164)	(11,013)	(17,553)
Prepaid expense & other current assets	5,429	(5,618)	(2,320)
Prepaid catalog costs	1,322	(3,261)	419
Trade accounts payable	7,564	10,282	6,363
Income taxes payable	3,209	(7,562)	2,406
Accrued expenses and deferred rent obligations	(2,260)	7,008	7,395
Net cash provided by operating activities	6,696	31,095	29,868
Cash flows from investing activities:			
Purchases of property and equipment	(24,435)	(53,036)	(46,464)
Capital contributions towards build-to-suit stores	(6,354)	—	—
Purchase of available-for-sale security	—	—	(6,323)
Principal receipts from available-for-sale security	117	28	—
Change in other assets	(15)	(438)	(235)
Consolidation of TRI Holdings, LLC	—	217	—
Deconsolidation of Schlecht Retail Ventures LLC	—	(506)	—
Net cash used in investing activities	(30,687)	(53,735)	(53,022)
Cash flows from financing activities:			
Proceeds from line of credit	271,754	130,086	88,898
Payments on line of credit	(268,965)	(113,544)	(88,898)
Proceeds from other borrowings	20,000	—	—
Proceeds from long term debt	—	—	800
Payments on long term debt	(495)	(416)	(54)
Distributions to holders of noncontrolling interest in variable interest entities	—	—	(400)
Payments on finance lease obligations	(891)	—	(321)
Proceeds from finance lease obligations	—	2,281	3,949
Shares withheld for tax payments on vested restricted stock	(315)	(35)	(57)
Capital contributions to variable interest entities	—	—	794
Other	407	270	49
Net cash provided by financing activities	21,495	18,642	4,760
Decrease in cash and restricted cash	(2,496)	(3,998)	(18,394)
Cash and restricted cash at beginning of period	3,085	7,083	25,477
Cash and restricted cash at end of period	$ 589	$ 3,085	$ 7,083
Supplemental disclosure of cash flow information:			
Interest paid	$ 4,565	$ 5,759	$ 1,848
Income taxes paid	$ 562	$ 10,311	$ 9,002
Supplemental disclosure of non-cash information:			
Property and equipment acquired through issuance of debt	$ —	$ 28,315	$ —
Property and equipment acquired under build-to-suit leases	$ —	$ 9,258	$ 19,537
Unpaid liability to acquire property and equipment	$ 1,414	$ 433	$ 2,028

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 February 2, 2020, the Company operated 58 retail stores and three outlet stores. 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."

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 2019, 2018 and 2017 ended on February 2, 2020, February 3, 2019 and January 28, 2018, respectively. Fiscal 2019 was a 52-week period, Fiscal 2018 was a 53-week period and 2017 was a 52-week period.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements consist of the accounts of Duluth Holdings Inc and TRI Holdings, LLC ("TRI") as a variable interest entity. See Note 6 "Variable Interest Entities" for further information.

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’s revenue primarily consists of the sale of apparel, footwear and hard goods. For the Company’s direct segment, revenues are recognized upon shipment following customer payment, which is when the customer obtains control of the product and has the ability to direct the use of the product, including, among other options, the ability to redirect the product to a different shipping destination. For the Company’s retail segment, revenues are recognized at the point of sale. The Company provides the customer the right of return on the product and revenue is adjusted based on an estimate of the expected returns based on historical rates as well as events that may cause changes to historical rates. See Note 5 “Accrued Expense and Other Liabilities” for the Company’s product returns reserve. The Company considers the sale of products in either the direct or retail segment as a single performance obligation. 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. 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. See Note 9 “Contract Assets and Liabilities” for further information.

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 expenses
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 advertising, catalog production and mailing and print advertising costs
	Freight associated with shipping product to customers
	Consulting and professional fees

Catalog and Advertising Expenses

The Company’s direct-response advertising consists of producing, printing and mailing catalogs, which are expensed upon receipt by customers. 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, social media and radio and television advertisements.

Catalog and advertising expenses were $93.9 million, $95.2 million and $88.6 million for fiscal 2019, fiscal 2018 and fiscal 2017, 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 $31.3 million, $31.4 million and $28.1 million for fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

Income Taxes

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. A valuation allowance is established if it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

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. See Note 10 “Income Taxes,” of these Notes to Consolidated Financial Statements for further discussion.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. 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 costs entered into by the Company and certain of its 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.

The following table provides a reconciliation of cash and restricted cash reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statement of Cash Flows.

(in thousands)	February 2, 2020	February 3, 2019
Cash	$ 538	$ 731
Restricted Cash	51	2,354
Total cash and restricted cash shown in the condensed consolidated statement of cash flows	$ 589	$ 3,085

Significant Suppliers

The Company’s principal supplier of inventory accounted for 54%, 52% and 50% of total inventory expenditures in fiscal 2019, fiscal 2018 and fiscal 2017, respectively. The Company also had a second supplier that accounted for 12%, 15% and 18% of total inventory expenditures in fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

Inventory Valuation

Inventory, consisting of purchased product, is valued at the lower of cost and net realizable value, under the first-in, first-out method. 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. During fiscal 2019, the methodology to estimate inventory obsolescence was enhanced to align with the Company’s continued execution of its omni-channel strategy that no longer predominately relies on outlet stores to sell excess and slow-moving inventory. The enhanced methodology is primarily based on inventory aging reports and incorporates both historical trends and estimates of future sale prices. Both estimates have calculations that require the Company to make assumptions and apply judgement regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. The Company has not made any material changes to assumptions included in the calculation of the shrinkage reserve as of fiscal 2019, fiscal 2018 or fiscal 2017.

The Company records an inventory reserve for the anticipated loss associated with selling inventories below cost. Inventory reserve for excess and obsolete items was $1.8 million and $2.4 million as of February 2, 2020 and February 3, 2019, respectively.

Property and Equipment

Property and equipment consist of the following:

(in thousands)	February 2, 2020	February 3, 2019
Land and land improvements	$ 4,486	$ 4,486
Leasehold improvements	42,518	32,765
Buildings	35,903	71,469
Vehicles	161	161
Warehouse equipment	14,219	13,051
Office equipment and furniture	48,274	36,473
Computer equipment	7,432	5,072
Software	26,538	24,939
	179,531	188,416
Accumulated depreciation and amortization	(53,255)	(34,203)
	126,276	154,213
Construction in progress	10,795	12,896
Property and equipment, net	$ 137,071	$ 167,109

The Company recorded depreciation expense of $22.1 million, $12.6 million and $7.3 million for fiscal 2019, fiscal 2018 and fiscal 2017, 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 - 15
Computer equipment	3 - 5
Software	3 - 7

Other Assets

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, 2019, 2018 and 2017, 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 February 2, 2020, February 3, 2019 or January 28, 2018. Goodwill was $0.4 million as of February 2, 2020 and February 3, 2019.

Other Assets

Other assets include loan origination fees and trade names 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 2019, fiscal 2018 and fiscal 2017. Accumulated amortization was $0.5 million and $0.4 million as of February 2, 2020 and February 3, 2019, respectively.

Scheduled future amortization of amortizable other assets are as follows as of February 2, 2020:

Fiscal year		
(in thousands)		
2020	$	136
2021		136
2022		136
2023		56
2024		18
Thereafter		44
	$	526

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 2019, fiscal 2018 and fiscal 2017, management did not identify any events or changes in circumstances that indicated the potential impairment of long-lived assets.

Store Pre-opening Costs

Store pre-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.

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 three 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.

Total stock compensation expense associated with restricted stock recognized by the Company was $0.5 million, $1.6 million and $1.6 million for fiscal 2019, fiscal 2018 and fiscal 2017, 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 un-vested restricted stock during the years ended February 2, 2020, February 3, 2019, and January 28, 2018:

	Shares	Weighted average grant date fair value per share
Outstanding at January 29, 2017	794,712	$ 4.34
Granted	110,878	19.54
Vested	(347,825)	3.04
Forfeited	(21,294)	22.31
Outstanding at January 28, 2018	536,471	7.60
Granted	130,179	18.46
Vested	(323,958)	4.19
Forfeited	(21,035)	18.07
Outstanding at February 3, 2019	321,657	14.29
Granted	165,730	17.67
Vested	(61,647)	18.90
Forfeited	(233,646)	12.65
Outstanding at February 2, 2020	192,094	$ 17.71

At February 2, 2020, 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 2.7 years.

Treasury Stock

Treasury stock consists of shares withheld in lieu of tax payments when restricted stock vests using the treasury cost method and is classified in the Consolidated Balance Sheets as a reduction to shareholders' equity.

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 2019, other comprehensive income or loss consists of changes in unrealized gains and losses on available-for-sale securities, net of taxes.

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 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. The following table presents the amortized cost, fair value, and the corresponding amount of gross unrealized gains and losses recognized in accumulated other comprehensive income of the Company’s available-for-sale security as of February 2, 2020.

	February 2, 2020			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 6,178	$ 254	$	$ 6,432

As of February 3, 2019, the $6.3 million amortized cost of the Company’s available-for-sale security approximated its fair value.

The following table presents the future receipts related to the Company’s available-for-sale security by contractual maturity as of February 2, 2020.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 131	$ 145
After one year through five years	910	978
After five years through ten years	1,438	1,505
After ten years	3,699	3,804
Total	$ 6,178	$ 6,432

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

	February 2, 2020		February 3, 2019	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TRI Long-term debt, including short-term portion	$ 28,335	$ 30,238	$ 28,751	$ 27,637

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

As of February 2, 2020, and February 3, 2019, the carrying values of the long-term delayed draw term loan and long-term line of credit both approximated its fair value.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation. There were no changes to previously reported shareholders' equity or net income as a result of the reclassifications.

3. LEASES

Effective February 4, 2019, the Company adopted ASC 842, which resulted in a recognition of right-of-use asset (“ROU asset”) 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.

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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 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.

The Company's building and property leases often contain lease and non-lease components. The Company has elected to account for these lease and non-lease components separately. Non-lease components for these assets are primarily comprised of real estate taxes, insurance costs, common area maintenance, and utilities that are passed on from the lessor in proportion to the space leased by the Company, and are recognized in the period in which the obligation for those payments was incurred. Non-lease components are separate from lease components within our lease agreements, such that an allocation between the components does not need to be performed. Lease cost for leases is recognized on a straight-line basis over the lease term.

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:

(in thousands)	**Consolidated Statement of Operations**	**February 2, 2020**
Finance lease		
Amortization of right-of-use assets	Selling, general and administrative expenses	$ 1,362
Interest on lease liabilities	Interest expense	1,230
Total finance lease expense		$ 2,592
Operating lease expense	Selling, general and administrative expenses	$ 15,636
Amortization of build-to-suit leases capital contribution	Selling, general and administrative expenses	1,129
Variable lease expense	Selling, general and administrative expenses	7,347
Total lease expense		$ 26,704

Other information related to leases were as follows:

(in thousands)	February 2, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Financing cash flows from finance leases	$ 891
Operating cash flows from finance leases	$ 1,230
Operating cash flows from operating leases	$ 13,621
Right-of-use assets obtained in exchange for lease liabilities:	
Finance leases	$ 41,566
Operating leases	$ 17,629
Weighted-average remaining lease term (in years):	
Finance leases	15
Operating leases	10
Weighted-average discount rate:	
Finance leases	4.5%
Operating leases	4.3%

Future minimum lease payments under the non-cancellable leases are as follows as of February 2, 2020:

Fiscal year	Finance Leases	Operating Leases
(in thousands)		
2020	$ 3,311	$ 15,380
2021	3,311	14,948
2022	3,311	15,145
2023	3,333	15,334
2024	3,511	14,257
Thereafter	37,207	69,669
Total future minimum lease payments	$ 53,984	$ 144,733
Less - Discount	14,950	27,939
Lease liability	$ 39,034	$ 116,794

Prior to the adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842"), the minimum lease payments under non-cancellable operating leases were as follows as of February 3, 2019:

	Operating Leases		
Fiscal year	Related party	Other	Total
(in thousands)			
2019	$ 147	$ 15,598	$ 15,745
2020	144	16,013	16,157
2021	147	15,327	15,474
2022	149	15,444	15,593
2023	136	15,648	15,784
Thereafter	—	112,098	112,098
Total future minimum lease payments	$ 723	$ 190,128	$ 190,851

Total rent expense under non-cancellable leases was $16.2 million, $8.4 million and $5.5 million for fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

4. DEBT AND LINE OF CREDIT

Debt consists of the following:

(in thousands)	February 2, 2020	February 3, 2019
TRI Senior Secured Note	$ 24,835	$ 25,251
TRI Note	3,500	3,500
	$ 28,335	$ 28,751
Less: current maturities	557	500
TRI Long-term debt	$ 27,778	$ 28,251
Line of credit	$ 19,332	$ 16,542
Delayed draw term loan	20,000	—
Capital lease obligations	—	32
Duluth long-term debt	$ 39,332	$ 16,574

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 the obligor of these notes.

Line of Credit

On May 17, 2018, the Company entered into a credit agreement (the "Credit Agreement") which provides 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. The $80.0 million revolving credit matures on May 17, 2023. The $50.0 million DDTL is available to draw upon in differing amounts through May 16, 2020 and matures on May 17, 2023. The Credit Agreement is 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 Credit Agreement. At the Company's option, the interest rate applicable to the Revolver or DDTL will be a floating rate equal to (i) the base rate plus a margin of 25 to 100 basis points, based upon the Company's rent adjusted leverage ratio, or (ii) a fixed rate for a one-, two-, three- or six-month interest period equal to LIBOR for such interest period plus a margin of 125 to 200 basis points, based upon the Company's rent adjusted leverage ratio (effective rate of 4.12% for the Revolver and 4.01% for the DDTL at February 2, 2020). In addition, outstanding balances under the DDTL require quarterly principal payments with a final balloon payment at maturity.

As of February 2, 2020, 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 TRI debt, excluding financing fees of $1.4 million and the Company's line of credit and delayed draw term loan, are as follows as of February 2, 2020:

Fiscal year		
(in thousands)		
2020	$	557
2021		623
2022		693
2023		768
2024		847
Thereafter		26,223
	$	29,711

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

		February 2, 2020		**February 3, 2019**
(in thousands)				
Salaries and benefits	$	2,775	$	2,328
Deferred revenue		9,946		8,493
Freight		5,404		4,141
Product returns		3,508		2,088
Catalog costs		542		503
Unpaid purchases of property & equipment		971		433
Accrued advertising		633		389
Other		5,685		8,155
Total accrued expenses and other current liabilities	$	29,464	$	26,530

6. VARIABLE INTEREST ENTITIES

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 VIE as of February 2, 2020 and February 3, 2019.

The Company leases the Company's headquarters in Mt. Horeb, Wisconsin from TRI. In conjunction with the lease, the Company originally 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 February 2, 2020 and February 3, 2019.

(in thousands)	February 2, 2020	February 3, 2019
Cash	$ 279	$ 434
Property and equipment, net	25,981	28,146
Total assets	$ 26,260	$ 28,580
Other current liabilities	$ 91	$ 68
Current maturities of long-term debt	557	500
Long-term debt	27,778	28,251
Noncontrolling interest in VIE	(2,166)	(239)
Total liabilities and shareholders' equity	$ 26,260	$ 28,580

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. 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)	February 2, 2020	February 3, 2019	January 28, 2018
Numerator - net income attributable to controlling interest	$ 18,921	$ 23,156	$ 23,351
Denominator - weighted average shares (Class A and Class B)			
Basic	32,309	32,086	31,853
Dilutive shares	62	231	432
Diluted	32,371	32,317	32,285
Earnings per share (Class A and Class B)			
Basic	$ 0.59	$ 0.72	$ 0.73
Diluted	$ 0.58	$ 0.72	$ 0.72

8. 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.

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. Interest expense, 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)	February 2, 2020 (52 weeks)	February 3, 2019 (53 weeks)	January 28, 2018 (52 weeks)
Net sales			
Direct	$ 350,371	$ 350,638	$ 330,940
Retail	265,253	217,464	140,507
Total net sales	$ 615,624	$ 568,102	$ 471,447
Operating income			
Direct	$ (10,203)	$ (381)	$ 13,247
Retail	38,311	37,562	23,825
Total operating income	28,108	37,181	37,072
Interest expense	4,471	5,949	1,988
Other income, net	291	383	421
Income before income taxes	$ 23,928	$ 31,615	$ 35,505

Net sales by business is presented in the following table:

	Fiscal Year Ended		
(in thousands)	February 2, 2020 (52 weeks)	February 3, 2019 (53 weeks)	January 28, 2018 (52 weeks)
Net sales			
Men's	$ 419,122	$ 395,536	$ 333,536
Women's	162,816	141,244	110,343
Hard goods/other	33,686	31,322	27,568
Total net sales	$ 615,624	$ 568,102	$ 471,447

Segment total assets

(in thousands)	February 2, 2020	February 3, 2019
Direct	$ 244,189	$ 181,429
Retail	229,861	113,876
Total assets at period end	$ 474,050	$ 295,305

Segment depreciation and amortization

	Fiscal Year Ended		
(in thousands)	February 2, 2020	February 3, 2019	January 28, 2018
Direct	$ 10,884	$ 4,560	$ 2,855
Retail	11,199	8,034	4,475
Total depreciation and amortization	$ 22,083	$ 12,594	$ 7,330

Segment capital expenditures

	Fiscal Year Ended		
(in thousands)	February 2, 2020	February 3, 2019	January 28, 2018
Direct	$ 10,928	$ 20,522	$ 10,813
Retail	19,861	32,514	35,651
Total capital expenditures	$ 30,789	$ 53,036	$ 46,464

9. 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 upon issuance in accrued expenses and other current liabilities under deferred revenue (see Note 5 “Accrued Expenses and Other Current Liabilities”) on the Company’s consolidated balance sheets.

(in thousands)	February 2, 2020	February 3, 2019
Contract assets	$ 1,932	$ 896
Contract liabilities	$ 9,790	$ 8,508

Revenue from gift cards is recognized when the gift card is redeemed by the customer for merchandise, or as 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 revenue on the Company’s consolidated statement of operations. The following table provides the reconciliation of the contract liability related to gift cards:

(in thousands)	February 2, 2020
Balance as of Beginning of Period	$ 8,508
Gift cards sold	17,523
Gift cards redeemed	(15,137)
Gift card breakage	(1,047)
Gift card escheat	(57)
Balance as of February 2, 2020	$ 9,790

10. INCOME TAXES

The components of income tax expense were as follows:

	Fiscal Year Ended		
(in thousands)	February 2, 2020	February 3, 2019	January 28, 2018
Current:			
Federal	$ 4,727	$ (589)	$ 9,118
State	1,308	1,040	2,227
	6,035	451	11,345
Deferred:			
Federal	(568)	6,971	658
State	(38)	1,028	(125)
	(606)	7,999	533
Total income tax expense	$ 5,429	$ 8,450	$ 11,878

In December 2017, the United Sates enacted new federal comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the corporate tax rate from 35% to 21% effective January 1, 2018 (the “Effective Date”). When a U.S. federal tax rate change occurs during a fiscal year, taxpayers are required to compute a weighted daily average rate for the fiscal year of enactment. As a result of the Tax Act, the Company calculated a U.S. federal statutory corporate income tax rate of 33.9% for the fiscal year 2017. The U.S. federal statutory corporate income tax rate of 33.9% was the weighted daily average rate between the pre-enactment U.S. federal statutory tax rate of 35% applicable to the Company’s current fiscal year prior to the Effective Date and the post-enactment U.S. federal statutory tax rate of 21% applicable from January 1 to January 28 of 2018. The U.S. federal statutory rate is 21% for fiscal years beginning after January 28, 2018. As a result of the Tax Act in fiscal

2017, the Company recorded a net benefit of $1.5 million from remeasuring its deferred tax assets and liabilities for the year ended January 28, 2018.

The Company had a research and development tax credit study performed for fiscal 2016, 2017 and 2018. The Company filed an amended tax return for fiscal 2016 and fiscal 2017 reflecting research and development tax credits of $0.1 million and $0.2 million, respectively. The Company recognized a $0.4 million research and development tax credit for fiscal 2018. The above credits were recognized as a discrete item in the fourth quarter of fiscal 2019.

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

	Fiscal Year Ended					
	February 2, 2020		February 3, 2019		January 28, 2018	
(in thousands)						
Federal taxes at statutory rate	$ 5,114	21.0 %	$ 6,637	21.0 %	$ 11,939	33.9 %
Statutory rate change	—	— %	—	— %	(1,510)	(4.3)%
State and local income taxes, net of federal benefit	965	4.0 %	1,679	5.3 %	1,410	4.0 %
Research and development tax credits	(487)	(2.0)%	—	— %	—	— %
Other	(163)	(0.7)%	134	0.4 %	39	0.1 %
Total income tax expense	$ 5,429	22.3 %	$ 8,450	26.7 %	$ 11,878	33.7 %

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:

(in thousands)	February 2, 2020	February 3, 2019
Deferred tax assets:		
Returns allowance	$ 912	$ 543
Uniform capitalization	2,930	1,020
Inventory	(27)	661
Deferred rent	—	1,380
Accruals	388	6,337
Stock-based compensation	352	343
Advance payments	820	494
Capital lease	—	81
Net operating loss carryover	—	325
Federal credit carryover	—	17
Total deferred tax assets	5,375	11,201
Deferred tax liabilities:		
Property and equipment	10,346	19,739
Unrealized gain on investment	66	—
Prepaid expenses	857	1,120
Goodwill and intangibles	66	64
Capital lease	2,358	—
Revenue recognition method adjustment	187	—
Total deferred tax liabilities	13,880	20,923
Net deferred tax liabilities	$ 8,505	$ 9,722

Uncertain Tax Positions

As of February 2, 2020 and February 3, 2019, 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 February 2, 2020, February 3, 2019 and January 28, 2018.

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, 2016, and state tax returns for tax years beginning January 1, 2015, are open for examination.

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, 2019, 2018 and 2017.

The Company's total expenses under the Plan were $1.5 million, $1.2 million and $0.8 million for fiscal 2019, fiscal 2018 and fiscal 2017, 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 2019 – 52 weeks							
(in thousands, except earnings per share)	First Quarter	% of Net Sales	Second Quarter	% of Net Sales	Third Quarter	% of Net Sales	Fourth Quarter	% of Net Sales
Net sales	$ 114,244	100.0%	$ 121,963	100.0%	$ 119,768	100.0%	$ 259,649	100.0%
Gross profit	60,918	53.3%	64,804	53.1%	65,365	54.6%	137,062	52.8%
Operating (loss) income	(10,104)	(8.8)%	3,735	3.1%	1,328	1.1%	33,149	12.8%
Net (loss) income attributable to controlling interest	(7,572)	(6.6)%	1,936	1.6%	182	0.2%	24,375	9.4%
Basic (loss) earnings per share attributable to controlling interest (Class A and Class B)	(0.23)		0.06		0.01		0.75	
Diluted (loss) earnings per share attributable to controlling interest (Class A and Class B)	(0.23)		0.06		0.01		0.75	

	Fiscal 2018 – 53 weeks							
(in thousands, except earnings per share)	First Quarter	% of Net Sales	Second Quarter	% of Net Sales	Third Quarter	% of Net Sales	Fourth Quarter	% of Net Sales
Net sales	$ 100,207	100.0%	$ 110,653	100.0%	$ 106,701	100.0%	$ 250,541	100.0%
Gross profit	55,940	55.8%	62,240	56.2%	60,971	57.1%	131,251	52.4%
Operating (loss) income	(257)	(0.3)%	9,896	8.9%	(2,563)	(2.4)%	30,105	12.0%
Net (loss) income attributable to controlling interest	(691)	(0.7)%	6,377	5.8%	(3,150)	(3.0)%	20,620	8.2%
Basic (loss) earnings per share attributable to controlling interest (Class A and Class B)	(0.02)		0.20		(0.10)		0.64	
Diluted (loss) earnings per share attributable to controlling interest (Class A and Class B)	(0.02)		0.20		(0.10)		0.64	

Subsequent to the issuance of the May 5, 2019 interim financial statements, the Company identified a reclass error for disclosure purposes between selling, general and administration and interest expense, which had no impact on net income for the May 5, 2019 unaudited Condensed Consolidated Statement of Operations. The reclass error has been corrected in the above table. The Company assessed the reclass error and determined it is immaterial to the interim financial statements.

Subsequent to the issuance of the October 28, 2018 interim financial statements, the Company identified an error relating to the implementation of the new order management system that overstated inventory and gross profit within the October 28, 2018 unaudited Condensed Consolidated Balance Sheets and unaudited Condensed Consolidated Statements of Operations, respectively. The error was corrected during the fourth quarter of 2018. The Company assessed the error and determined it is immaterial to all interim and year-end filings during fiscal 2018.

Additionally, the Company concluded during the fourth quarter of 2018 that it was the primary beneficiary of TRI when the Company took occupancy of the headquarters on October 15, 2018. Therefore, the VIE was consolidated in accordance with ASC 810, *Consolidation*, as of year-end. The Company assessed the impact of consolidating the VIE within the October 28, 2018 unaudited Condensed Consolidated Balance Sheets and determined it is immaterial to the interim financial statements.

14. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

Leases

On February 4, 2019, the Company adopted ASC 842 and related amendments. ASC 842 requires lessees to (i) recognize a right-of-use asset and a lease liability that is initially measured at the present value of the remaining lease payments, on the consolidated balance sheets, (ii) recognize a single lease cost, calculated over the lease term on a straight-line basis and (iii) classify lease related cash payments within operating and financing activities. The Company adopted ASC 842 utilizing the optional transition method, which allows guidance to be initially applied at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings. The Company elected the package of practical expedients, which allows the Company to forgo reassessing prior conclusions on lease definition, classification and initial direct costs related to existing leases as of the adoption date. The Company elected not to recognize short-term leases on the consolidated balance sheets and all non-lease components, such as common area maintenance, were excluded. Variable lease payments that do not depend on a rate of index and short-term rentals are expensed as incurred. The Company's existing lease arrangements consist of both operating leases and build-to-suit leases. Under ASC 842, the Company is still required to evaluate whether it is deemed to be the owner of the leased property for accounting purposes during the store construction period, however, the prescriptive rules under ASC 840 have been removed. The Company evaluated its existing build-to-suit leases as of the adoption date and determined that the Company is not the owner of the leased premises during the construction period, which resulted in the derecognition of its build-to-suit assets and liabilities that were previously reported on the Company's consolidated balance sheets. As of February 4, 2019, substantially all of the previous build-to-suit leases are classified as operating leases. The impact of the adoption was a $121.8 million ROU asset with an offsetting $115.5 million lease liability, which is net of $4.9 million of previously recognized straight-line operating lease adjustments on existing leases and $11.2 million of unamortized initial direct costs. The lease liabilities at February 4, 2019 reflect remaining lease payments discounted using an incremental borrowing rate based on the remaining lease term, as an implicit rate was not readily determinable for any of the Company's existing leases.

Recently Issued Accounting Pronouncements Not Yet Adopted

Intangibles – Goodwill and Other – Internal-use Software

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software* (Subtopic 350-40) ("ASU 2018-15"), which provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the new internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The new internal-use software guidance requires that certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The amendments in ASU 2018-15 are effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. The Company expects to adopt ASU 2018-15 on February 3, 2020, the first day of the Company's first quarter for the fiscal year ending January 31, 2021. The Company is currently in the process of evaluating the impact of the adoption of this standard on the Company's consolidated financial statements.

15. SUBSEQUENT EVENTS

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. There have been mandates from federal, state and local authorities requiring forced closures of non-essential retailers, which could negatively impact the Company's business. As of the date of this filing, a few of our stores have been temporarily closed with the remaining on reduced store hours. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in customer visits to, and spending at, the Company's stores caused by COVID-19 would result in loss of sales and profits and other material adverse effects.

DULUTH HOLDINGS INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended February 2, 2020, February 3, 2019 and January 28, 2018
(Amounts in thousands)

	Beginning Balance	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Ending Balance
Inventory reserve					
Year ended February 2, 2020	$ 2,420	$ (594)	$ —	$ —	$ 1,826
Year ended February 3, 2019	1,866	554	—	—	2,420
Year ended January 28, 2018	1,242	624	—	—	1,866
Product returns reserve					
Year ended February 2, 2020	$ 2,088	$ 1,420	$ —	$ —	$ 3,508
Year ended February 3, 2019	1,080	1,008	—	—	2,088
Year ended January 28, 2018	1,088	(8)	—	—	1,080

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. The Company carried out an evaluation, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures at the reasonable assurance level pursuant to Rule 13a-15 of the Exchange Act. 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 at the reasonable assurance level.

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 February 2, 2020. 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. Based on this assessment, management concluded that our internal control over financial reporting is effective as of February 2, 2020.

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 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 “Delinquent Section 16(a) Reports” in our definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 21, 2020 (the “Proxy Statement”). It is anticipated that our Proxy Statement will be filed with the Securities and Exchange Commission on or about April 8, 2020.

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., 201 East Front Street, Mount Horeb, Wisconsin, 53572. 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 19, 2020 in 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."

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)[1]
Equity compensation plans approved by security holders	—	$ —	4,403,566
Equity compensation plans not approved by security holders[2]	—	—	—
Total	—	$ —	4,403,566

(1) 3,002,534 shares are available under the Company's 2015 Equity Incentive Plan and 1,401,032 shares are available under the Company's Employee Stock Purchase Plan.

(2) All of our existing equity compensation plans have been approved by shareholders.

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 "Certain Relationships and Related Party Transactions" and "Proposal One: Election of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT 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: *Stephen L. Schlecht*

Stephen L. Schlecht
Executive Chairman and Chief Executive Officer

DATE: March 20, 2020

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/ Stephen L. Schlecht Stephen L. Schlecht	Executive Chairman and Chief Executive Officer (Principal Executive Officer)	March 20, 2020
/s/ David Loretta David Loretta	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 2020
/s/ Michael Murphy Michael Murphy	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 20, 2020

Directors: Stephen L. Schlecht, E. David Coolidge III, Francesca M. Edwardson, Thomas G. Folliard, David C. Finch, Brenda I. Morris and Scott K. Williams.

By: */s/ Dave Loretta* March 20, 2020
David Loretta
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 9, 2015.
3.2	Amended and Restated Bylaws of Duluth Holdings Inc., incorporated by reference to Exhibit 3.2 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.
4.1	Description of Registrant's Securities.
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 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.
10.4+	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.
10.5+	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.
10.6+	Restricted Stock Agreement between Duluth Holdings Inc. and Stephanie Pugliese, dated February 2, 2015, incorporated by reference to Exhibit 10.7 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 Al Dittrich, dated February 2, 2015, incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1 (File No. 333-207300), filed October 6, 2015.
10.8+	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.
10.9+	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.
10.10+	Summary of Outside Director Compensation Program.*
10.11+	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.
10.12+	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.
10.13	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.
10.14	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.

10.15	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.
10.16	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.
10.17	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.
10.18	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.
10.19+	Annual Incentive Plan, As Amended February 21, 2018.*
10.20+	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.
10.21+	Offer Letter Dated July 14, 2017 by and between Dave Loretta and Duluth Holdings Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated July 24, 2017.
10.22+	Form of Restrictive Covenant Agreement, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated July 24, 2017.
10.23	Credit Agreement, dated as of May 17, 2018, among Duluth Holdings Inc., as the borrower, BMO Harris Bank N.A., as Administrative Agent, Swingline Lender and L/C Issuer, the Other Lenders Party Thereto, and BMO Capital Markets Corp., as Sole Lead Arranger and Sole Book Runner, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 17, 2018.
10.24	General Security Agreement, dated of May 17, 2018, by and between Duluth Holdings Inc. and BMO Harris Bank N.A., incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated May 17, 2018.
10.25+	Form of First Amendment dated October 15, 2018 to Employment Agreement between Duluth Holdings Inc. and Al Dittrich dated August 5, 2015, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed December 7, 2018.
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 4.1

DULUTH HOLDINGS INC.

Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

General

Our authorized capital stock consists of 210,000,000 shares of common stock, no par value, and 10,000,000 shares of preferred stock, no par value. We have not issued any shares of preferred stock. Our common stock is divided into two classes, Class A common stock and Class B common stock. Our authorized Class A common stock consists of 10,000,000 shares and our authorized Class B common stock consists of 200,000,000 shares. As of February 2, 2020, we had 3,364,200 shares of Class A common stock outstanding and 29,172,369 shares of Class B common stock outstanding. Our Class B common stock is our only class of stock registered pursuant to Section 12(b) of the Exchange Act.

The following is a summary of the material terms and rights of our common stock and the provisions of our amended and restated articles of incorporation and our amended and restated bylaws, each of which is incorporated by reference as an exhibit to our Annual Report on Form 10-K for the year ended February 2, 2020, of which this exhibit is a part. This summary is not complete and you should refer to the applicable provisions of our amended and restated articles of incorporation and bylaws.

Common Stock

Except as otherwise expressly provided in our amended and restated articles of incorporation or as required by applicable law, the rights of holders of Class A common stock and Class B common stock are identical, except for voting and conversion rights.

Voting Rights. Holders of our Class A common stock and Class B common stock have identical rights, except for voting and conversion rights. Except as otherwise expressly provided in our amended and restated articles of incorporation or required by applicable law, on any matter that is submitted to a vote of our shareholders, holders of our Class A common stock are entitled to ten votes per share of Class A common stock and holders of our Class B common stock are entitled to one vote per share of Class B common stock. Except as otherwise expressly provided in our amended and restated articles of incorporation or required by applicable law, holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders.

Under our amended and restated articles of incorporation, we may not increase or decrease the authorized number of shares of Class A common stock or Class B common stock without the affirmative vote of the holders of a majority of the voting power of the outstanding shares of our capital stock entitled to vote, voting together as a single class. In addition, we may not issue any shares of Class A common stock (other than in connection with a reclassification or dividend), unless such issuance is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock.

Our amended and restated articles of incorporation do not provide for cumulative voting for the election of directors. Furthermore, we have not elected to preserve certain supermajority and class voting requirements that could otherwise, or that we could have elected to apply, to shares of our common stock under the Wisconsin Business Corporation Law (“WBCL”) because such common stock was authorized or issued prior to 1991.

Conversion Rights. Each share of Class A common stock is convertible at any time at the option of the holder into one share of Class B common stock. In addition, each share of Class A common stock will automatically without any further action, convert into one fully paid and nonassessable share of Class B common stock as follows: (i) at such date and time, or upon the occurrence of any event, specified by affirmative vote of holders of at least 66 2/3% of the outstanding shares of Class A common stock, voting as a single voting group; and (ii) upon any transfer, whether or not for value, except for certain transfers described in our amended and restated articles of incorporation, including transfers to family members, trusts solely for the benefit of the shareholder or his or her family members, partnerships, corporations and other entities exclusively owned by the shareholder or his or her family members and certain transfers to organizations that are exempt from taxation under Section 501(c)(3) of the Code. Once converted or transferred and converted into shares of Class B common stock, the Class A common stock will not be reissued.

Dividends. Any dividend or distributions paid or payable to the holders of shares of Class A common stock and Class B common stock shall be paid pro rata, on an equal priority, pari passu basis; provided, however, that if a dividend or distribution is paid in the form of Class A common stock or Class B common stock (or rights to acquire shares of Class A common stock or Class B common stock), then the holders of the Class A common stock shall receive Class A common stock (or rights to acquire shares of Class A common stock) and holders of Class B common stock shall receive Class B common stock (or rights to acquire shares of Class B common stock).

Subdivisions and Combinations. If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of all common stock will be subdivided or combined in the same proportion and manner.

Our Class B common stock is not convertible into any of the shares of our capital stock.

Transfer Agent

The transfer agent and registrar for our Class A common stock and Class B common stock is Computershare Trust Company, N.A.

NASDAQ Global Select Market

Our Class B common stock is listed on the NASDAQ Global Select Market under the trading symbol “DLTH.”

Anti-Takeover Effect of Governing Documents

So long as the outstanding shares of our Class A common stock represent a majority of the combined voting power of common stock, Stephen L. Schlecht will effectively control all matters submitted to our shareholders for a vote, as well as the overall management and direction of our company, which will have the effect of delaying, deferring or discouraging another person from acquiring control of our company.

After such time as the shares of our Class A common stock no longer represent a majority of the combined voting power of our common stock, the provisions of Wisconsin law, our amended and restated articles of incorporation and our amended and restated bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company.

Certain provisions of our amended and restated articles of incorporation and bylaws and of the WBCL may delay or make more difficult acquisitions or changes of control of the Company following the time after which we are no longer a controlled company unless they are approved by the board of directors. These provisions could have the effect of discouraging third parties from making proposals which shareholders may otherwise consider to be in their best interests. These provisions may also make it more difficult for third parties to replace our board of directors.

Articles of Incorporation and Bylaws

Our amended and restated articles of incorporated and our amended and restated bylaws include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our company, even after such time as the shares of our Class A common stock no longer represent a majority of the combined voting power of our common stock, including the following:

- *Dual Class Stock*. As described above, our amended and restated articles of incorporation provide for a dual class common stock structure, which provides Stephen L. Schlecht with the ability to control the outcome of matters requiring shareholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

- *Separate Class A Common Stock Vote for Certain Transactions*. Until the first date on which the outstanding shares of our Class A common stock represent less than 35% of the combined voting power of our common stock, any transaction that would result in a change in control of our company will require the approval of a majority of our outstanding Class A common stock voting as a separate class. This provision could delay or prevent the approval of a change in control that might otherwise be approved by a majority of outstanding shares of our Class A common stock and Class B common stock voting together on a combined basis.

- *Blank-Check Preferred Stock*. The authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change of control of our company.

- *Advance Notice Requirements for Shareholder Proposals and Director Nominations*. Our amended and restated bylaws provide advance notice procedures for shareholders seeking to bring business before the annual meeting of shareholders or to nominate candidates for election as directors at any meeting of the shareholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a shareholder’s notice. These provisions may preclude our shareholders from bringing matters before our annual meeting of shareholders or from making nominations for directors at our meetings of shareholders.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 20, 2020 with respect to the consolidated financial statements included in the Annual Report of Duluth Holdings Inc. on Form 10-K for the year ended February 2, 2020. We consent to the incorporation by reference of said report in the Registration Statements of Duluth Holdings Inc. on Form S-8 (File No. 333-230064, File No. 333-225364, File No. 333-223217, File No. 333-209540, File No. 333-208185, and File No. 333-216128).

/S/ GRANT THORNTON LLP

Chicago, Illinois

March 20, 2020

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 Schlecht and David Loretta, 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 February 2, 2020, 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 3rd day of March, 2020.

/s/ Stephen L. Schlecht	*/s/ Thomas G. Folliard*
Stephen L. Schlecht	Thomas G. Folliard
/s/ E. David Coolidge III	*/s/ Brenda I. Morris*
E. David Coolidge III	Brenda I. Morris
/s/ Francesca M. Edwardson	*/s/ Scott K. Williams*
Francesca M. Edwardson	Scott K. Williams
/s/ David C. Finch	
David C. Finch	

Exhibit 31.1

CERTIFICATIONS

I, Stephen L. Schlecht, 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 20, 2020

/s/ Stephen L. Schlecht
Stephen L. Schlecht
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, David Loretta, 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 20, 2020

/s/ David Loretta

David Loretta
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 February 2, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen L. Schlecht, 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/ Stephen L. Schlecht
Name:	**Stephen L. Schlecht**
Title:	**Chief Executive Officer**
Date:	**March 20, 2020**

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 February 2, 2020 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:	**March 20, 2020**

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.