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

FORM 10-Q

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

For the quarterly period ended October 29, 2023

OR

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

For the transition period from _______ to _______

Commission File Number 001-37641

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

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

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

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

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

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

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 number of shares outstanding of the Registrant's Class A common stock, no par value, as of November 29, 2023, was 3,364,200.
The number of shares outstanding of the Registrant's Class B common stock, no par value, as of November 29, 2023, was 31,111,061.

DULUTH HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED October 29, 2023
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	October 29, 2023	January 29, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,177	$ 45,548
Receivables	5,679	6,041
Income tax receivable	99	—
Inventory, less reserves of $1,334 and $1,837, respectively	173,966	154,922
Prepaid expenses & other current assets	15,597	15,154
Total current assets	203,518	221,665
Property and equipment, net	133,946	112,564
Operating lease right-of-use assets	125,125	131,753
Finance lease right-of-use assets, net	45,010	47,206
Available-for-sale security	4,867	5,539
Other assets, net	9,861	8,727
Deferred tax assets	3,686	—
Total assets	$ 526,013	$ 527,454

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

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

	October 29, 2023	January 29, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 53,522	$ 56,547
Accrued expenses and other current liabilities	31,776	40,815
Income taxes payable	—	1,761
Current portion of operating lease liabilities	16,067	15,571
Current portion of finance lease liabilities	3,047	2,842
Duluth line of credit	36,000	—
Current maturities of TRI long-term debt	827	768
Total current liabilities	141,239	118,304
Operating lease liabilities, less current maturities	110,450	117,366
Finance lease liabilities, less current maturities	35,104	37,425
TRI long-term debt, less current maturities	25,346	25,913
Deferred tax liabilities	—	1,249
Total liabilities	312,139	300,257
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of October 29, 2023 and January 29, 2023	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of October 29, 2023 and January 29, 2023	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 31,264 shares issued and 31,110 shares outstanding as of October 29, 2023 and 30,191 shares issued and 30,079 shares outstanding as of January 29, 2023	—	—
Treasury stock, at cost; 154 and 112 shares as of October 29, 2023 and January 29, 2023, respectively	(1,737)	(1,459)
Capital stock	102,565	98,842
Retained earnings	116,833	133,172
Accumulated other comprehensive loss	(553)	(148)
Total shareholders' equity of Duluth Holdings Inc.	217,108	230,407
Noncontrolling interest	(3,234)	(3,210)
Total shareholders' equity	213,874	227,197
Total liabilities and shareholders' equity	$ 526,013	$ 527,454

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

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

	Three Months Ended		Nine Months Ended	
	October 29, 2023	**October 30, 2022**	**October 29, 2023**	**October 30, 2022**
Net sales	$ 138,210	$ 147,126	$ 401,068	$ 411,541
Cost of goods sold (excluding depreciation and amortization)	68,806	70,205	194,530	191,949
Gross profit	69,404	76,921	206,538	219,592
Selling, general and administrative expenses	81,832	84,311	224,958	224,044
Operating loss	(12,428)	(7,390)	(18,420)	(4,452)
Interest expense	1,219	968	3,033	2,723
Other income, net	47	56	304	180
Loss before income taxes	(13,600)	(8,302)	(21,149)	(6,995)
Income tax benefit	(3,126)	(2,059)	(4,786)	(1,770)
Net loss	(10,474)	(6,243)	(16,363)	(5,225)
Less: Net loss attributable to noncontrolling interest	(8)	(26)	(24)	(82)
Net loss attributable to controlling interest	$ (10,466)	$ (6,217)	$ (16,339)	$ (5,143)
Basic earnings per share (Class A and Class B):				
Weighted average shares of common stock outstanding	32,987	32,792	32,937	32,759
Net loss per share attributable to controlling interest	$ (0.32)	$ (0.19)	$ (0.50)	$ (0.16)
Diluted earnings per share (Class A and Class B):				
Weighted average shares and equivalents outstanding	32,987	32,792	32,937	32,759
Net loss per share attributable to controlling interest	$ (0.32)	$ (0.19)	$ (0.50)	$ (0.16)

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

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

	Three Months Ended		Nine Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net loss	$ (10,474)	$ (6,243)	$ (16,363)	$ (5,225)
Other comprehensive income				
Securities available-for sale:				
Unrealized security loss arising during the period	(342)	(498)	(539)	(1,149)
Income tax benefit	(84)	(124)	(134)	(288)
Other comprehensive loss	(258)	(374)	(405)	(861)
Comprehensive loss	(10,732)	(6,617)	(16,768)	(6,086)
Comprehensive loss attributable to noncontrolling interest	(8)	(26)	(24)	(82)
Comprehensive loss attributable to controlling interest	$ (10,724)	$ (6,591)	$ (16,744)	$ (6,004)

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

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

	Nine Months Ended October 29, 2023						
	Capital stock						
	Shares	Amount	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest in variable interest entity	Total shareholders' equity
Balance at January 29, 2023	33,443	$ 98,842	$ (1,459)	$ 133,172	$ (148)	$ (3,210)	$ 227,197
Issuance of common stock	1,081	136	—	—	—	—	136
Stock-based compensation	—	990	—	—	—	—	990
Restricted stock forfeitures	(9)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(41)	—	(273)	—	—	—	(273)
Other comprehensive loss	—	—	—	—	(59)	—	(59)
Net loss	—	—	—	(3,869)	—	(8)	(3,877)
Balance at April 30, 2023	34,474	$ 99,968	$ (1,732)	$ 129,303	$ (207)	$ (3,218)	$ 224,114
Issuance of common stock	111	153	—	—	—	—	153
Stock-based compensation	—	1,294	—	—	—	—	1,294
Restricted stock forfeitures	(4)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(1)	—	—	—	(1)
Other comprehensive loss	—	—	—	—	(88)	—	(88)
Net loss	—	—	—	(2,004)	—	(8)	(2,012)
Balance at July 30, 2023	34,581	$ 101,415	$ (1,733)	$ 127,299	$ (295)	$ (3,226)	$ 223,460
Issuance of common stock	26	129	—	—	—	—	129
Stock-based compensation	—	1,021	—	—	—	—	1,021
Restricted stock forfeitures	(133)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(4)	—	—	—	(4)
Other comprehensive income	—	—	—	—	(258)	—	(258)
Net loss	—	—	—	(10,466)	—	(8)	(10,474)
Balance at October 29, 2023	34,474	$ 102,565	$ (1,737)	$ 116,833	$ (553)	$ (3,234)	$ 213,874

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

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

	Nine Months Ended October 30, 2022						
	Capital stock						
	Shares	Amount	Treasury stock	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
Balance at January 30, 2022	33,071	$ 95,515	$ (1,002)	$ 130,868	$ 489	$ (3,152)	$ 222,718
Issuance of common stock	292	166	—	—	—	—	166
Stock-based compensation	—	618	—	—	—	—	618
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(33)	—	(455)	—	—	—	(455)
Other comprehensive income	—	—	—	—	(336)	—	(336)
Net loss	—	—	—	(1,294)	—	(29)	(1,323)
Balance at May 1, 2022	33,329	$ 96,299	$ (1,457)	$ 129,574	$ 153	$ (3,181)	$ 221,388
Issuance of common stock	56	147	—	—	—	—	147
Stock-based compensation	—	656	—	—	—	—	656
Restricted stock forfeitures	(44)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(1)	—	—	—	(1)
Other comprehensive income	—	—	—	—	(151)	—	(151)
Net income (loss)	—	—	—	2,368	—	(27)	2,341
Balance at July 31, 2022	33,341	$ 97,102	$ (1,458)	$ 131,942	$ 2	$ (3,208)	$ 224,380
Issuance of common stock	79	149	—	—	—	—	149
Stock-based compensation	—	726	—	—	—	—	726
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(1)	—	—	—	(1)
Other comprehensive loss	—	—	—	—	(374)	—	(374)
Net loss	—	—	—	(6,217)	—	(26)	(6,243)
Balance at October 30, 2022	33,419	$ 97,977	$ (1,459)	$ 125,725	$ (372)	$ (3,234)	$ 218,637

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

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

	Nine Months Ended	
	October 29, 2023	October 30, 2022
Cash flows from operating activities:		
Net loss	$ (16,363)	$ (5,225)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	23,434	22,946
Stock based compensation	3,305	2,000
Deferred income taxes	(4,800)	(8)
Loss on disposal of property and equipment	37	40
Changes in operating assets and liabilities:		
Receivables	362	(1,011)
Income taxes receivable	(99)	(1,452)
Inventory	(19,044)	(82,045)
Prepaid expense & other current assets	(952)	(1,107)
Software hosting implementation costs, net	(800)	(318)
Deferred catalog costs	—	(1)
Trade accounts payable	(10,171)	34,719
Income taxes payable	(1,761)	(6,814)
Accrued expenses and deferred rent obligations	(3,691)	(13,377)
Other assets	20	(436)
Noncash lease impacts	(483)	1,081
Net cash used in operating activities	(31,006)	(51,008)
Cash flows from investing activities:		
Purchases of property and equipment	(39,958)	(24,245)
Principal receipts from available-for-sale security	133	120
Proceeds from disposals	—	8
Net cash used in investing activities	(39,825)	(24,117)
Cash flows from financing activities:		
Proceeds from line of credit	53,000	10,000
Payments on line of credit	(17,000)	—
Payments on TRI long term debt	(564)	(509)
Payments on finance lease obligations	(2,116)	(2,015)
Payments of tax withholding on vested restricted shares	(278)	(457)
Other	418	462
Net cash provided by financing activities	33,460	7,481
Decrease in cash and cash equivalents	(37,371)	(67,644)
Cash and cash equivalents at beginning of period	45,548	77,051
Cash and cash equivalents at end of period	$ 8,177	$ 9,407
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,033	$ 2,723
Income taxes paid	$ 1,875	$ 6,626
Supplemental disclosure of non-cash information:		
Unpaid liability to acquire property and equipment	$ 8,391	$ 1,540

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

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

A. Nature of Operations

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

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

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

B. Basis of Presentation

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

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2023 is a 52-week period and ends on January 28, 2024. Fiscal 2022 was a 52-week period and ended on January 29, 2023. The three months of fiscal 2023 and fiscal 2022 represent the Company's 13-week periods ended October 29, 2023 and October 30, 2022, respectively.

The accompanying condensed consolidated financial statements as of and for the three and nine months ended October 29, 2023 and October 30, 2022 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations as of and for the three and nine months ended October 29, 2023 and October 30, 2022. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the fiscal year ended January 29, 2023.

C. Impairment Analysis

As of October 29, 2023 and for the three and nine months ended, no triggering events or indicators of asset impairment were noted.

D. Inventory

Inventory, consisting of purchased product, is valued at the lower of cost or 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. Both estimates have calculations that require the Company to make assumptions and apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends. Inventory is adjusted periodically to reflect current market conditions, which requires management's judgment that may significantly affect the ending inventory valuation, as well as gross margin.

The reserve for inventory shrinkage is adjusted to reflect the trend of historical physical inventory count results. The Company performs its retail store physical inventory counts in July and the difference between actual and estimated shrinkage, recorded in Cost of goods sold, may cause fluctuations in second fiscal quarter results.

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

E. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

(in thousands)	October 29, 2023	January 29, 2023
Prepaid expenses & other current assets		
Pending returns inventory, net	$ 2,094	$ 2,373
Current software hosting implementation costs, net	3,729	3,074
Other prepaid expenses	9,774	9,707
Prepaid expenses & other current assets	$ 15,597	$ 15,154
Other assets, net		
Goodwill	$ 402	$ 402
Intangible assets, net	436	450
Non-current software hosting implementation costs	7,457	6,148
Other assets, net	1,566	1,727
Other assets, net	$ 9,861	$ 8,727

F. Seasonality of Business

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

G. Cash and Cash Equivalents

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

H. Reclassifications

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. The Company reclassified $4.2 million and ($4.2) million from Property, Plant & Equipment and Prepaid Expenses, respectively, in the prior period. There were no changes to previously reported shareholders' equity, statement of cash flows or net income (loss) as a result of the reclassifications.

I. Significant Accounting Policies

There have been no significant changes to the Company’s significant accounting policies as described in the Company’s Annual Report on Form 10-K for the year ended January 29, 2023.

2. LEASES

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

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

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

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

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

	Consolidated Statement	Three Months Ended		Nine Months Ended	
(in thousands)	of Operations	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Finance lease expenses					
Amortization of right-of-use assets	Selling, general and administrative expenses	$ 840	$ 840	$ 2,520	$ 2,520
Interest on lease liabilities	Interest expense	423	452	1,292	1,377
Total finance lease expense		$ 1,263	$ 1,292	$ 3,812	$ 3,897
Operating lease expense	Selling, general and administrative expenses	$ 5,074	$ 5,045	$ 15,175	$ 14,151
Amortization of build-to-suit leases capital contribution	Selling, general and administrative expenses	321	321	963	963
Variable lease expense	Selling, general and administrative expenses	2,685	2,634	8,158	7,079
Total lease expense		$ 9,343	$ 9,292	$ 28,108	$ 26,090

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

Other information related to leases were as follows:

	Nine Months Ended	
(in thousands)	October 29, 2023	October 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 2,116	$ 2,015
Operating cash flows from finance leases	$ 1,293	$ 1,377
Operating cash flows from operating leases	$ 15,562	$ 13,577
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 5,174	$ 24,028
Weighted-average remaining lease term (in years):		
Finance leases	11	11
Operating leases	8	8
Weighted-average discount rate:		
Finance leases	4.4%	4.4%
Operating leases	4.2%	4.1%

Future minimum lease payments under the non-cancellable leases are as follows as of October 29, 2023:

Fiscal year	**Finance**	**Operating**
(in thousands)		
2023 (remainder of fiscal year)	$ 1,143	$ 5,282
2024	4,736	21,005
2025	5,098	20,514
2026	3,993	19,660
2027	3,993	18,410
Thereafter	29,232	63,425
Total future minimum lease payments	$ 48,195	$ 148,296
Less – Discount	(10,044)	(21,779)
Lease liability	$ 38,151	$ 126,517

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

3. DEBT AND CREDIT AGREEMENT

Debt consists of the following:

(in thousands)	October 29, 2023	January 29, 2023
TRI Senior Secured Note	$ 22,673	$ 23,181
TRI Note	3,500	3,500
	$ 26,173	$ 26,681
Less: current maturities	827	768
TRI long-term debt	$ 25,346	$ 25,913
Duluth Line of credit	$ 36,000	$ —
Less: current maturities	36,000	—
Duluth long-term debt	$ —	$ —

TRI Holdings, LLC

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

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

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

Credit Agreement

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

On July 8, 2022, the Company entered into the First Amendment to the Credit Agreement (the “First Amendment”), which was treated as a modification for accounting purposes. The First Amendment amends the Credit Agreement in order to (i) increase the revolving commitment from $150.0 million to $200.0 million; (ii) extend the maturity date from May 14, 2026 to July 8, 2027; (iii) amend the pricing index to replace BSBY with the Term Secured Overnight Financing Rate; and (iv) reduce the commitment fee in some instances.

As of October 29, 2023 and for the nine months then ended, the Company was in compliance with all financial and non-financial covenants contained within the Credit Agreement and the First Amendment.

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

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

(in thousands)	October 29, 2023	January 29, 2023
Salaries and benefits	$ 4,287	$ 2,404
Deferred revenue	7,651	10,249
Freight	4,773	7,193
Product returns	4,471	5,168
Unpaid purchases of property & equipment	622	6,271
Accrued advertising	1,284	2,020
Other	8,688	7,510
Total accrued expenses and other current liabilities	$ 31,776	$ 40,815

5. FAIR VALUE

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

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

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

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

The Company's assets and liabilities measured at fair value are categorized as Level 1 or Level 3 instruments. The fair value of the Company's money market account is obtained from real-time quotes for transactions in active exchange markets involving identical assets (Level 1). The fair value of the Company's available-for-sale security was valued based on a discounted cash flow method (Level 3), which incorporates the U.S. Treasury yield curve, credit information and an estimate of future cash flows. During the nine months ended October 29, 2023, certain changes in the inputs did impact the fair value of the available-for-sale security. The calculated fair value is based on estimates that are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

	October 29, 2023			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1 security:				
Money market funds	$ —	$ —	$ —	$ —
Level 3 security:				
Corporate trust	$ 5,604	$ —	$ (737)	$ 4,867

	January 29, 2023			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1 security:				
Money market funds	$ 25,031	$ —	$ —	$ 25,031
Level 3 security:				
Corporate trust	$ 5,737	$ —	$ (198)	$ 5,539

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

No other-than-temporary impairment was recorded in the unaudited condensed consolidated statements of operations for the nine months ended October 29, 2023 or October 30, 2022.

The following table presents future principal receipts related to the Company's available-for-sale security by contractual maturity as of October 29, 2023.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 195	$ 146
After one year through five years	1,291	1,045
After five years through ten years	1,947	1,701
After ten years	2,171	1,975
Total	$ 5,604	$ 4,867

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

	October 29, 2023		January 29, 2023	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TRI Long-term debt, including short-term portion	$ 26,173	$ 22,681	$ 26,681	$ 26,172

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

6. VARIABLE INTEREST ENTITY

Based upon the criteria set forth in ASC 810, *Consolidation*, the Company consolidates variable interest entities ("VIEs") in which it has a controlling financial interest and is therefore deemed the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance; and (b) the obligation to absorb the VIE losses and the right to receive benefits that are significant to the VIE. The Company has determined that it was the primary beneficiary of one variable interest entity ("VIE") as of October 29, 2023 and January 29, 2023.

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

The condensed consolidated balance sheets include the following amounts as a result of the consolidation of TRI as of October 29, 2023 and January 29, 2023:

(in thousands)	October 29, 2023	January 29, 2023
Cash	$ 33	$ 20
Property and equipment, net	23,096	23,612
Total assets	$ 23,129	$ 23,632
Other current liabilities	$ 190	$ 161
Current maturities of long-term debt	827	768
TRI long-term debt	25,346	25,913
Noncontrolling interest in VIE	(3,234)	(3,210)
Total liabilities and shareholders' equity	$ 23,129	$ 23,632

7. LOSS PER SHARE

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

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data)	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Numerator - net loss attributable to controlling interest	$ (10,466)	$ (6,217)	$ (16,339)	$ (5,143)
Denominator - weighted average shares (Class A and Class B)				
Basic	32,987	32,792	32,937	32,759
Dilutive shares	—	—	—	—
Diluted	32,987	32,792	32,937	32,759
Loss per share (Class A and Class B)				
Basic	$ (0.32)	$ (0.19)	$ (0.50)	$ (0.16)
Diluted	$ (0.32)	$ (0.19)	$ (0.50)	$ (0.16)

The computation of diluted loss per share excluded 0.1 million and 0.5 million shares of unvested restricted stock for the three and nine months ended October 29, 2023, respectively, because their inclusion would be anti-dilutive due to a net loss.

The computation of diluted loss per share excluded (0.1) million and 0.2 million shares of unvested restricted stock for the three and nine months ended October 30, 2022, respectively, because the inclusion of dilutive potential common shares outstanding would be anti-dilutive due to a net loss.

8. STOCK-BASED COMPENSATION

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

Total stock compensation expense associated with restricted stock recognized by the Company was $1.0 million and $3.3 million for the three and nine months ended October 29, 2023, respectively. The Company's total stock compensation expense is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

A summary of the activity in the Company's unvested restricted stock during the nine months ended October 29, 2023 is as follows:

	Shares	Weighted average fair value per share
Outstanding at January 29, 2023	618,772	$ 12.05
Granted	1,164,752	6.52
Vested	(163,434)	12.23
Forfeited	(145,883)	8.12
Outstanding at October 29, 2023	1,474,207	$ 8.33

At October 29, 2023, the Company had unrecognized compensation expense of $8.0 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 2.4 years.

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

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	October 29, 2023	January 29, 2023
Land and land improvements	$ 4,486	$ 4,486
Leasehold improvements	56,724	49,450
Buildings	36,191	36,183
Vehicles	121	161
Warehouse equipment	67,337	25,951
Office equipment and furniture	54,501	53,713
Computer equipment	10,724	9,185
Software	40,723	36,260
	270,807	215,389
Accumulated depreciation and amortization	(138,984)	(118,989)
	131,823	96,400
Construction in progress	2,123	16,164
Property and equipment, net	$ 133,946	$ 112,564

10. REVENUE

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

Sales disaggregated based upon sales channel is presented below.

	Three Months Ended		Nine Months Ended	
(in thousands)	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Direct-to-consumer	$ 87,015	$ 90,999	$ 253,362	$ 254,000
Stores	51,195	56,127	147,706	157,541
	$ 138,210	$ 147,126	$ 401,068	$ 411,541

Contract Assets and Liabilities

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

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

(in thousands)	October 29, 2023	January 29, 2023
Contract assets	$ 2,094	$ 2,373
Contract liabilities	$ 7,651	$ 10,249

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

(in thousands)	October 29, 2023	October 30, 2022
Balance as of beginning of period	$ 10,249	$ 10,791
Gift cards sold	6,717	5,731
Gift cards redeemed	(9,055)	(8,720)
Gift card breakage	(260)	(307)
Balance as of end of period	$ 7,651	$ 7,495

11. INCOME TAXES

The provision for income taxes for the interim period is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. The effective tax rate related to controlling interest was 23% and 26% for the nine months ended October 29, 2023 and October 30, 2022, respectively. The income from TRI was excluded from the calculation of the Company's effective tax rate, as TRI is a limited liability company and not subject to income taxes.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses, otherwise known as "CECL". In addition, this guidance changes the recognition for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk and requires additional disclosures. On November 15, 2019, the FASB issued ASU No. 2019-10 *"Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815, and Leases (Topic 842),"* (ASU 2019-10"), which provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. ASU 2019-10 amends the effective dates for ASU 2016-13 for smaller reporting companies with fiscal years beginning after December 15, 2022, and interim periods within those years. The Company adopted ASU 2016-13 on January 30, 2023, the first day of the Company's first quarter for the fiscal year ending January 28, 2024, the Company's fiscal year 2023. The adoption of the standard did not have a material impact on the Company's consolidated financial results.

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

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and related notes of Duluth Holdings Inc. included in Item 1of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023 ("2022 Form 10-K").

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2023 is a 52-week period and ends on January 28, 2024. Fiscal 2022 was a 52-week period and ended on January 29, 2023. The three months of fiscal 2023 and fiscal 2022 represent our 13-week periods ended October 29, 2023 and October 30, 2022, respectively.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. All statements other than statements of historical or current facts included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "could," "estimate," "expect," "project," "plan," "potential," "intend," "believe," "may," "might," "will," "objective," "should," "would," "can have," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenue, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements, including the risks and uncertainties described under Part I, Item 1A "Risk Factors," in our 2022 Form 10-K, and other SEC filings, which factors are incorporated by reference herein. These risks and uncertainties include, but are not limited to, the following: the impact of inflation and measures to control inflation on our results of operations; the prolonged effects of economic uncertainty on store traffic and disruptions to our distribution network, supply chains and operations; our ability to maintain and enhance a strong brand and sub-brand image; adapting to declines in consumer confidence, inflation and decreases in consumer spending; effectively adapting to new challenges associated with our expansion into new geographic markets; our ability to meet customer delivery time expectations; natural disasters, unusually adverse weather conditions, boycotts, prolonged public health crises, epidemics or pandemics and unanticipated events; generating adequate cash from our existing stores and direct sales to support our growth; the impact of changes in corporate tax regulations and sales tax; identifying and responding to new and changing customer preferences; the success of the locations in which our stores are located; effectively relying on sources for merchandise located in foreign markets; transportation delays and interruptions, including port congestion; inability to timely and effectively obtain shipments of products from our suppliers and deliver merchandise to our customers; the inability to maintain the performance of a maturing store portfolio; our inability to deploy marketing tactics to strengthen brand awareness and attract new customers in a cost effective manner; our ability to successfully open new stores; competing effectively in an environment of intense competition; our ability to adapt to significant changes in sales due to the seasonality of our business; price reductions or inventory shortages resulting from failure to purchase the appropriate amount of inventory in advance of the season in which it will be sold due to global market constraints; the potential for further increases in price and availability of raw materials; our dependence on third-party vendors to provide us with sufficient quantities of merchandise at acceptable prices; 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; increases in costs of fuel or other energy, transportation or utility costs and in the costs of labor and employment; failure of our information technology systems to support our current and growing business, before and after our planned upgrades; disruptions in our supply chain and fulfillment 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 other factors that may be disclosed in our SEC filings or otherwise.

Moreover, we operate in an evolving environment, new risk factors and uncertainties emerge from time to time and it is not possible for management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We qualify all of our forward-looking statements by these cautionary statements.

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

Overview

We are a lifestyle brand of men's and women's casual wear, workwear and accessories sold primarily through our own omnichannel platform. We offer products nationwide through our website and catalog. In 2010, we initiated our omnichannel platform with the opening of our first store. Since then, we have expanded our retail presence, and as of October 29, 2023, we operated 62 retail stores and three outlet stores.

We offer a comprehensive line of innovative, durable and functional products, such as our Longtail T® shirts, Buck Naked™ underwear, Fire Hose® work pants, and No-Yank® Tank, which reflect our position as the Modern, Self-Reliant American Lifestyle brand. Our brand has a heritage in workwear that transcends tradesmen and appeals to a broad demographic for everyday and on-the-job use.

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

A summary of our financial results is as follows:

- Net sales decreased by 6.1% over the prior year third quarter to $138.2 million, and net sales in the first nine months of fiscal 2023 decreased by 2.5% over the first nine months of the prior year to $401.1 million;
- Net loss of $10.5 million in fiscal 2023 third quarter compared to the prior year third quarter net loss of $6.2 million, and net loss in the first nine months of fiscal 2023 of $16.4 million compared to net loss in the first nine months of fiscal 2022 of $5.2 million; and
- Adjusted EBITDA decreased to ($1.6) million in fiscal 2023 third quarter compared to the prior year third quarter Adjusted EBITDA of $1.7 million, and adjusted EBITDA in the first nine months of fiscal 2023 of $12.3 million compared to $22.9 million over the first nine months of fiscal 2022.

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

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

Economic Conditions

The United States economy has experienced continued high inflation throughout 2023. The ultimate impact of higher inflationary periods on our operational and financial performance still depends on future developments outside of our control. Given the uncertainty, we cannot reasonably estimate store traffic patterns and the prolonged impact on overall consumer demand.

How We Assess the Performance of Our Business

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

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue collected from our customers, less returns and discounts. Direct-to-consumer sales are recognized upon shipment of the product and store sales are recognized at the point of sale.

Gross Profit

Gross profit is equal to our net sales less cost of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. Cost of goods sold includes the direct cost of purchased merchandise; inventory shrinkage; inventory adjustments due to obsolescence, including excess and slow-moving inventory and lower of cost and net realizable reserves; inbound freight; and freight from our distribution centers to our retail stores. The primary drivers of the costs of individual goods are raw material costs. Depreciation and amortization are excluded from gross profit. We expect gross profit to increase to the extent that we successfully grow our net sales. Our gross profit may not be comparable to other retailers, as we do not include distribution network and store occupancy expenses in calculating gross profit, but instead we include them in selling, general and administrative expenses.

Selling, General and Administrative Expenses

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

Adjusted EBITDA

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

We define Adjusted EBITDA as consolidated net income before depreciation and amortization, interest expense and provision for income taxes adjusted for the impact of certain items, including non-cash and other items we do not consider representative of our ongoing operating performance. We believe Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other items. We also use Adjusted EBITDA as the key financial metric in determining bonus compensation for our employees. This non-GAAP measure may not be comparable to similarly titled measures used by other companies.

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
(in thousands)				
Net sales	$ 138,210	$ 147,126	$ 401,068	$ 411,541
Cost of goods sold (excluding depreciation and amortization)	68,806	70,205	194,530	191,949
Gross profit	69,404	76,921	206,538	219,592
Selling, general and administrative expenses	81,832	84,311	224,958	224,044
Operating loss	(12,428)	(7,390)	(18,420)	(4,452)
Interest expense	1,219	968	3,033	2,723
Other income, net	47	56	304	180
Loss before income taxes	(13,600)	(8,302)	(21,149)	(6,995)
Income tax benefit	(3,126)	(2,059)	(4,786)	(1,770)
Net loss	(10,474)	(6,243)	(16,363)	(5,225)
Less: Net loss attributable to noncontrolling interest	(8)	(26)	(24)	(82)
Net loss attributable to controlling interest	$ (10,466)	$ (6,217)	$ (16,339)	$ (5,143)
Percentage of Net sales:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %

Cost of goods sold (excluding depreciation and amortization)	49.8 %	47.7 %	48.5 %	46.6 %
Gross margin	50.2 %	52.3 %	51.5 %	53.4 %
Selling, general and administrative expenses	59.2 %	57.3 %	56.1 %	54.4 %
Operating loss	(9.0)%	(5.0)%	(4.6)%	(1.1)%
Interest expense	0.9 %	0.7 %	0.8 %	0.7 %
Other income, net	- %	- %	- %	- %
Loss before income taxes	(9.8)%	(5.6)%	(5.3)%	(1.7)%
Income tax benefit	(2.3)%	(1.4)%	(1.2)%	(0.4)%
Net loss	(7.6)%	(4.2)%	(4.1)%	(1.3)%
Less: Net loss attributable to noncontrolling interest	- %	- %	- %	- %
Net loss attributable to controlling interest	(7.6)%	(4.2)%	(4.1)%	(1.2)%

Three Months Ended October 29, 2023, Compared to Three Months Ended October 30, 2022

Net Sales

Net sales decreased $8.9 million, or 6.1%, to $138.2 million in the three months ended October 29, 2023 compared to $147.1 million in the three months ended October 30, 2022 primarily due to declines in store traffic, partially offset by improved online conversion rates compared to the prior year.

Store market net sales decreased $7.2 million, or 6.9%, to $96.6 million in the three months ended October 29, 2023 compared to $103.8 million in the three months ended October 30, 2022. Non-store market net sales decreased by $1.5 million, or 3.5%, to $40.8 million in the three months ended October 29, 2023 compared to $42.3 million in the three months ended October 30, 2022.

Gross Profit

Gross profit decreased $7.5 million, or 9.8%, to $69.4 million in the three months ended October 29, 2023 compared to $76.9 million in the three months ended October 30, 2022. As a percentage of net sales, gross margin decreased to 50.2% of net sales in the three months ended October 29, 2023, compared to 52.3% of net sales in the three months ended October 30, 2022.

The decrease in gross margin was primarily driven by a lower mix of full price sales as compared to promotional sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $2.5 million, or 2.9%, to $81.8 million in the three months ended October 29, 2023 compared to $84.3 million in the three months ended October 30, 2022. Selling, general and administrative expenses as a percentage of net sales increased to 59.2% in the three months ended October 29, 2023, compared to 57.3% in the three months ended October 30, 2022.

The decrease in selling, general and administrative expense was due to a slight decrease in advertising spending and efficiencies across the fulfillment center network, partially offset by higher personnel costs and higher depreciation from ongoing strategic investments.

Income Taxes

Income tax benefit was $3.1 million in the three months ended October 29, 2023, compared to income tax benefit of $2.1 million in the three months ended October 30, 2022. The effective tax rate related to controlling interest for the three months ended October 29, 2023 and October 30, 2022 was 23% and 25%, respectively.

Net Loss Attributable to Controlling Interest

Net loss attributable to controlling interest was $10.5 million, in the three months ended October 29, 2023 compared to net loss of $6.2 million in the three months ended October 30, 2022, due to the factors discussed above.

Nine Months Ended October 29, 2023 Compared to Nine Months Ended October 30, 2022

Net Sales

Net sales decreased $10.4 million, or 2.5%, to $401.1 million in the nine months ended October 29, 2023 compared to $411.5 million in the nine months ended October 30, 2022.

Store market net sales decreased $9.7 million, or 3.4%, to $279.6 million in the nine months ended October 29, 2023 compared to $289.3 million in the nine months ended October 30, 2022. The decrease was primarily driven by slower store traffic compared to the prior year. Non-store market net sales decreased slightly by $0.1 million, or 0.1%, to $118.8 million in the nine months ended October 29, 2023 compared to $118.9 million in the nine months ended October 30, 2022.

Gross Profit

Gross profit decreased $13.1 million, or 5.9%, to $206.5 million in the nine months ended October 29, 2023 compared to $219.6 million in the nine months ended October 30, 2022. As a percentage of net sales, gross margin decreased to 51.5% of net sales in the nine months ended October 29, 2023, compared to 53.4% of net sales in the nine months ended October 30, 2022.

The decrease in gross margin was primarily driven by a lower mix of full price sales as compared to promotional sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $0.9 million, or 0.4%, to $224.9 million in the nine months ended October 29, 2023 compared to $224.0 million in the nine months ended October 30, 2022. Selling, general and administrative expenses as a percentage of net sales increased to 56.1% in the nine months ended October 29, 2023, compared to 54.4% in the nine months ended October 30, 2022.

The increase in selling, general and administrative expense was due to higher occupancy costs from the new automated Southeast fulfillment center, as well as investments in new headcount, partially offset by cost efficiencies across the fulfillment centers.

Income Taxes

Income tax benefit was $4.8 million in the nine months ended October 29, 2023, compared to income tax benefit of $1.8 million in the nine months ended October 30, 2022. The effective tax rate related to controlling interest was 23% for the nine months ended October 29, 2023 compared to 26% for the nine months ended October 30, 2022.

Net Loss Attributable to Controlling Interest

Net loss attributable to controlling interest was $16.3 million in the nine months ended October 29, 2023 compared to net loss of $5.1 million in the nine months ended October 30, 2022, due to the factors discussed above.

Reconciliation of Net Loss to EBITDA and EBITDA to Adjusted EBITDA

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

	Three Months Ended		Nine Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
(in thousands)				
Net loss	$ (10,474)	$ (6,243)	$ (16,363)	$ (5,225)
Depreciation and amortization	8,566	7,572	23,434	22,946
Amortization of internal-use software hosting subscription implementation costs	1,227	783	3,647	2,203
Interest expense	1,219	968	3,033	2,723
Income tax benefit	(3,126)	(2,059)	(4,786)	(1,770)
EBITDA	$ (2,588)	$ 1,021	$ 8,965	$ 20,877
Stock based compensation	1,021	726	3,305	2,000
Adjusted EBITDA	$ (1,567)	$ 1,747	$ 12,270	$ 22,877

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA decreased $3.3 million to ($1.6) million in the three months ended October 29, 2023 compared to $1.7 million in the three months ended October 30, 2022. As a percentage of net sales, Adjusted EBITDA decreased to (1.1%) of net sales in the three months ended October 29, 2023 compared to 1.2% of net sales in the three months ended October 30, 2022.

As a result of the factors discussed above in the "Results of Operations" section, Adjusted EBITDA decreased $10.6 million to $12.3 million in the nine months ended October 29, 2023 compared to $22.9 million in the nine months ended October 30, 2022. As a percentage of net sales, Adjusted EBITDA decreased to 3.1% of net sales in the nine months ended October 29, 2023 compared to 5.6% of net sales in the nine months ended October 30, 2022.

Liquidity and Capital Resources

General

Our business relies on cash from operating activities and a credit facility as our primary sources of liquidity. Our primary cash needs have been for inventory, marketing and advertising, payroll, store leases, and capital expenditures associated with infrastructure and information technology. The most significant components of our working capital are cash, inventory, accounts payable and other current liabilities. At October 29, 2023, our net working capital was $62.3 million, including $8.2 million of cash and cash equivalents.

We expect to spend approximately $55.0 million in fiscal 2023 on capital expenditures, inclusive of software hosting implementation costs, primarily due to investments in logistics optimization, including investments in the fulfillment network and information technology. Due to the seasonality of our business, a significant amount of cash from operating activities is generated during the fourth quarter of our fiscal year. We also use cash in our investing activities for capital expenditures throughout all four quarters of our fiscal year.

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

Cash Flow Analysis

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

	Nine Months Ended	
	October 29, 2023	October 30, 2022
(in thousands)		
Net cash used in operating activities	$ (31,006)	$ (51,008)
Net cash used in investing activities	(39,825)	(24,117)
Net cash provided by financing activities	33,460	7,481
Decrease in cash and cash equivalents	$ (37,371)	$ (67,644)

Net Cash Used in Operating Activities

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

For the nine months ended October 29, 2023, net cash used in operating activities was $31.0 million, which primarily consisted of cash used in operating assets and liabilities of $36.6 million and a $16.4 million net loss for the nine months ended October 29, 2023 partially offset by depreciation of $23.4 million. The cash used in operating assets and liabilities of $36.6 million was primarily due to a $19.0 million increase in inventory and $10.2 million decrease in trade accounts payable.

For the nine months ended October 30, 2022, net cash used in operating activities was $51.0 million, which primarily consisted of cash used in operating assets and liabilities of $70.8 million. The cash used in operating assets and liabilities of $70.8 million was primarily due to an $82.0 million increase in inventory and a $13.4 million decrease in accrued expenses, partially offset by a $34.7 million increase in trade accounts payable.

Net Cash Used in Investing Activities

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

For the nine months ended October 29, 2023 and October 30, 2022, net cash used in investing activities was $39.8 million and $24.1 million, respectively, and was primarily driven by new investments in the fulfillment network, most notably the new automated Southeast fulfillment center, coupled with foundational investments in information technology.

Net Cash Provided by Financing Activities

Financing activities consist primarily of borrowings and payments related to our revolving line of credit as well as payments on finance lease obligations.

For the nine months ended October 29, 2023, net cash provided by financing activities was $33.5 million, primarily consisting of $36.0 million in net borrowings under our revolving line of credit.

For the nine months ended October 30, 2022, net cash provided by financing activities was $7.5 million, primarily consisting of $10.0 million in borrowings under our revolving line of credit, partially offset by payments on finance lease obligations.

Contractual Obligations

There have been no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Critical Accounting Estimates

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

As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in our 2022 Form 10-K.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risks described in our 2022 Form 10-K. See Note 3 “Debt and Credit Agreement,” of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1, of this quarterly report on Form 10-Q, for disclosure on our interest rate related to borrowings under our credit agreement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that may have a material adverse effect on our business, financial condition and results of operations. For a detailed discussion of the risks that affect our business, please refer to the section entitled "Risk Factors" in our 2022 Form 10-K, or other SEC filings. There have been no material changes to our risk factors as previously disclosed in our fiscal 2022 Annual Report on Form 10-K.

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

We did not sell any equity securities during the quarter ended October 29, 2023, which were not registered under the Securities Act.

The following table contains information of shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees' restricted stock during the three months ended October 29, 2023.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet to be purchased under the plans or programs
July 31, 2023 - August 27, 2023	135	$ 7.30	—	$ —
August 28, 2023 - October 1, 2023	1,567	6.00	—	—
October 2, 2023 - October 29, 2023	—	—	—	—
Total	1,702	$ 6.10	—	$ —

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities and Exchange Act, as amended.*
31.2	Certification of Interim 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 Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended October 29, 2023 has been formatted in Inline XBRL (Inline Extensible Business Reporting Language and contained in Exhibits 101).

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* Filed herewith

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

SIGNATURES

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

Date: December 1, 2023

DULUTH HOLDINGS INC.
(Registrant)

/s/ Michael Murphy

Michael Murphy
Vice President, Chief Accounting Officer and Interim Chief Financial Officer (On behalf of the Registrant and as Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

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

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

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

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

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

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

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

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

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

Date: December 1, 2023

/s/ Sam Sato
Sam Sato
Chief Executive officer

Exhibit 31.2

CERTIFICATIONS

I, Michael Murphy, Interim Chief Financial Officer, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

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

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

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

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

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

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

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

Date: December 1, 2023

/s/ Michael Murphy
Michael Murphy
Interim Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "Company") for the quarterly period ended October 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam Sato, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

	/s/ Sam Sato
Name:	**Sam Sato**
Title:	**Chief Executive Officer**
Date:	**December 1, 2023**

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "Company") for the quarterly period ended October 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Murphy, as Interim 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/ Michael Murphy
Name:	**Michael Murphy**
Title:	**Interim Chief Financial Officer**
Date:	**December 1, 2023**

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.