UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2021

OR

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

Commission File Number: 01-34219

DESTINATION XL GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-2623104** (I.R.S. Employer Identification No.)
555 Turnpike Street **Canton, MA** (Address of principal executive offices)	**02021** (Zip Code)

Registrant's telephone number, including area code: (781) 828-9300

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
	DXLG	

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 ☒

As of August 13, 2021, the registrant had 63,549,426 shares of common stock, $0.01 par value per share, outstanding.

DESTINATION XL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

		July 31, 2021 (Fiscal 2021)		January 30, 2021 (Fiscal 2020)
ASSETS				
Current assets:				
Cash and cash equivalents	$	5,845	$	18,997
Accounts receivable		2,010		6,416
Inventories		73,368		85,028
Prepaid expenses and other current assets		5,757		3,689
Total current assets		86,980		114,130
Non-current assets:				
Property and equipment, net of accumulated depreciation and amortization		48,808		56,552
Operating lease right-of-use assets		124,946		134,321
Intangible assets		1,150		1,150
Other assets		568		602
Total assets	$	262,452	$	306,755
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Current portion of long-term debt	$	293	$	-
Accounts payable		19,877		27,091
Accrued expenses and other current liabilities		27,492		24,825
Operating leases, current		36,938		43,598
Borrowings under credit facility		—		59,521
Total current liabilities		84,600		155,035
Long-term liabilities:				
Long-term debt, net of current portion		16,541		14,869
Operating leases, non-current		122,306		135,819
Other long-term liabilities		4,579		5,109
Total long-term liabilities		143,426		155,797
Commitments and contingencies				
Stockholders' equity (deficit):				
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued		—		—
Common stock, $0.01 par value, 100,000,000 shares authorized, 76,289,743 and 64,656,384 shares issued at July 31, 2021 and January 30, 2021, respectively		763		647
Additional paid-in capital		319,872		314,747
Treasury stock at cost, 12,755,873 shares at July 31, 2021 and January 30, 2021		(92,658)		(92,658)
Accumulated deficit		(187,444)		(220,592)
Accumulated other comprehensive loss		(6,107)		(6,221)
Total stockholders' equity (deficit)		34,426		(4,077)
Total liabilities and stockholders' equity (deficit)	$	262,452	$	306,755

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	July 31, 2021 (Fiscal 2021)	August 1, 2020 (Fiscal 2020)	July 31, 2021 (Fiscal 2021)	August 1, 2020 (Fiscal 2020)
Sales	$ 138,590	$ 76,442	$ 250,084	$ 133,669
Cost of goods sold including occupancy costs	66,988	54,945	127,649	98,958
Gross profit	71,602	21,497	122,435	34,711
Expenses:				
Selling, general and administrative	41,776	25,795	78,894	57,907
Impairment of assets	(365)	—	(1,017)	16,335
Depreciation and amortization	4,389	5,340	8,889	11,072
Total expenses	45,800	31,135	86,766	85,314
Operating income (loss)	25,802	(9,638)	35,669	(50,603)
Interest expense, net	(925)	(1,052)	(2,067)	(1,793)
Income (loss) before provision for income taxes	24,877	(10,690)	33,602	(52,396)
Provision for income taxes	426	24	454	44
Net income (loss)	$ 24,451	$ (10,714)	$ 33,148	$ (52,440)
Net income (loss) per share - basic	$ 0.38	$ (0.21)	$ 0.53	$ (1.03)
Net income (loss) per share - diluted	$ 0.36	$ (0.21)	$ 0.50	$ (1.03)
Weighted-average number of common shares outstanding:				
Basic	63,527	51,078	62,840	50,918
Diluted	67,615	51,078	65,938	50,918

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	July 31, 2021 (Fiscal 2021)	August 1, 2020 (Fiscal 2020)	July 31, 2021 (Fiscal 2021)	August 1, 2020 (Fiscal 2020)
Net income (loss)	$ 24,451	$ (10,714)	$ 33,148	$ (52,440)
Other comprehensive income before taxes:				
Foreign currency translation	(17)	(5)	(42)	(39)
Pension plans	78	253	156	495
Other comprehensive income before taxes	61	248	114	456
Tax provision related to items of other comprehensive income	—	—	—	—
Other comprehensive income, net of tax	61	248	114	456
Comprehensive income (loss)	$ 24,512	$ (10,466)	$ 33,262	$ (51,984)

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)
(Unaudited)

	Common Stock Shares	Common Stock Amounts	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amounts	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 30, 2021	64,656	$ 647	$ 314,747	(12,755)	$ (92,658)	$ (220,592)	$ (6,221)	$ (4,077)
Issuance of common stock through private direct offering, net of offering costs	11,111	111	4,264					4,375
Board of directors compensation	137	1	108					109
Stock compensation expense			327					327
Issuance of common stock, upon RSUs release	308	3	(3)					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							78	78
Foreign currency, net of taxes							(25)	(25)
Net income						8,697		8,697
Balance at May 1, 2021	76,212	$ 762	$ 319,443	(12,755)	$ (92,658)	$ (211,895)	$ (6,168)	$ 9,484
Board of directors compensation	70	1	109					110
Stock compensation expense			316					316
Exercise of stock options	7	—	4					4
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							78	78
Foreign currency, net of taxes							(17)	(17)
Net income						24,451		24,451
Balance at July 31, 2021	76,289	$ 763	$ 319,872	(12,755)	$ (92,658)	$ (187,444)	$ (6,107)	$ 34,426

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Accumulated Other Comprehensive	
	Shares	Amounts	Capital	Shares	Amounts	Deficit	Income (Loss)	Total
Balance at February 1, 2020	63,297	$ 633	$ 312,933	(12,755)	$ (92,658)	$ (156,054)	$ (6,431)	$ 58,423
Board of directors compensation	93	1	148					149
Stock compensation expense			452					452
Issuance of common stock, upon RSUs release	437	4	(4)					—
Deferred stock vested	6	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							242	242
Foreign currency, net of taxes							(34)	(34)
Net loss						(41,726)		(41,726)
Balance at May 2, 2020	63,833	$ 638	$ 313,529	(12,755)	$ (92,658)	$ (197,780)	$ (6,223)	$ 17,506
Stock compensation expense			345					345
Deferred stock vested	8	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							253	253
Foreign currency, net of taxes							(5)	(5)
Net loss						(10,714)		(10,714)
Balance at August 1, 2020	63,841	$ 638	$ 313,874	(12,755)	$ (92,658)	$ (208,494)	$ (5,975)	$ 7,385

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the six months ended	
	July 31, 2021 (Fiscal 2021)	August 1, 2020 (Fiscal 2020)
Cash flows from operating activities:		
Net income (loss)	$ 33,148	$ (52,440)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Amortization of deferred debt issuance costs	328	72
Impairment of assets	(1,017)	16,335
Depreciation and amortization	8,889	11,072
Stock compensation expense	643	797
Board of directors stock compensation	219	149
Changes in operating assets and liabilities:		
Accounts receivable	4,406	3,645
Inventories	11,660	15,032
Prepaid expenses and other current assets	(1,901)	975
Other assets	34	622
Accounts payable	(7,214)	(13,230)
Operating leases, net	(9,781)	4,487
Accrued expenses and other liabilities	2,829	3,488
Net cash provided by (used for) operating activities	42,243	(8,996)
Cash flows from investing activities:		
Additions to property and equipment, net	(1,723)	(2,128)
Net cash used for investing activities	(1,723)	(2,128)
Cash flows from financing activities:		
Proceeds from issuance of common stock from private direct offering, net of offering costs	4,375	—
Repayment of existing FILO loan	(15,000)	—
Proceeds from new FILO loan	17,500	—
Net borrowings (repayments) under credit facility	(59,733)	27,225
Debt issuance costs	(818)	(25)
Proceeds from the exercise of stock options	4	—
Net cash provided by (used for) financing activities	(53,672)	27,200
Net increase (decrease) in cash and cash equivalents	(13,152)	16,076
Cash and cash equivalents:		
Beginning of period	18,997	4,338
End of period	$ 5,845	$ 20,414

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

1. Basis of Presentation

In the opinion of management of Destination XL Group, Inc., a Delaware corporation (collectively with its subsidiaries, referred to as the "Company"), the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited Consolidated Financial Statements for the fiscal year ended January 30, 2021 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 19, 2021.

The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. The Company's business historically has been seasonal in nature, and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The Company's fiscal year is a 52- or 53- week period ending on the Saturday closest to January 31. Fiscal 2021 and fiscal 2020 are 52-week periods ending on January 29, 2022 and January 30, 2021, respectively.

COVID-19 Pandemic and its impact on results and comparability of financial statements

On March 11, 2020, the World Health Organization declared the current outbreak of a novel coronavirus disease ("COVID-19") as a global pandemic. The COVID-19 pandemic had an adverse effect on the Company's operations during fiscal 2020. All of the Company's store locations were closed temporarily on March 17, 2020 and the majority of the Company's workforce was furloughed in March 2020. The Company began reopening stores in late April and by the end of June 2020 all retail stores had been reopened, but the majority with reduced operating hours. As a result of the impact of the pandemic on our business in fiscal 2020, including the temporary closure of all of our stores in fiscal 2020, results for the second quarter and first six months of fiscal 2021 may not be comparable to the results for the second quarter and first six months of fiscal 2020.

While vaccines are being widely distributed and many areas where our stores are located currently have limited or no restrictions, the duration of the COVID-19 pandemic and its variants remain uncertain and could continue to have a material adverse impact on the Company's results of operations, financial condition and cash flows.

Segment Information

The Company has three principal operating segments: its stores, direct and wholesale businesses. The Company considers its stores and direct operating segments to be similar in terms of economic characteristics, production processes and operations, and has therefore aggregated them into one reportable segment, retail segment, consistent with its omni-channel business approach. Due to the immateriality of the wholesale segment's revenues, profits and assets, its operating results are aggregated with the retail segment for all periods presented.

Fair Value of Financial Instruments

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. ASC Topic 820, "*Fair Value Measurements and Disclosures*," defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

The valuation techniques utilized are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

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

Level 2 – Observable inputs other than Level 1 prices 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 related 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 assets or liabilities.

The Company utilizes observable market inputs (quoted market prices) when measuring fair value whenever possible.

The fair value of long-term debt is classified within Level 2 of the valuation hierarchy. At July 31, 2021, the fair value approximated the carrying amount based upon terms available to the Company for borrowings with similar arrangements and remaining maturities.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate fair value because of the short maturity of these instruments.

Accumulated Other Comprehensive Income (Loss) - ("AOCI")

Other comprehensive income (loss) includes amounts related to foreign currency and pension plans and is reported in the Consolidated Statements of Comprehensive Income (Loss). Other comprehensive income (loss) and reclassifications from AOCI for the three and six months ended July 31, 2021 and August 1, 2020, respectively, were as follows:

For the three months ended:	July 31, 2021			August 1, 2020		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of the quarter	$ (6,146)	$ (22)	$ (6,168)	$ (6,236)	$ 13	$ (6,223)
Other comprehensive income (loss) before reclassifications, net of taxes	90	(17)	73	77	(5)	72
Amounts reclassified from accumulated other comprehensive income, net of taxes (1)	(12)	—	(12)	176	—	176
Other comprehensive income (loss) for the period	78	(17)	61	253	(5)	248
Balance at end of quarter	$ (6,068)	$ (39)	$ (6,107)	$ (5,983)	$ 8	$ (5,975)

For the six months ended:	July 31, 2021			August 1, 2020		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of fiscal year	$ (6,224)	$ 3	$ (6,221)	$ (6,478)	$ 47	$ (6,431)
Other comprehensive income (loss) before reclassifications, net of taxes	180	(42)	138	154	(39)	115
Amounts reclassified from accumulated other comprehensive income, net of taxes (1)	(24)	—	(24)	341	—	341
Other comprehensive income (loss) for the period	156	(42)	114	495	(39)	456
Balance at end of quarter	$ (6,068)	$ (39)	$ (6,107)	$ (5,983)	$ 8	$ (5,975)

(1) Includes the amortization of the unrecognized loss on pension plans, which was charged to "Selling, General and Administrative" Expense on the Consolidated Statements of Operations for all periods presented. The amortization of the unrecognized loss, before tax, was $176,000 and $341,000 for the three and six months ended August 1, 2020, respectively. For the three and six months ended July 31, 2021, the Company recognized income of $12,000 and $24,000, respectively, as a result of a change in amortization from average remaining future service to average remaining lifetime. There was no related tax effect for either period.

Stock-based Compensation

All share-based payments, including grants of employee stock options and restricted stock, are recognized as an expense in the Consolidated Statements of Operations based on their fair values and vesting periods. The fair value of stock options is determined using the Black-Scholes valuation model and requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (the "expected term"), the estimated volatility of the Company's common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements ("forfeitures"). The Company reviews its valuation assumptions at each grant date and, as a result, is likely to change its valuation assumptions used to value employee stock-based awards granted in future periods. The values derived from using the Black-Scholes model are recognized as an expense over the vesting period, net of estimated forfeitures. The estimation of stock-based awards that will ultimately vest requires judgment. Actual results and future changes in estimates may differ from the Company's current estimates.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the assumptions in the table below as it relates to stock options granted during the first six months of fiscal 2021 and fiscal 2020.

	July 31, 2021	August 1, 2020
Expected volatility	97.4% - 104.9%	82.3% - 87.8%
Risk-free interest rate	0.31% - 0.60%	0.22% - 0.27%
Expected life	3.0 - 4.0	3.0 - 4.0 yrs.
Dividend rate	—	—
Weighted average fair value of options granted	$0.47	$0.32

The Company has outstanding performance stock units (PSUs) with a market condition. The respective grant-date fair value and derived service periods assigned to the PSUs were determined using a Monte Carlo model. The valuation included assumptions with respect to the Company's historical volatility, risk-free rate and cost of equity.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for events or changes in circumstances that might indicate the carrying amount of the assets may not be recoverable. The Company assesses the recoverability of the assets by determining whether the carrying value of such assets over their respective remaining lives can be recovered through projected undiscounted future cash flows. The model for undiscounted future cash flows includes assumptions, at the individual store level, with respect to expectations for future sales and gross margin rates as well as an estimate for occupancy costs used to estimate the fair value of the respective store's operating lease right-of-use asset. The amount of impairment, if any, is measured based on projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds.

For the second quarter and first six months of fiscal 2021, the Company recognized a non-cash gain of $0.4 million and $1.1 million, related to the Company's decision to close certain retail stores, which resulted in a revaluation of the existing lease liabilities. The portion of the gain that related to previously recorded impairment charges against the operating lease right-of-use asset was included as an offset to previously recorded asset impairment charges. Accordingly, for the second quarter and first six months of fiscal 2021, $0.4 million and $1.0 million were included as an offset to asset impairment charges. The remaining $0.1 million of the $1.1 million gain for the first six months of fiscal 2021 was included as a reduction of store occupancy costs.

In the first six months of fiscal 2020, as a result of the significant impact of the COVID-19 pandemic on the Company's business and the continued uncertainty at that time, the Company recorded an impairment charge of $16.3 million. The impairment charge included approximately $12.5 million for the write-down of certain right-of-use assets and $3.8 million for the write-down of property and equipment, related to stores where the carrying value exceeded fair value.

Leases

The Company adopted ASU 2016-02, "*Leases (Topic 842)*" in fiscal 2019. Under ASC 842, the Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments, initial direct costs and any lease incentives are included in the value of those right-of use assets. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilizes its incremental borrowing rate, based on information available at the lease measurement date to determine the present value of future payments. The Company elected the lessee non-lease component separation practical expedient, which permits the Company to not separate non-lease components from the lease components to which they relate. The Company also made an accounting policy election that the recognition requirement of ASC 842 will not be applied to certain, if any, non-store leases, with a term of 12 months or less, recognizing those lease payments on a straight-line basis over the lease term. At July 31, 2021, the Company had no short-term leases.

The Company's store leases typically contain options that permit renewals for additional periods of up to five years each. In general, for store leases with an initial term of 10 years or more, the options to extend are not considered reasonably certain at lease commencement. For stores leases with an initial term of 5 years, the Company evaluates each lease independently and, only when the Company considers it reasonably certain that it will exercise an option to extend, will the associated payment of that option be included in the measurement of the right-of-use asset and lease liability. Renewal options are not included in the lease term for automobile and equipment leases because they are not considered reasonably certain of being exercised at lease commencement. Renewal options were not considered for the Company's corporate headquarters and distribution center lease, which was entered into in 2006 and was for an initial 20-year term. At the end of the initial term, the Company will have the opportunity to extend this lease for six additional successive periods of five years.

For store leases, the Company accounts for lease components and non-lease components as a single lease component. Certain store leases may require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, and are expensed as incurred as variable lease costs. Other store leases contain one periodic fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities. Tenant allowances are included as an offset to the right-of-use asset and amortized as reductions to rent expense over the associated lease term.

See Note 4 ''*Leases*'' for additional information.

Recently Issued Accounting Pronouncements

No new accounting pronouncements, issued or effective during the first six months of fiscal 2021, have had or are expected to have a significant impact on the Company's Consolidated Financial Statements.

2. Revenue Recognition

The Company operates as a retailer of big and tall men's clothing, which includes stores, direct and wholesale. Revenue is recognized by the operating segment that initiates a customer's order. Store sales are defined as sales that originate and are fulfilled directly at the store level. Direct sales are defined as sales that originate online, including those initiated online at the store level, on its website or on third-party marketplaces. Wholesale sales are defined as sales made to wholesale customers pursuant to the terms of each customer's contract with the Company. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Sales tax collected from customers and remitted to taxing authorities is excluded from revenue and is included as part of accrued expenses on the Consolidated Balance Sheets.

- Revenue from the Company's store operations is recorded upon purchase of merchandise by customers, net of an allowance for sales returns, which is estimated based upon historical experience.
- Revenue from the Company's direct operations is recognized at the time a customer order is delivered, net of an allowance for sales returns, which is estimated based upon historical experience.
- Revenue from the Company's wholesale operations is recognized at the time the wholesale customer takes physical receipt of the merchandise, net of any identified discounts in accordance with each individual order. For the first six months of fiscal 2021 and fiscal 2020, chargebacks were immaterial.

Unredeemed Gift Cards, Gift Certificates, and Credit Vouchers. Upon issuance of a gift card, gift certificate, or credit voucher, a liability is established for its cash value. The liability is relieved and net sales are recorded upon redemption by the customer. Based on historical redemption patterns, the Company can reasonably estimate the amount of gift cards, gift certificates, and credit vouchers for which redemption is remote, which is referred to as "breakage". Breakage is recognized over two years in proportion to historical redemption trends and is recorded as sales in the Consolidated Statements of Operations. The gift card liability, net of breakage, was $2.0 million and $2.8 million at July 31, 2021 and January 30, 2021, respectively.

Unredeemed Loyalty Coupons. The Company offers a free loyalty program to its customers for which points accumulate based on the purchase of merchandise. Approximately 90% of the Company's customers participate in the loyalty program. Under ASC 606, *Revenue from Contracts with Customers*, these loyalty points provide the customer with a material right and a distinct performance obligation with revenue deferred and recognized when the points are expected to redeem or expire. The cycle of earning and redeeming loyalty points is generally under one year in duration. The loyalty accrual, net of breakage, was $1.3 million and $1.0 million at July 31, 2021 and January 30, 2021, respectively.

Shipping. Shipping and handling costs are accounted for as fulfillment costs and are included in cost of sales for all periods presented. Amounts related to shipping and handling that are billed to customers are recorded in sales, and the related costs are recorded in cost of goods sold, including occupancy costs, in the Consolidated Statements of Operations.

Disaggregation of Revenue

As noted above under *Segment Information* in Note 1, the Company's business consists of one reportable segment, its retail segment. Substantially all of the Company's revenue is generated from its stores and direct businesses. The operating results from the wholesale segment, which were immaterial, have been aggregated with this reportable segment, but the revenues are separately reported below. Accordingly, the Company has determined that the following sales channels depict the nature, amount, timing, and uncertainty of how revenue and cash flows are affected by economic factors:

(in thousands)	For the three months ended July 31, 2021			For the three months ended August 1, 2020			For the six months ended July 31, 2021			For the six months ended August 1, 2020		
Store sales	$	99,043	*71.9%*	$	38,465	*53.9%*	$	173,923	*70.7%*	$	70,792	*55.9%*
Direct sales		38,664	*28.1%*		32,959	*46.1%*		72,206	*29.3%*		55,841	*44.1%*
Retail segment	$	137,707		$	71,424		$	246,129		$	126,633	
Wholesale segment		883			5,018			3,955			7,036	
Total Sales	$	138,590		$	76,442		$	250,084		$	133,669	

3. Debt

Credit Agreement with Bank of America, N.A.

On May 24, 2018, the Company entered into the Seventh Amended and Restated Credit Agreement, as amended, with Bank of America, N.A., as agent, providing for a secured $125.0 million revolver facility and a $15.0 million “first-in, last-out” (FILO) term facility (the “existing FILO loan”). On March 16, 2021, the Company entered into the Fourth Amendment to the Seventh Amended and Restated Credit Facility, as amended (the “Fourth Amendment”) to allow for the refinancing of the “existing FILO loan”, which is discussed further under “*Long-Term Debt*” (as amended, the “Credit Facility”). The Fourth Amendment did not impact the terms to the Company’s $125.0 million revolver facility.

The Credit Facility provides maximum committed borrowings of $125.0 million in revolver loans, with the ability, pursuant to an accordion feature, to increase the Credit Facility by an additional $50.0 million upon the request of the Company and the agreement of the lender(s) participating in the increase (the “Revolving Facility”). The Revolving Facility provides for a sublimit of $20.0 million for commercial and standby letters of credit and up to $15.0 million for swingline loans. The Company’s ability to borrow under the Revolving Facility (the “Loan Cap”) is determined using an availability formula based on eligible assets. Pursuant to the Third Amendment, the excess availability under the Credit Facility cannot be less than the greater of (i) 10% of the Revolving Loan Cap (calculated without giving effect to the FILO (first-in, last-out) Push Down Reserve) or (ii) $10.0 million. The maturity date of the Credit Facility is May 24, 2023. The Company’s obligations under the Credit Facility are secured by a lien on substantially all of its assets.

At July 31, 2021, the Company had no outstanding borrowings under the Revolving Facility. At July 31, 2021, outstanding standby letters of credit were $2.7 million and there were no outstanding documentary letters. Unused excess availability was $65.1 million at July 31, 2021. Average monthly borrowings outstanding under the Revolving Facility during the first six months of fiscal 2021 were $32.7 million, resulting in an average unused excess availability of approximately $42.5 million. The Company’s ability to borrow under the Revolving Facility was determined using an availability formula based on eligible assets, with increased advance rates based on seasonality.

Borrowings made pursuant to the Revolving Facility bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a varying percentage based on the Company’s excess availability, of either 1.75% or 2.00%, or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company’s excess availability, of either 2.75% or 3.00%. The Company was also subject to an unused line fee of 0.25%. At July 31, 2021, the Company’s prime-based interest rate was 5.25%.

Borrowings and repayments under the Revolving Facility for the first six months ended July 31, 2021 and August 1, 2020 were as follows:

(in thousands)	For the six months ended July 31, 2021		For the six months ended August 1, 2020	
Borrowings	$	33,696	$	53,471
Repayments		(93,429)		(26,246)
Net borrowings (repayments)	$	(59,733)	$	27,225

Long-Term Debt

Long-term debt at July 31, 2021 and January 30, 2021 is as follows:

(in thousands)	July 31, 2021		January 30, 2021	
FILO Loan - existing		—	$	15,000
FILO Loan - new	$	17,500		—
Less: unamortized debt issuance costs		(666)		(131)
Total long-term debt		16,834		14,869
Less: current portion of long-term debt, net of debt issuance costs		(293)		—
Long-term debt, net of current portion	$	16,541	$	14,869

On March 16, 2021, the Company refinanced its existing $15.0 million FILO loan and entered into a new $17.5 million FILO loan (the "new FILO loan"). The total borrowing capacity under the new FILO loan is based on a borrowing base, generally defined as a specified percentage of the value of eligible accounts (including certain trade names) that step down over time, plus a specified percentage of the value of eligible inventory that steps down over time.

The new FILO loan will be subject to quarterly principal repayments of $218,750 beginning December 31, 2021. The new FILO loan is subject to a prepayment penalty, if any portion of the principal for the new FILO Loan is prepaid during the initial two-year period, equal to the greater of (i) the incremental interest that would have been incurred with respect to that principal repayment during the two year period and (ii) 3% of the principal prepayment, unless the prepayment occurs after March 16, 2022 in connection with the Company's renegotiation of its Credit Agreement in which case the prepayment premium would be equal to 1% of the principal prepayment. The new FILO loan expires on May 24, 2023, but may be automatically extended in connection with any extension of the revolving facility under the Credit Agreement, but no later than March 16, 2026, without approval from the FILO lender.

Borrowings made under the new FILO loan bear interest, at the LIBOR rate (with a LIBOR floor of 1.0%) plus an applicable margin rate of 7.50% through September 16, 2021. Thereafter, the applicable margin rate will be 7.50% for so long as the Company's 12-month trailing consolidated EBITDA (as defined in the Credit Facility, as amended) measured as of the end of each month is less than $18.0 million, or 7.00% when the 12-month trailing consolidated EBITDA is equal to or greater than $18.0 million. Accordingly, the interest rate at July 31, 2021 was 8.50%.

The Company paid interest and fees totaling $1.7 million and $1.6 million for the six months ended July 31, 2021 and August 1, 2020, respectively.

4. Leases

The Company leases all of its store locations and its corporate headquarters, which also includes its distribution center, under operating leases. The store leases typically have initial terms of 5 years to 10 years, with options that usually permit renewal for additional five-year periods. The initial term of the lease for the corporate headquarter was for 20 years, with the opportunity to extend for six additional successive periods of five years, beginning in fiscal 2026. The Company also leases certain equipment and other assets under operating leases, typically with initial terms of 3 to 5 years. The Company is generally obligated for the cost of property taxes, insurance and common area maintenance fees relating to its leases, which are considered variable lease costs and are expensed as incurred.

ASC 842 requires the assessment of any lease modification to determine if the modification should be treated as a separate lease and if not, modification accounting would be applied. Lease modification accounting requires the recalculation of the ROU asset, lease liability and lease expense over the respective lease term. In April 2020, the FASB issued guidance allowing entities to make a policy election to account for lease concessions related to the COVID-19 pandemic as though enforceable rights and obligations for those concessions existed. The election applies to any lessor-provided lease concession related to the impact of the COVID-19 pandemic, provided the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. The Company opted not to elect this practical expedient and instead accounted for these rent concessions as lease modifications in accordance with ASC 842. As of July 31, 2021, the Company's operating leases liabilities represent the present value of the remaining future minimum lease payments updated based on concessions and lease modifications.

The following table is a summary of the Company's components of net lease cost for the three and six months ended July 31, 2021 and August 1, 2020:

	For the three months ended		For the six months ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
(in thousands)				
Operating lease cost	$ 10,516	$ 11,300	$ 21,642	$ 23,932
Variable lease costs(1)	3,436	3,266	7,181	7,069
Total lease costs	$ 13,952	$ 14,566	$ 28,823	$ 31,001

(1) Variable lease costs include the cost of property taxes, insurance and common area maintenance fees related to its leases.

Supplemental cash flow and balance sheet information related to leases for the six months ended July 31, 2021 and August 1, 2020 is as follows:

(dollars in thousands)	For the six months ended	
Cash paid for amounts included in the measurement of lease liabilities:	July 31, 2021	August 1, 2020
Operating cash flows for operating leases (1)	$ 30,954	$ 18,527
Non-cash operating activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 4,749	$ 559
Net decrease in right-of-use assets due to lease modifications associated with rent concessions and lease exits	$ -	$ (578)
Weighted average remaining lease term	4.3 yrs.	5.0 yrs.
Weighted average discount rate	6.87%	6.48%

(1) The increase in cash payments for the first six months of fiscal 2021 as compared to the first six months of fiscal 2020 is due to rent abatements and deferments negotiated in the second quarter of fiscal 2020 for rent obligations while stores were closed. The cash paid for the first six months of fiscal 2021 also includes prepaid rent for August 2021 of $3.8 million.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the Consolidated Balance Sheet as of July 31, 2021:

(in thousands)	
2021 (remaining)	$ 21,552
2022	49,173
2023	41,961
2024	32,253
2025	23,638
Thereafter	16,318
Total minimum lease payments	$ 184,895
Less: amount of lease payments representing interest	25,651
Present value of future minimum lease payments	$ 159,244
Less: current obligations under leases	36,938
Long-term lease obligations	$ 122,306

5. Long-Term Incentive Plans

The following is a summary of the Company's Long-Term Incentive Plan ("LTIP"). All equity awards granted under long-term incentive plans are issued from the Company's stockholder-approved 2016 Incentive Compensation Plan. See Note 6, *Stock-Based Compensation*.

At July 31, 2021, the Company has three active LTIPs: the 2019-2021 LTIP, 2020-2022 LTIP and 2021-2023 LTIP. Each participant in the LTIP participates based on that participant's "Target Cash Value" which is defined as the participant's annual base salary (on the participant's effective date) multiplied by his or her LTIP percentage. Under each LTIP, 50% of each participant's Target Cash Value is subject to time-based vesting and 50% is subject to performance-based vesting. The time-based awards under the 2019-2021 LTIP were granted in a combination of 50% RSUs and 50% cash. For the 2020-2022 LTIP, the time-based awards were granted in a combination of 50% stock options and 50% cash, and for the 2021-2023 LTIP, the time-based awards were granted in a combination of 25% stock options and 75% cash.

Performance targets for the 2019-2021 LTIP, 2020-2022 LTIP and 2021-2023 LTIP were established and approved by the Compensation Committee on August 7, 2019, June 11, 2020, and March 8, 2021, respectively. The performance period for each LTIP is three years. Awards for any achievement of performance targets will not be granted until the performance targets are achieved and then will be subject to additional vesting through August 31, 2022, August 31, 2023 and August, 31, 2024, respectively. The time-based awards under the 2019-2021 LTIP, 2020-2022 LTIP and 2021-2023 LTIP vest in four equal installments through April 1, 2023, April 1, 2024 and April 1, 2025, respectively. Assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense associated with the 2019-2021 LTIP, 2020-2022 LTIP and 2021-2023 LTIP is estimated to be approximately $3.8 million, $3.8 million and $4.0 million, respectively. Approximately half of the compensation expense for each LTIP relates to the time-based awards, which are being expensed straight-line over 44 months, 46 months and 49 months, respectively.

At July 31, 2021, the Company has accrued $1.2 million under the 2019-2021 LTIP, $0.7 million under the 2020-2022 LTIP and $0.4 million under the 2021-2023 LTIP for the performance awards.

6. Stock-Based Compensation

The Company has one active stock-based compensation plan: the 2016 Incentive Compensation Plan (the “2016 Plan”). The initial share reserve under the 2016 Plan was 5,725,538 shares of common stock. A grant of a stock option award or stock appreciation right will reduce the outstanding reserve on a one-for-one basis, meaning one share for every share granted. A grant of a full-value award, including, but not limited to, restricted stock, restricted stock units and deferred stock, will reduce the outstanding reserve by a fixed ratio of 1.9 shares for every share granted. The Company’s shareholders approved amendments to increase the share reserve by 2,800,000 shares on August 8, 2019 and by an additional 1,740,000 shares on August 12, 2020. At July 31, 2021, the Company had 22,901 shares available under the 2016 Plan. Subsequent to the end of the second quarter of fiscal 2021, on August 5, 2021, the Company’s shareholders approved an amendment to increase the share reserve by 4,855,000 shares.

In accordance with the terms of the 2016 Plan, any shares outstanding under the previous 2006 Incentive Compensation Plan (the “2006 Plan”) at August 4, 2016 that subsequently terminate, expire or are cancelled for any reason without having been exercised or paid are added back and become available for issuance under the 2016 Plan, with stock options being added back on a one-for-one basis and full-value awards being added back on a 1 to 1.9 basis. At July 31, 2021, 412,826 stock options remained outstanding under the 2006 Plan.

The 2016 Plan is administered by the Compensation Committee. The Compensation Committee is authorized to make all determinations with respect to amounts and conditions covering awards. Options are not granted at a price less than fair value on the date of the grant. Except with respect to 5% of the shares available for awards under the 2016 Plan, no award will become exercisable unless such award has been outstanding for a minimum period of one year from its date of grant.

The following tables summarize the share activity and stock option activity for the first six months of fiscal 2021:

	RSUs (1)	Deferred shares (2)	Performance Share Units (3)	Total number of shares	Weighted-average grant-date fair value
Shares					
Outstanding non-vested shares at beginning of year	815,292	435,568	720,000	1,970,860	$ 1.69
Shares granted	8,054	—	—	8,054	$ 0.66
Shares vested/issued	(308,055)	—	—	(308,055)	$ 2.22
Outstanding non-vested shares at end of quarter	515,291	435,568	720,000	1,670,859	$ 1.58

(1) During the first six months of fiscal 2021, the vesting of RSUs was primarily related to the time-based awards under the Company’s LTIP plans, see Note 5, *Long-Term Incentive Plans*.

(2) Represents compensation to certain directors, in lieu of cash, in accordance with their irrevocable elections. Beginning in fiscal 2021, all equity issued to directors for compensation, in lieu of cash, is issued only from the Non-Employee Director Compensation Plan. The outstanding deferred shares will be issued upon the director’s separation from service.

(3) The 720,000 shares of performance stock units (“PSUs”), with a fair value of $1.0 million, represent a sign-on grant to Mr. Kanter. The PSUs vest in installments when the following milestones are met: one-third of the PSUs vest when the trailing 90-day volume-weighted average closing stock price (“VWAP”) is $4.00, one-third of the PSUs vest when the VWAP is $6.00 and one-third when the VWAP is $8.00. All PSUs will expire on April 1, 2023 if no performance metric is achieved. The $1.0 million fair value has been expensed over the respective derived service periods of each tranche of 16 months, 25 months and 30 months, respectively. The respective fair value and derived service periods assigned to the PSUs were determined using a Monte Carlo model based on: the Company’s historical volatility of 55.9%, a term of 4.1 years, stock price on the date of grant of $2.50 per share, a risk-free rate of 2.5% and a cost of equity of 9.5%.

	Number of shares		Weighted-average exercise price per option	Weighted-average remaining contractual term		Aggregate intrinsic value
Stock Options						
Outstanding options at beginning of year	3,647,581	$	1.09	8.5 years	$	810,596
Options granted (1)	1,518,154	$	0.71	—		—
Options exercised	(7,270)	$	0.53			21,100
Options expired and canceled	(22,542)	$	4.19	—		—
Outstanding options at end of quarter	5,135,923	$	0.96	8.5 years	$	20,488,700
Options exercisable at end of quarter	1,266,116	$	2.05	6.6 years	$	3,722,757

(1) Primarily represents the grant of stock options to purchase an aggregate of 1,078,913 shares of the Company's common stock, at an exercise price of $0.69 per share, in connection with the time-based grant of awards under its 2021-2023 LTIP, see Note 5, *Long-Term Incentive Plans.* In March 2021, the Company also granted to active participants of the LTIP, a discretionary grant of stock options to purchase an aggregate of 414,337 shares of the Company's common stock, at an exercise price of $0.75 per share, which will vest ratably over 3 years.

For the first six months of fiscal 2021, the Company granted stock options to purchase an aggregate of 1,518,154 shares of common stock and 8,054 restricted stock units. For the first six months of fiscal 2020, the Company granted stock options to purchase an aggregate of 3,185,542 shares of common stock and 45,714 shares of deferred stock.

Non-Employee Director Compensation Plan

The Company granted 206,923 shares of common stock, with a fair value of approximately $218,369, to certain of its non-employee directors as compensation in lieu of cash in the first six months of fiscal 2021.

Stock Compensation Expense

The Company recognized total stock-based compensation expense of $0.6 million and $0.8 million for the first six months of fiscal 2021 and fiscal 2020, respectively. The total compensation cost related to time-vested stock options, RSU and PSU awards not yet recognized as of July 31, 2021 was approximately $2.2 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 29 months.

7. Earnings per Share

The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share:

	For the three months ended		For the six months ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
(in thousands)				
Common stock outstanding:				
Basic weighted average common shares outstanding	63,527	51,078	62,840	50,918
Common stock equivalents – stock options, restricted stock units and deferred stock (1)	4,088	—	3,098	—
Diluted weighted average common shares outstanding	67,615	51,078	65,938	50,918

(1) Common stock equivalents of 178 shares and 206 shares for the three and six months ended August 1, 2020 were excluded due to the net loss.

The following potential common stock equivalents were excluded from the computation of diluted earnings per share in each period, because the exercise price of such options was greater than the average market price per share of common stock for the respective periods or because the unearned compensation associated with stock options, restricted stock units, or deferred stock had an anti-dilutive effect.

(in thousands, except exercise prices)	For the three months ended July 31, 2021	For the three months ended August 1, 2020	For the six months ended July 31, 2021	For the six months ended August 1, 2020
Stock options	409	3,676	424	3,676
Restricted stock units	—	963	—	963
Deferred stock	—	160	—	160
Range of exercise prices of such options	$4.49 - $5.50	$0.53 - $7.02	$2.25 - $5.50	$0.53 - $7.02

The above options, which were outstanding at July 31, 2021, expire from January 31, 2023 to June 29, 2028.

Excluded from the computation of basic and diluted earnings per share for both periods were 720,000 shares of unvested performance stock units. These performance-based awards will be included in the computation of basic and diluted earnings per share if, and when, the respective performance targets are achieved. In addition, 435,568 shares and 327,382 shares of deferred stock at July 31, 2021 and August 1, 2020, respectively, were excluded from basic earnings per share. Outstanding shares of deferred stock are not considered issued and outstanding until the vesting date of the deferral period.

8. Registered Direct Offering – Common Stock

On February 5, 2021, the Company sold, pursuant to a stock purchase agreement and through a registered direct offering, an aggregate of 11,111,111 shares of its common stock, for a gross purchase price of $5.0 million, before payment of offering costs of $0.6 million. The Company used the net proceeds from the offering for working capital and other general corporate purposes.

9. Income Taxes

During the second quarter and first six months of fiscal 2021, the Company recorded income tax expense of $426,000 and $454,000, respectively, primarily related to income tax in states where NOL usage is statutorily limited. During the second quarter and first six months of fiscal 2020, the Company recorded income tax expense of $24,000 and $44,000, respectively, related primarily to state margin tax. The Company's effective tax rate will generally differ from the U.S. federal statutory rate of 21% primarily due to the change in full valuation allowance recorded against its deferred tax assets, permanent items, and state taxes.

Since the end of fiscal 2014, the Company has maintained a full valuation allowance against its deferred tax assets. While the Company has returned to profitability for the first six months of fiscal 2021, and has projected that it will generate taxable income and ultimately emerge from a three-year cumulative loss, the Company believes that a full valuation allowance remains appropriate until the Company generates a more consistent history of profitability. Realization of the Company's deferred tax assets is dependent on generating sufficient taxable income in the near term.

For federal income tax purposes, at the end of fiscal 2020, the Company had net operating loss carryforwards of approximately $158.2 million, which will expire from fiscal 2022 through fiscal 2037, and net operating loss carryforwards of $43.1 million, that are not subject to expiration, available in the U.S. to reduce future taxable income. For state purposes, at the end of fiscal 2020, the Company had $111.3 million of net operating losses that are available to offset future taxable income, the majority of which will expire from fiscal 2021 through fiscal 2041.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may be found in other locations as well, and include statements regarding the continuing impact of the COVID-19 pandemic on our business and financial results, expected savings from our efforts to right size our lease structure, expected sales trends, expected marketing spend, expected inventory levels, potential freight cost and raw materials cost increases, and our liquidity expectations for the next 12 months. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. The forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Consolidated Financial Statements and notes to those statements included elsewhere in this Quarterly Report and our audited Consolidated Financial Statements for the year ended January 30, 2021, included in our Annual Report on Form 10-K for the year ended January 30, 2021, as filed with the Securities and Exchange Commission on March 19, 2021 (our "Fiscal 2020 Annual Report").

Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to our "Risk Factors" found in Part I, Item 1A of our Fiscal 2020 Annual Report. This discussion sets forth certain risks and uncertainties that may have an impact on future results and direction of our Company, including, without limitation, risks relating to the duration and continuing impact of the COVID-19 pandemic and its impact on the Company's results of operations, the execution of our corporate strategy, predict customer tastes and fashion trends, forecast sales growth trends, grow market share, ability to maintain sufficient inventory levels, navigate supply chain uncertainties and compete successfully in our market.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. These forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances in which the forward-looking statement is based.

BUSINESS SUMMARY

Destination XL Group, Inc., together with our consolidated subsidiaries (the "Company"), is the largest specialty retailer of big and tall men's clothing with retail, wholesale and direct operations in the United States and Toronto, Canada. We operate under the trade names of Destination XL®, DXL®, DXL Outlets, Casual Male XL® and Casual Male XL Outlets. At July 31, 2021, we operated 221 Destination XL stores, 16 DXL outlet stores, 40 Casual Male XL retail stores, 20 Casual Male XL outlet stores and a digital business, including an e-commerce site at dxl.com and a mobile site m.destinationXL.com and mobile app.

Unless the context indicates otherwise, all references to "we," "our," "us" and "the Company" refer to Destination XL Group, Inc. and our consolidated subsidiaries. We refer to our fiscal years, which end on January 29, 2022, January 30, 2021 and February 1, 2020 as "fiscal 2021," "fiscal 2020" and "fiscal 2019," respectively. All three fiscal years are 52-week periods.

SEGMENT REPORTING

We have three principal operating segments: our stores, direct business and our wholesale business. We consider our stores and direct business segments to be similar in terms of economic characteristics, production processes and operations, and have therefore aggregated them into one reportable segment, retail segment, consistent with our omni-channel business approach. Due to the immateriality of the wholesale segment's revenues, profits and assets, its operating results have been aggregated with the retail segment for all periods.

COMPARABLE SALES

Our customer's shopping experience continues to evolve across multiple channels and we are continually adapting to meet the guest's needs. The majority of our stores have the capability of fulfilling online orders if merchandise is not available in the warehouse. As a result, we continue to see more transactions that begin online but are ultimately completed at the store level. Similarly, if a customer visits a store and the item is out of stock, the associate can order the item through our website. A customer also has the ability to order online and pick-up in a store and, more recently due to the COVID-19 pandemic, pick-up at curbside. We define store sales as sales that originate and are fulfilled directly at the store level. E-commerce sales, which we also refer to as direct sales, are defined as sales that originate online, whether through our website, at the store level or through a third-party marketplace.

Stores that have been open for 13 months are included in comparable sales. Stores that have been remodeled or re-located during the period are also included in our determination of comparable stores sales. Stores that have been expanded by more than 25% are considered non-comparable for the first 13 months. If a store becomes a clearance center, it is also removed from the calculation of comparable sales. The method of calculating comparable sales varies across the retail industry and, as a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other retailers.

The Company has not carved-out prior year sales for periods where the stores were temporarily closed in fiscal 2020 due to the pandemic. However, because the Company's two stores in Canada were closed by government edict for a significant portion of the first six months of fiscal 2021, we have removed them from the current calculation of comparable sales.

RESULTS OF OPERATIONS

Continuing Impact of COVID-19 Pandemic on Our Business

On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic. While the pandemic had an adverse effect on our business, financial condition and result of operations in fiscal 2020, we are hopeful that the worst is behind us and we are on the road to recovery. Substantial uncertainty remains regarding the duration of the pandemic, the potential impact of new variants, and the long-term effect of the pandemic on the global economy and its supply chain, unemployment, and overall consumer demand and spending.

Executive Summary

The following review of our results for second quarter and first six months of fiscal 2021 includes certain comparisons against the second quarter and first six months of fiscal 2019 in addition to the second quarter and first six months of fiscal 2020. Due to the COVID-19 pandemic and its impact on our results during the first six months of fiscal 2020, we believe that the additional discussion against the second quarter and first six months of fiscal 2019 is a more meaningful comparison with respect to the progress the Company made through the end of the second quarter of fiscal 2021.

	For the three months ended			For the six months ended		
	July 31, 2021	August 1, 2020	August 3, 2019	July 31, 2021	August 1, 2020	August 3, 2019
(in millions, except percentage of sales and per share data)						
Sales	$ 138.6	$ 76.4	$ 123.2	$ 250.1	$ 133.7	$ 236.2
Net income (loss)	$ 24.5	$ (10.7)	$ 0.0	$ 33.1	$ (52.4)	$ (3.0)
Adjusted EBITDA (Non-GAAP basis)	$ 29.8	$ (4.3)	$ 7.1	$ 43.5	$ (23.2)	$ 11.9
Gross Margin. as a percentage of sales	51.7%	28.1%	44.3%	49.0%	26.0%	44.0%
SG&A expenses, as a percentage of sales	30.1%	33.7%	38.5%	31.5%	43.3%	39.0%
Per diluted share:						
Net income (loss)	$ 0.36	$ (0.21)	$ 0.00	$ 0.50	$ (1.03)	$ (0.06)
Adjusted net income (loss) (Non-GAAP basis)	$ 0.27	$ (0.15)	$ 0.00	$ 0.37	$ (0.52)	$ (0.04)

We are pleased to report that net income for the second quarter of fiscal 2021 was $0.36 per diluted share, as compared to a loss of $(0.21) per diluted share in the second quarter of fiscal 2020 and breakeven in the second quarter of fiscal 2019. While we had planned for the second quarter to perform well based on the trends coming out of the first quarter, the second quarter results exceeded our expectations. This strong earnings performance was driven by month-over-month sales growth in both stores and direct business, an improved merchandise margin, lower occupancy costs and reduced SG&A expenses as a result of cost savings initiatives, implemented during fiscal 2020.

We believe we are seeing a material shift in how consumers are thinking about and engaging with DXL. Many of our existing customers have returned to shop after months of staying close to home, and many new customers are discovering DXL for the first time. We believe we are steadily increasing our market share in the big + tall market by driving sales through our initiatives around digital engagement, a customer-first approach and repositioning of the brand. Our 12-month active customer file is almost back to pre-pandemic levels and in the second quarter we saw an increase in the new-to-file rate of 28.5%, as compared to the second quarter of fiscal 2019.

Our earnings performance for the second quarter was not only driven by our sales growth, it was also due to improvement in our merchandise margin, driven by our reduced promotional posture that reduced markdowns and, contributed to a 350 basis point improvement in merchandise margin as compared to the second quarter of fiscal 2019. We also benefitted from the operating leverage we created in fiscal 2020 through our lease renegotiations and our SG&A cost-savings initiatives. We have renegotiated approximately 133 of our store leases that we expect will deliver over $17.1 million of savings over the life of the leases, including $6.2 million of expected savings in fiscal 2021. We have also reduced our SG&A expenses by approximately 840 basis points as compared to the second quarter of fiscal 2019. All of these factors contributed to our strong second quarter results.

From a liquidity perspective, we had no borrowings outstanding under our Credit Facility and unused excess availability of $65.1 million at July 31, 2021. Total debt, net of cash, at July 31, 2021, was $11.0 million as compared to $61.0 million at August 1, 2020 and $58.7 million at August 3, 2019.

Financial Summary

Sales

The following tables present sales by segment for the three and six months ended July 31, 2021, August 1, 2020 and August 3, 2019:

	For the three months ended								
(in thousands, except percentages)	July 31, 2021			August 1, 2020			August 3, 2019		
Store sales	$	99,043	*71.9%*	$	38,465	*53.9%*	$	95,119	*78.9%*
Direct sales		38,664	*28.1%*		32,959	*46.1%*		25,406	*21.1%*
Retail segment	$	137,707		$	71,424		$	120,525	
Wholesale segment		883			5,018			2,720	
Total Sales	$	138,590		$	76,442		$	123,245	

	For the six months ended								
(in thousands, except percentages)	July 31, 2021			August 1, 2020			August 3, 2019		
Store sales	$	173,923	*70.7%*	$	70,792	*55.9%*	$	181,834	*78.7%*
Direct sales		72,206	*29.3%*		55,841	*44.1%*		49,239	*21.3%*
Retail segment	$	246,129		$	126,633		$	231,073	
Wholesale segment		3,955			7,036			5,145	
Total Sales	$	250,084		$	133,669		$	236,218	

Total sales for the second quarter of fiscal 2021 were $138.6 million, as compared to $76.4 million in the second quarter of fiscal 2020 and $123.2 million in the second quarter of fiscal 2019. At July 31, 2021, we had 297 stores as compared to 317 stores at August 1, 2020 and 328 stores at August 1, 2019.

As compared to the second quarter of fiscal 2020, comparable sales for the quarter were up 97.2%, with comparable sales from our stores up 168.0% and the direct business up 16.0%. Due to the COVID-19 pandemic, our stores were negatively impacted in the second quarter of 2020 by temporary closings and reduced customer demand.

As compared to the second quarter of fiscal 2019, comparable sales for the second quarter were up 21.6% driven primarily by our direct business, which was up 52.2% and our stores, which were up 13.1%. The increase in our direct business was principally due to our DXL.com e-commerce site, which had a sales increase of 66.4% as compared to the second quarter of fiscal 2019.

Sales accelerated throughout the quarter, with substantial month-over-month increases in both our stores and direct business. Regionally, the strongest improvements were in the Southeast, Midwest, and South Central parts of the country, which exceeded the Pacific Northwest, Northeast and Mid-Atlantic by approximately 600 basis points. For the second quarter of fiscal 2021, all regions had a comparable sales increase as compared to the second quarter of fiscal 2019.

Our direct business continued to outperform our expectations during the second quarter. Similar to our stores, we saw month-over-month improvement against fiscal 2019 sales. Even with the sales recovery from our stores, we continued to see growth in our direct business. For the second quarter of fiscal 2021, our direct business represented 28.1% of total retail sales as compared to 21.1% of retail sales in the second quarter of fiscal 2019.

Sales from our wholesale business were $0.9 million for the second quarter, as compared to $5.0 million for the second quarter of fiscal 2020 and $2.7 million for the second quarter of 2019. The decrease in sales from our wholesale business during the second quarter of fiscal 2021 was due primarily due to reduced order volume. The second quarter of fiscal 2020 included the sale of $4.1 million in protective masks.

For the first six months of fiscal 2021, total sales increased 5.9% to $250.1 million, as compared to $236.2 for the first six months of fiscal 2019. Comparable sales for the first six months of fiscal 2021, as compared to fiscal 2019, increased 13.1%, with comparable sales from stores up 3.7% and the direct business up 46.1%. For the first six months of fiscal 2021, sales from wholesale were $4.0 million as compared to $7.0 million for the first six months of fiscal 2020 and $5.1 million for the first six months of fiscal 2019.

Gross Margin Rate

For the second quarter of fiscal 2021, our gross margin rate, inclusive of occupancy costs, was 51.7% as compared to a gross margin rate of 28.1% for second quarter of fiscal 2020 and 44.3% for the second quarter of fiscal 2019.

As compared to fiscal 2020, the 2,360 basis point improvement was due to a 1,460 basis point improvement in merchandise margins, driven by lower promotional markdowns, and a 900 basis point improvement in occupancy costs, due to the leveraging of sales and savings realized from the renegotiated lease reductions. In the second quarter of last year, we were highly promotional in an effort to drive traffic as stores started to reopen and to move inventory.

As compared to fiscal 2019, our gross margin rate improved by 740 basis points, driven by a 350 basis point improvement in merchandise margins and a 390 basis point improvement in occupancy costs. On a dollar basis, our occupancy costs decreased by $3.2 million, as a result of our lease renegotiations as well as closed stores. The improvement in merchandise margin of 350 basis points was due to our change in promotional strategy. During the second quarter of this year, we did not run any broad-based promotions for Memorial Day weekend or Father’s Day, which allowed us to sell more full-price merchandise. This strategy drove significant savings in markdown dollars and an improvement in gross margin rate and, while we expect to increase our promotional activity during the holiday season, we expect to maintain a reduced promotional strategy going forward. Partially offsetting the savings in markdown dollars was the continued increased cost of freight due to shortage of containers and vessels for overseas product, which we expect to continue in the short-term. We are also continuing to see increases in the cost of certain raw materials, particularly cotton.

For the first six months of fiscal 2021, our gross margin rate was 49.0% as compared to a gross margin rate of 26.0% for the second quarter of fiscal 2020 and 44.0% for the second quarter of fiscal 2019. As compared to fiscal 2020, our gross margin rate improved by 2,300 basis points, driven by an increase in merchandise margin of 1,130 basis points and an improvement in occupancy costs as a percentage of sales of 1,170 basis points. As compared to fiscal 2019, 500 basis point improvement in gross margin was due to a 180 basis point improvement in merchandise margins and a 320 basis point improvement in occupancy costs.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A expenses for the second quarter of fiscal 2021 were 30.1% as compared to 33.7% for the second quarter of fiscal 2020 and 38.5% for the second quarter of fiscal 2019.

As compared to the second quarter of fiscal 2020, on a dollar basis, SG&A expenses increased by $16.0 million, or 62%. The increase was primarily due to increases in store payroll costs to support the increase in sales, increased advertising costs and incentive accruals. These increases were partially offset by realized cost savings.

As compared to the second quarter of fiscal 2019, SG&A expenses decreased by $5.7 million, or (12.0%). The reduction in SG&A costs was the result of cost reduction efforts taken in fiscal 2020 to not only preserve liquidity at the time but to lower our operating cost structure long-term. These savings were partially offset by an increase in incentive-based accruals.

For the first six months of fiscal 2021, SG&A expenses were 31.5% as compared to 43.3% for the first six months of fiscal 2020 and 39.0% for the first six months of fiscal 2019. As compared to the first six months of fiscal 2019, SG&A costs were down $13.2 million, or 14.3%, as a result of our cost-savings initiatives, reductions in store payroll costs and reduced marketing costs, partially offset by an increase in incentive-based accruals.

Management views SG&A expenses through two primary cost centers: Customer Facing Costs and Corporate Support Costs. Customer Facing Costs, which include store payroll, marketing and other store and direct operating costs, represented 17.4% of sales for the first six months of fiscal 2021 as compared to 23.3% of sales for the first six months of fiscal 2019. Corporate Support Costs, which include the distribution center and corporate overhead costs, represented 14.1% of sales for the first six months of fiscal 2021 compared to 15.7% of sales for the first six months of fiscal 2019. For the first six months of fiscal 2020, Customer Facing Costs were 20.0% of sales and Corporate Support Costs were 23.3% of sales.

Impairment of Assets

During the second quarter and first six months of fiscal 2021, we recorded non-cash gains of $0.4 million and $1.1 million, respectively, on the reduction of our operating lease liability in connection with our decision to close certain retail stores, which resulted in a revaluation of the lease liability. Approximately $0.4 million and $1.0 million of the non-cash gains for the second quarter and first six months of fiscal 2021, respectively, related to leases where the right-of-use assets had previously been impaired and was recorded as a reduction of the previously recorded impairment and included in the Impairment of Assets line of the Consolidated Statement of Operations for the three and six months ended July 31, 2021. The remainder of the non-cash gain of $0.1 million for the six months ended July 31, 2021 was reflected as a reduction of occupancy costs.

In the first six months of fiscal 2020, we recorded an impairment charge of $16.3 million. The impairment charge included approximately $12.5 million for the write-down of certain right-of-use assets, related to leases where the carrying value exceeded fair value, and $3.8 million for the write-down of property and equipment, related to stores where the carrying value exceeded fair value. Based on the indicators present in the first quarter of fiscal 2020, we completed a recoverability analysis, which included the impact of the COVID-19 pandemic on the operations of our stores and we used projections that were based on multiple probability-weighted scenarios, assuming that our stores would gradually open throughout the second quarter of fiscal 2020 but that consumer retail spending would remain substantially curtailed for a period of time.

Depreciation and Amortization

Depreciation and amortization for the second quarter of fiscal 2021 of $4.4 million decreased from $5.3 million for the second quarter of fiscal 2020. For the first six months of fiscal 2021, depreciation and amortization decreased $2.2 million to $8.9 million as compared to $11.1 million for the first six months of fiscal 2020. The decrease was due to a lower depreciable cost base, especially from our store assets.

Interest Expense, Net

Net interest expense for the second quarter of fiscal 2021 decreased to $0.9 million, as compared to $1.1 million for the second quarter of fiscal 2020. The decrease in interest expense for the second quarter was due to reduced borrowings on the credit facility, partially offset by an increase in interest rates. For the first six months of fiscal 2021, net interest expense was $2.1 million as compared to $1.8 million for the first six months of fiscal 2020. The increase was due to an increase in the effective borrowing rates on both short-term and long-term borrowings, offset by reduced borrowings under the credit facility.

Income Taxes

We established a full valuation allowance against our deferred tax assets at the end of fiscal 2014. While the Company has returned to profitability for the first six months of fiscal 2021, and has projected that it will generate taxable income and ultimately emerge from a three-year cumulative loss, the Company believes that a full valuation allowance remains appropriate until the Company generates a more consistent history of profitability.

Our tax provision for the second quarter and first six months of fiscal 2021 was primarily due to income tax in states where NOL usage is statutorily limited. Our tax provision for the second quarter and first six months of fiscal 2020 was primarily due to state margin tax, based on gross receipts less certain deductions.

Net Income (Loss)

For the second quarter of fiscal 2021, we recorded net income of $24.5 million, or $0.36 per diluted share, compared with a net loss of $(10.7) million, or $(0.21) per diluted share, for the second quarter of fiscal 2020 and net income of $0.0 million, or $0.00 per diluted share, for the second quarter of fiscal 2019.

For the first six months of fiscal 2021, we had net income of $33.1 million, or $0.50 per diluted share, compared to a net loss of $(52.4) million, or $(1.03) per diluted share, for the first six months of fiscal 2020 and a net loss of $(3.0) million, or $(0.06) per diluted share, for the first six months of fiscal 2019.

On a non-GAAP basis, before asset impairment costs and assuming a normalized tax rate of 26% for all periods, adjusted net income for the second quarter of fiscal 2021 was $0.27 per diluted share, as compared to an adjusted net loss of $(0.15) per diluted share for the second quarter of fiscal 2020, and an adjusted net income of $0.00 per diluted share for the second quarter of fiscal 2019. Adjusted net income for the first six months of fiscal 2021 was $0.37 per diluted share, as compared to an adjusted net loss of $(0.52) per diluted share for the first six months of fiscal 2020 and an adjusted net loss of $(0.04) per diluted share for the first six months of fiscal 2019.

Inventory

As of July 31, 2021, our inventory decreased approximately $14.0 million to $73.4 million, as compared to $87.4 million at August 1, 2020 and decreased approximately $37.0 million as compared to $110.4 million at August 3, 2019. Given our current sales trends and global supply chain disruptions, maintaining sufficient inventory levels is a priority. We believe that we will be able to secure sufficient inventory to support our sales forecasts. At the same time, we are continuing to manage inventory conservatively, narrowing our assortment while driving meaningfully greater levels of exclusivity with national brands. At July 31, 2021, our clearance inventory decreased by approximately $3.3 million, representing 8.9% of our total inventory, as compared to 11.3% at August 1, 2020 and 10.9% at August 3, 2019.

SEASONALITY

Historically, and consistent with the retail industry, we have experienced seasonal fluctuations as it relates to our operating income and net income. Traditionally, a significant portion of our operating income and net income is generated in the fourth quarter, as a result of the "Holiday" season.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations and availability under our credit facility with Bank of America, N.A., which was most recently amended in March 2021 ("Credit Facility"). We took several actions during fiscal 2020 to preserve our liquidity, and in the first quarter of fiscal 2021, we further strengthened our liquidity position by completing a direct offering of our common stock, which raised $4.4 million, net of offering costs, and by amending our Credit Facility to allow for the refinancing of our $15.0 million FILO loan, which increased our borrowing capability. As a result of our earnings in the second quarter of fiscal 2021, at July 31, 2021, we had no outstanding borrowings under our Credit Facility. We believe our cash on hand, availability under our Credit Facility, and ongoing cash generated from our operations will be sufficient to cover our working capital requirements and limited capital expenditures for the next 12 months. However, we remain cautiously optimistic regarding the duration of the pandemic and how it may continue to impact our financial results and liquidity.

For the first six months of fiscal 2021, cash flow from operations improved to $42.2 million as compared to $(9.0) million for the first six months of fiscal 2020 and $0.9 million for the first six months of fiscal 2019. Free cash flow, a non-GAAP measure, improved to $40.5 million for the first six months of fiscal 2021 as compared to $(11.1) million for the first six months of fiscal 2020 and $(6.7) million for the first six months of fiscal 2019. The improvement in free cash flow was primarily due to our improvement in earnings as well as faster inventory turn.

Cash flow from financing activities decreased by $(80.9) million as compared to fiscal 2020, primarily due to the repayment of amounts outstanding under our revolver, which included the repayment of the $30.0 million that we drew-down on our Credit Facility in March 2020 to provide the Company with financial flexibility during the pandemic.

The following is a summary of our total debt outstanding at July 31, 2021 with the associated unamortized debt issuance costs:

(in thousands)	Gross Debt Outstanding	Less Debt Issuance Costs	Net Debt Outstanding
FILO Loan	$ 17,500	$ (666)	$ 16,834
Total debt	$ 17,500	$ (666)	$ 16,834

Our Credit Facility provides for a maximum committed borrowing of $125.0 million, which, pursuant to an accordion feature, may be increased to $175.0 million upon our request and the agreement of the lender(s) participating in the increase (the "Revolving Facility"). The Credit Facility includes a sublimit of $20.0 million for commercial and standby letters of credit and a sublimit of up to $15.0 million for swingline loans. Borrowings made pursuant to the Revolving Facility under the Credit Facility bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a varying percentage based on the Company's excess availability, of either 1.75% or 2.00%, or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company's excess availability, of either 2.75% or 3.00%. The current maturity date is May 24, 2023.

We had no outstanding borrowings under the Credit Facility at July 31, 2021. At July 31, 2021, outstanding standby letters of credit were $2.7 million and there were no outstanding documentary letters of credit. The average monthly borrowing outstanding under the Credit Facility during the first six months ended July 31, 2021 was approximately $32.7 million, resulting in an average unused excess availability of approximately $42.5 million. Unused excess availability at July 31, 2021 was $65.1 million.

FILO Loans

In March 2021, we refinanced our existing $15.0 million FILO loan (the "existing FILO loan") and entered into a new $17.5 million FILO loan (the "new FILO loan"). The new FILO loan has higher advance rates and additional borrowing capacity of approximately $5.0 to $10.0 million. The total borrowing capacity under the new FILO loan is based on a borrowing base, generally defined as a specified percentage of the value of eligible accounts (including certain trade names) that step down over time, plus a specified percentage of the value of eligible inventory that steps down over time. The new FILO loan will be subject to quarterly principal repayments of $218,750 beginning December 31, 2021.

The new FILO loan is subject to a prepayment penalty, if any portion of the principal for the new FILO Loan is prepaid during the initial two-year period, equal to the greater of (i) the incremental interest that would have been incurred with respect to that principal repayment during the two year period and (ii) 3% of the principal prepayment, unless the prepayment occurs after March 16, 2022 in connection with the Company's renegotiation of its Credit Agreement in which case the prepayment premium would be equal to 1% of the principal prepayment. The new FILO loan expires on May 24, 2023, but may be automatically extended in connection with any extension of the revolving facility under the Credit Agreement, but no later than March 16, 2026, without approval from the FILO lender.

Borrowings made under the new FILO loan will bear interest, at the LIBOR rate (with a LIBOR floor of 1.0%) plus an applicable margin rate of 7.50% through September 16, 2021. Thereafter, the applicable margin rate will be 7.50% for so long as the Company's 12-month trailing consolidated EBITDA (as defined in the Fourth Amendment) measured as of the end of each month is less than $18.0 million, or 7.00% when 12-month trailing consolidated EBITDA is equal to or greater than $18.0 million. Accordingly, the interest rate at July 31, 2021 was 8.50%.

Capital Expenditures

The following table sets forth the open stores and related square footage at July 31, 2021, August 1, 2020 and August 3, 2019, respectively:

	July 31, 2021		August 1, 2020		August 3, 2019	
Store Concept	Number of Stores	Square Footage	Number of Stores	Square Footage	Number of Stores	Square Footage
(square footage in thousands)						
DXL Retail	221	1,685	228	1,729	220	1,697
DXL Outlets	16	80	17	82	16	82
Casual Male XL Retail	40	132	49	160	60	200
Casual Male Outlets	20	60	23	69	29	88
Rochester Clothing	-	-	-	-	3	36
Total Stores	297	1,957	317	2,040	328	2,103

We do not plan to open any new stores or rebrand any of our Casual Male XL stores during fiscal 2021. We have 119 stores that have leases with either a natural lease expiration or a kick-out option within the next two years. This provides us an opportunity to rightsize our store portfolio, through ongoing lease renegotiations or lease-term expirations, to ensure that we are optimizing our store profitability and omni-channel distribution. Since the beginning of fiscal 2020, we have renegotiated approximately 133 of our store leases, which we expect will result in over $17.1 million of savings over the life of the leases, including $6.2 million of expected savings in fiscal 2021. We will continue to work with our landlords on leases where our rents are not aligned with sales.

Our capital expenditures for the first six months of fiscal 2021 were $1.7 million as compared to $2.1 million for the first six months of fiscal 2020. During the first six months of fiscal 2021, we closed 5 DXL retail stores, 1 DXL outlet store, 6 Casual Male XL retail stores and 2 Casual Male XL outlets.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to the critical accounting policies and estimates disclosed in our Fiscal 2020 Annual Report. See Note 1 to the Consolidated Financial Statements included in this report for information on recent accounting pronouncements and changes in accounting principles.

Non-GAAP Financial Measures

Adjusted net income (loss), adjusted net income (loss) per diluted share, free cash flow and Adjusted EBITDA are non-GAAP measures. These non-GAAP measures are not presented in accordance with GAAP and should not be considered superior to or as a substitute for net loss or cash flows from operating activities or any other measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, the non-GAAP measures presented in this Quarterly Report may not be comparable to similar measures used by other companies. We believe that inclusion of these non-GAAP measures helps investors gain a better understanding of our performance, especially when comparing such results to previous periods and that they are useful as an additional means for investors to evaluate our operating results, when reviewed in conjunction with our GAAP financial statements.

Reconciliations of these non-GAAP measures are presented in the following tables *(certain columns may not foot due to rounding)*:

Adjusted net income (loss) and adjusted net income (loss) per diluted share. Adjusted net income (loss) and adjusted net income (loss) per diluted share reflect an adjustment assuming a normal tax rate of 26% and the add-back of CEO transition and impairment of assets, if any. We have fully reserved against our deferred tax assets and, therefore, net loss is not reflective of earnings assuming a "normal" tax position. Adjusted net loss provides investors with a useful indication of the financial performance of the business, on a comparative basis, assuming a normalized tax rate of 26% and without these charges.

	For the three months ended						For the six months ended					
	July 31, 2021		August 1, 2020		August 3, 2019		July 31, 2021		August 1, 2020		August 3, 2019	
	$	Per diluted share	$	Per diluted share	$	Per diluted share	$	Per diluted share	$	Per diluted share	$	Per diluted share
(in thousands, except per share data)												
Net income (loss) (GAAP basis)	$ 24,451	$ 0.36	$ (10,714)	$ (0.21)	$ 38	$ 0.00	$ 33,148	$ 0.50	$ (52,440)	$ (1.03)	$ (3,043)	$ (0.06)
Adjust:												
Impairment of assets	(365)		-		-		(1,017)		16,335		-	
CEO transition costs	-		-		-		-		-		702	
Add back actual income tax provision (benefit)	426		24		(8)		454		44		(29)	
Add income tax (provision) benefit, assuming a normal tax rate of 26%	(6,373)		2,779		(8)		(8,472)		9,376		616	
Adjusted net income (loss) (non-GAAP basis)	$ 18,139	$ 0.27	$ (7,911)	$ (0.15)	$ 22	$ 0.00	$ 24,113	$ 0.37	$ (26,685)	$ (0.52)	$ (1,754)	$ (0.04)
Weighted average number of common shares outstanding on a diluted basis		67,615		51,078		50,175		65,938		50,918		49,734

Free Cash Flow. We define free cash flow as cash flow from operating activities less capital expenditures. Free cash flow excludes the mandatory and discretionary repayment of debt. Free cash flow is a metric that management uses to monitor liquidity. We expect to fund our ongoing capital expenditures with cash flow from operations.

The following table reconciles free cash flow:

	For the six months ended		
(in millions)	July 31, 2021	August 1, 2020	August 3, 2019
Cash flow from operating activities (GAAP basis)	$ 42.2	$ (9.0)	$ 0.9
Capital expenditures	(1.7)	(2.1)	(7.6)
Free Cash Flow (non-GAAP basis)	$ 40.5	$ (11.1)	$ (6.7)

Adjusted EBITDA. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization and is before any impairment of assets and CEO transition costs, if any. We believe that adjusted EBITDA is useful to investors in evaluating our performance and is a key metric to measure profitability and economic productivity.

	For the three months ended			For the six months ended		
(in millions)	July 31, 2021	August 1, 2020	August 3, 2019	July 31, 2021	August 1, 2020	August 3, 2019
Net income (loss) (GAAP basis)	$ 24.5	$ (10.7)	$ 0.0	$ 33.1	$ (52.4)	$ (3.0)
Add back:						
Impairment of assets	(0.4)	-	-	(1.0)	16.3	-
CEO transition costs	-	-	-	-	-	0.7
Provision (benefit) for income taxes	0.4	-	-	0.5	0.0	(0.0)
Interest expense	0.9	1.1	0.9	2.1	1.8	1.7
Depreciation and amortization	4.4	5.3	6.2	8.9	11.1	12.5
Adjusted EBITDA (non-GAAP basis)	$ 29.8	$ (4.3)	$ 7.1	$ 43.5	$ (23.2)	$ 11.9

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, our financial position and results of operations are routinely subject to a variety of risks, including market risk associated with interest rate movements on borrowings and foreign currency fluctuations. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of these and other potential exposures.

Interest Rates

We utilize cash from operations and from our Revolving Facility of our Credit Facility to fund our working capital needs. Our Credit Facility is not used for trading or speculative purposes. As part of our Credit Facility, we also have an outstanding $17.5 million FILO loan. In addition, we have available letters of credit as sources of financing for our working capital requirements. Borrowings under the Credit Facility, which expires May 24, 2023, bear interest at variable rates based on Bank of America’s prime rate or LIBOR.

At July 31, 2021, we had no outstanding borrowings under our Revolving Facility. The prime-based rate was 5.25% during the first six months of fiscal 2021. At July 31, 2021, the interest rate for the $17.5 million outstanding under the FILO loan was 8.50%.

Based upon a sensitivity analysis as of July 31, 2021, assuming average outstanding borrowing during the first six months of fiscal 2021 of $32.7 million under our Revolving Facility and $17.5 million outstanding under our FILO loan, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately $251,000 on an annualized basis.

Foreign Currency

Our two DXL stores located in Ontario, Canada conduct business in Canadian dollars. Sales from these stores were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse effect on our financial position or results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of July 31, 2021. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 31, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

While the majority of our employees are working remotely during the COVID-19 pandemic, we have not experienced any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended July 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. Management currently believes that the resolution of these matters will not have a material adverse impact on our future results of operations or financial position.

Item 1A. Risk Factors.

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A of our Fiscal 2020 Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

3.1	Certificate of Amendment to Restated Certificate of Incorporation, effective as of August 6, 2021.*
3.2	Restated Certificate of Incorporation of the Company (conformed copy incorporating all amendments through August 6, 2021.)*
4.1	Form of Indenture (included as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 256990) filed on June 10, 2021, and incorporated herein by reference.)
10.1	Destination XL Group, Inc.'s 2016 Incentive Compensation Plan, as amended (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 6, 2021, and incorporated herein by reference.)
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934*.
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.*
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	Inline XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
	* Filed herewith.

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.

	DESTINATION XL GROUP, INC.
Date: August 31, 2021	By: /S/ John F. Cooney
	John F. Cooney
	Vice President, Managing Director, Chief Accounting Officer and Corporate Controller (Duly Authorized Officer and Chief Accounting Officer)

Exhibit 3.1

CERTIFICATE OF AMENDMENT
TO
RESTATED CERTIFICATE OF INCORPORATION
OF
DESTINATION XL GROUP, INC.

Destination XL Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the “Corporation”), does hereby certify as follows:

1. The Restated Certificate of Incorporation of the Corporation (the “Restated Certificate of Incorporation”) was filed with the office of the Secretary of State of the State of Delaware on August 13, 2018.

2. This Certificate of Amendment to Restated Certificate of Incorporation (this “Certificate of Amendment”) was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

3. This Certificate of Amendment amends and restates Section 4.1 of Article FOURTH of the Restated Certificate of Incorporation as follows:

   The total authorized stock of the Corporation shall be 126,000,000 shares, divided into: (i) 125,000,000 shares of Common Stock having a par value of $0.01 per share (“Common Stock”); and (ii) 1,000,000 shares of Preferred Stock having a par value of $0.01 per share (“Preferred Stock”).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be duly executed by an authorized officer as of this 6th day of August, 2021.

DESTINATION XL GROUP, INC.

By: /s/ Harvey Kanter
Name: Harvey Kanter
Title: President and Chief Executive Officer

RESTATED
CERTIFICATE OF INCORPORATION

OF

DESTINATION XL GROUP, INC.
(*Conformed copy incorporating all amendments through August 6, 2021*)

The undersigned, a duly authorized officer of Destination XL Group, Inc. (the "Corporation"), a corporation organized and existing under the Laws of the State of Delaware, does hereby certify as follows:

A: The name of the Corporation is Destination XL Group, Inc., originally incorporated under the name "KARA ENTERPRISES, INC." The Corporation's original Certificate of Incorporation was filed with the Secretary of the State of Delaware on January 29, 1976.

This Restated Certificate of Incorporation (the "Restated Certificate of Incorporation") was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware and only restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of the Restated Certificate of Incorporation.

B: The Certificate of Incorporation of the Corporation is hereby restated so as to read in its entirety as follows:

FIRST: The name of this corporation is Destination XL Group, Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is as follows:

To engage in retail or wholesale distribution, marketing and sale of clothing, apparel and related goods and products; to purchase or lease and maintain real property for the purpose of operating retail stores or outlets, warehouses, corporate headquarters or other related facilities; to develop, market and distribute financial, merchandising and data processing systems (including, without limitation, computer software programs) for inventory and cost control, sales reporting, financial accounting and other financial and managerial control purposes; and to engage in any businesses related to or arising from the foregoing.

To conduct or engage in any lawful act or activity for which corporations may be organized under

FOURTH: Shares, Reclassification, and Transfer Restrictions

4.1. *Authorized Shares.*

The total authorized stock of the Corporation shall be 126,000,000 shares, divided into: (i) 125,000,000 shares of Common Stock having a par value of $0.01 per share ("**Common Stock**"); and (ii) 1,000,000 shares of Preferred Stock having a par value of $0.01 per share ("**Preferred Stock**").

4.2. [Reserved]

4.3. *Transfer Restrictions.*

Section 4.3.1. Certain Definitions.

As used in this Section 4.3:

"**Acquire**" or "**Acquisition**" and similar terms means the acquisition of record, legal, beneficial or any other ownership of Corporation Securities by any means, including, without limitation, (a) the exercise of any rights under any option, warrant, convertible security, pledge or other security interest or similar right to acquire shares, or (b) the entering into of any swap, hedge or other arrangement that results in the acquisition of any of the economic consequences of ownership of Corporation Securities, but shall not include the acquisition of any such rights unless, as a result, the acquirer would be considered an owner.

"**Business Day**" means any day, other than a Saturday, Sunday or day on which banks located in Boston, Massachusetts, are authorized or required by law to close.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Corporation Securities**" means (a) shares of Common Stock, (b) shares of Preferred Stock of any class or series of Preferred Stock, (c) warrants, rights or options (including within the meaning of Treasury Regulation Section 1.382-2T(h)(4)(v)) to purchase stock of the Corporation, and (d) any other interests that would be treated as "stock" of the Corporation pursuant to Treasury Regulation Section 1.382-2T(f)(18).

"**Effective Date**" means August 27, 2009.

"**Entity**" means an entity within the meaning of Treasury Regulation Section 1.382-3(a)(1).

"**Five Percent Shareholder**" means a Person or group of Persons that is identified as a "5-percent shareholder" of the Corporation Securities pursuant to Treasury Regulation Section 1.382-2T(g)(1), but excluding any "direct public group" with respect to the Corporation, as that term is defined in Treasury Regulation Section 1.382-2T(j)(2)(ii). For the purposes of determining the existence and identity of, and the amount of Corporation Securities owned by, any Five Percent Shareholder, the Corporation is entitled to rely conclusively on (a) the existence and absence of filings of Schedules 13D or 13G under the Securities Exchange Act of 1934, as amended (or any similar schedules) as of any date, and (b) its actual knowledge of the ownership of the Corporation Securities.

"**Percentage Stock Ownership**" and similar terms means percentage stock ownership as determined in accordance with Treasury Regulation Section 1.382-2T(g), (h), (j) and (k).

"**Person**" means an individual, corporation, estate, trust, association, limited liability company, partnership, joint venture or similar organization, and also includes a syndicate or group as those terms are used for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"**Prohibited Transfer**" means any purported Transfer of Corporation Securities to the extent that such a Transfer is prohibited and/or void under this Article FOURTH, unless, with respect to any Transfer that would not result in an "ownership change" of the Corporation Securities (within the meaning of Section 382(g) of the Code), the Board of Directors determines that such a Transfer is not a Prohibited Transfer, in its sole discretion and subject to any conditions that it deems reasonable and appropriate in connection with its determination.

"**Restriction Release Date**" means such date, after the Effective Date, that the Board of Directors determines in good faith that it is in the best interests of the Corporation and its stockholders for the transfer restrictions set forth in this Article FOURTH to terminate.

"**Restricted Holder**" means a Person or group of Persons that (a) is a Five Percent Shareholder and Acquires or proposes to Acquire Corporation Securities, or (b) is proposing to Acquire Corporation Securities, and following such proposed Acquisition of Corporation Securities, would be a Five Percent Shareholder.

"**Tax Benefits**" means the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any "net unrealized built-in loss" within the meaning of Section 382 of the Code, of the Corporation or any direct or indirect subsidiary thereof.

"**Transfer**" means any direct or indirect Acquisition, sale, transfer, assignment, conveyance, pledge or other disposition of Corporation Securities in any manner whatsoever, whether voluntary or involuntary, by operation of law or otherwise, or any attempt to do any of the foregoing. A Transfer shall also include the creation or grant of an option (including within the meaning of Treasury Regulation Section 1.382-2T(h)(4)(v)). A Transfer shall not include an issuance or grant of Corporation Securities by the Corporation.

"**Treasury Regulation**" means a Treasury Regulation promulgated under the Code.

Section 4.3.2. Transfer Restrictions.

(a) From and after the Effective Date and prior to the Restriction Release Date, subject to Section 4.3.2(b) and (c), no Transfer shall be permitted, and any such purported Transfer shall be void *ab initio*, to the extent that after giving effect to such purported Transfer (or any series of Transfers of which such Transfer is a part), either (i) any Person or group of Persons shall become a Five Percent Shareholder or (ii) the Percentage Stock Ownership interest in the Corporation of any Five Percent Shareholder shall be increased. The prior sentence is not intended to prevent the Corporation Securities from being DTC-eligible and shall not preclude the settlement of any transactions in the Corporation Securities entered into through the facilities of a national securities exchange or any national securities quotation system, provided, that if the settlement of the transaction would result in a Prohibited Transfer, such Transfer shall nonetheless be a Prohibited Transfer.

(b) The restrictions contained in this Article FOURTH are for the purposes of reducing the risk that any “ownership change” of the Corporation Securities (as defined in the Code) may limit the Corporation’s ability to utilize its Tax Benefits. In connection therewith, and to provide for effective policing of these provisions, a Restricted Holder who proposes to Acquire Corporation Securities shall, prior to the date of the proposed Acquisition, request in writing (a “**Request**”) that the Board of Directors of the Corporation (or a committee thereof that has been appointed by the Board of Directors) review the proposed Acquisition and authorize or not authorize the proposed Acquisition in accordance with this Section 4.3.2(b) of Article FOURTH. A Request shall be mailed or delivered to the Secretary of the Corporation at the Corporation’s principal place of business, or telecopied to the Corporation’s telecopier number at its principal place of business. Such Request shall be deemed to have been received by the Corporation when actually received by the Corporation. A Request shall include (i) the name, address and telephone number of the Restricted Holder; (ii) a description of the Restricted Holder’s existing direct or indirect ownership of Corporation Securities; (iii) a description of the Corporation Securities that the Restricted Holder proposes to Acquire; (iv) the date on which the proposed Acquisition is expected to take place (or, if the Acquisition is proposed to be made by a Five Percent Shareholder in a transaction on a national securities exchange or any national securities quotation system, a statement to that effect); (v) the name of the proposed transferor of the Corporation Securities that the Restricted Holder proposes to Acquire (or, if the Acquisition is proposed to be made by a Five Percent Shareholder in a transaction on a national securities exchange or any national securities quotation system, a statement to that effect); and (vi) a request that the Board of Directors (or a committee thereof that has been appointed by the Board of Directors) authorize, if appropriate, the Acquisition pursuant to this Section 4.3.2(b) of Article FOURTH. The Board of Directors may authorize an Acquisition by a Restricted Holder, if it determines, in its sole discretion, that, after taking into account the preservation of the Tax Benefits, such Acquisition would be in the best interests of the Corporation and its stockholders. Subject to Section 4.3.2(c), unless and until the Board of Directors determines to authorize a proposed Acquisition by a Restricted Holder, the consummation of such Acquisition shall be a Prohibited Transfer. The Board of Directors may, in its sole discretion, impose any conditions that it deems reasonable and appropriate in connection with authorizing any such Acquisition by a Restricted Holder. In addition, the Board of Directors may, in its sole discretion, require such representations from the Restricted Holder or such opinions of counsel to be rendered by counsel selected by the Board of Directors, in each case as to such matters as the Board of Directors may determine. Any Restricted Holder who makes a Request to the Board of Directors shall reimburse the Corporation, on demand, for all costs and expenses incurred by the Corporation with respect to any proposed Acquisition of Corporation Securities, including, without limitation, the Corporation’s costs and expenses incurred in determining whether to authorize the proposed Acquisition, which costs may include, but are not limited to, any expenses of counsel and/or tax advisors engaged by the Board of Directors to advise the Board of Directors or deliver an opinion thereto.

(c) Notwithstanding the foregoing Section 4.3.2(b), the Board of Directors may also authorize a purported prior Acquisition in respect of a Prohibited Transfer, if such Acquisition would not result in an "ownership change" of the Corporation Securities (within the meaning of Section 382(g) of the Code) and the Board of Directors determines, in its sole discretion, that, after taking into account the preservation of the Tax Benefits, such Acquisition would be in the best interests of the Corporation and its stockholders. Any determination by the Board of Directors not to authorize any purported prior Acquisition shall cause such purported prior Acquisition to continue to be deemed a Prohibited Transfer. The Request and Board of Director approval procedures set forth in Section 4.3.2(b) applicable to Restricted Holders with respect to proposed Acquisitions shall also apply to purported prior Acquisitions by any Person or group of Persons.

Section 4.3.3. Treatment of Excess Securities.

(a) No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of a Prohibited Transfer (the "**Purported Transferee**") shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the "**Excess Securities**"). The Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof. Once the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, such Corporation Securities shall cease to be Excess Securities.

(b) If the Board of Directors determines that a Prohibited Transfer has been recorded by an agent or employee of the Corporation notwithstanding the prohibition in Section 4.3.3(a) of this Article FOURTH, such recording and the Prohibited Transfer shall be void *ab initio* and have no legal effect and, upon written demand by the Corporation, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any dividends or other distributions that were received by the Purported Transferee from the Corporation with respect to the Excess Securities (the "**Prohibited Distributions**"), to an agent designated by the Board of Directors (the "**Agent**"). In the event of an attempted Prohibited Transfer involving the purchase or Acquisition of Corporation Securities in violation of this Article FOURTH by a Restricted Holder, the Agent shall thereupon sell to a buyer or buyers, which may include the Corporation or the purported transferor, the Excess Securities transferred to it in one or more arm's-length transactions (including over a national securities exchange or national securities quotation system on which the Corporation Securities may be traded); provided, however, that the Agent, in its sole discretion, shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities, would adversely affect the value of the Corporation Securities or would be in violation of applicable securities laws. If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender the Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported

Transferee to retain a portion of such sales proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section 4.3.3(c) of this Article FOURTH if the Agent, rather than the Purported Transferee, had resold the Excess Securities.

(c) The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee had previously resold the Excess Securities, any amounts received by it from a Purported Transferee, as follows: (i) first, to reimburse itself to the extent necessary to cover its costs and expenses incurred in accordance with its duties hereunder; (ii) second, to reimburse the Purported Transferee for the amounts paid by the Purported Transferee for the Excess Securities (or in the case of any Prohibited Transfer by gift, devise or inheritance or any other Prohibited Transfer without consideration, the fair market value, calculated on the basis of the closing market price for the Corporation Securities on the day before the Prohibited Transfer); and (iii) third, the remainder, if any, to the original transferor, or, if the original transferor cannot be readily identified, to an entity designated by the Corporation's Board of Directors that is described in Section 501(c) of the Code, contributions to which must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. The recourse of any Purported Transferee with respect of any Prohibited Transfer shall be limited to the amount payable to the Purported Transferee pursuant to clause (ii) of this Section 4.3.3(c) of this Article FOURTH. Except as may be required by law, in no event shall the proceeds of any sale of Excess Securities pursuant to this Article FOURTH inure to the benefit of the Corporation or the Agent, except to the extent used to cover expenses incurred by the Agent in performing its duties hereunder.

(d) If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof to the Agent within thirty (30) days from the date on which the Corporation makes a demand pursuant to Section 4.3.3(b) of this Article FOURTH, then the Corporation may take such actions as it deems necessary to enforce the provisions hereof, including the institution of legal proceedings to compel such surrender.

(e) If any Person shall knowingly violate, or knowingly cause any other Person under control of such Person (a "**Controlled Person**") to violate this Article FOURTH, then that Person and any Controlled Person shall be jointly and severally liable for, and shall pay to the Corporation, such amount as will, after taking account of all taxes imposed with respect to the receipt or accrual of such amount and all costs incurred by the Corporation as a result of such violation, put the Corporation in the same financial position as it would have been in had such violation not occurred.

Section 4.3.4. Legends; Compliance

(a) All certificates reflecting Corporation Securities on or after the Effective Date shall, until the Restriction Release Date, bear a conspicuous legend in substantially the following form:

THE TRANSFER OF SECURITIES REPRESENTED HEREBY IS SUBJECT TO RESTRICTION PURSUANT TO ARTICLE FOURTH OF THE RESTATED CERTIFICATE OF INCORPORATION OF CASUAL MALE RETAIL GROUP, INC., AS

AMENDED AND IN EFFECT FROM TIME TO TIME, A COPY OF WHICH MAY BE OBTAINED FROM THE CORPORATION UPON REQUEST.

(b) The Corporation shall have the power to make appropriate notations upon its stock transfer records and to instruct any transfer agent, registrar, securities intermediary or depository with respect to the requirements of this Article FOURTH for any uncertificated Corporation Securities or Corporation Securities held in an indirect holding system.

(c) Nothing contained in this Article FOURTH shall limit the authority of the Board of Directors of the Corporation to take such other action to the extent permitted by law as it deems necessary or advisable to preserve the Corporation's Tax Benefits. The Board of Directors of the Corporation shall have the power to determine all matters necessary for determining compliance with this Article FOURTH, including, without limitation, determining (i) the identification of Five Percent Shareholders and Restricted Holders; (ii) whether a Transfer or proposed Transfer is a Prohibited Transfer; (iii) the Percentage Stock Ownership in the Corporation of any Five Percent Shareholders and Restricted Holders; (iv) whether an instrument constitutes a Corporation Security; (v) the amount (or fair market value) due to a Purported Transferee; (vi) the interpretation of the provisions of this Article FOURTH; and (vii) any other matters which the Board of Directors deems relevant. In the case of an ambiguity in the application of any of the provisions of this Article FOURTH, including any definition used herein, the Board of Directors shall have the power to determine the application of such provisions with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances. In the event that this Article FOURTH requires an action by the Board of Directors but fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this Article FOURTH. All such actions, calculations, interpretations and determinations that are done or made by the Board of Directors in good faith shall be final, conclusive and binding on the Corporation, the Agent, and all other parties to a Transfer; provided, however, that the Board of Directors may delegate all or any portion of its duties and powers under this Article FOURTH to a committee of the Board of Directors as it deems advisable or necessary.

(d) Nothing contained in this Article FOURTH shall be construed to give any Person other than the Corporation or the Agent any legal or equitable right, remedy or claim under this Article FOURTH. This Article FOURTH shall be for the sole and exclusive benefit of the Corporation and the Agent.

(e) If any provision of this Article FOURTH or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article FOURTH.

4.4. *Voting Power, Preferences, and Other Rights of Capital Stock.* The voting power, preferences and relative participating, optional or other special rights and the qualifications, limitations or restrictions of the Common Stock and Preferred Stock are as follows:

Section 4.4.1. Common Stock. The holders of the Common Stock shall be entitled to one vote for each share of Common Stock registered in the name of such holder. The holders of the Common Stock shall be entitled to such dividends as may from time to time be declared by the Board of Directors, but only when and as declared by the Board of Directors, out of any funds legally available for declaration of dividends, and subject to any provisions of this Certificate of Incorporation, as amended from time to time, or of resolutions of the Board of Directors adopted pursuant to authority herein contained, requiring that dividends be declared, paid or set aside upon the outstanding shares of Preferred Stock of any series or upon the outstanding shares of any other class of capital stock ranking senior to the Common Stock as to dividends or that the Corporation fulfill any obligations it may have with respect to the redemption of any outstanding Preferred Stock as a condition to the declaration and/or payment of any dividend on the Common Stock; but no such provisions shall restrict the declaration of payment of any dividend or distribution on the Common Stock payable solely in shares of Common Stock. In the event of the liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Common Stock shall be entitled to share pro rata in the net assets available for distribution to holders of Common Stock after satisfaction of the prior claims of the holders of shares of Preferred Stock of any series and shares of any other class of capital stock ranking senior to the Common Stock as to assets, in accordance with the provisions of this Certificate of Incorporation, as amended from time to time, or of resolutions of the Board of Directors adopted pursuant to authority herein contained.

Section 4.4.2. Preferred Stock. The Board of Directors is authorized, subject to limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution of winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative powers, rights, preferences and limitations of that series.

FIFTH: In furtherance of and not in limitation of powers conferred by statute, it is further provided that:

(a) Subject to the limitations and exceptions, if any, contained in the by-laws of the Corporation, the by-laws may be adopted, amended or repealed by the Board of Directors of the Corporation.

(b) Elections of directors need not be by written ballot.

(c) Subject to any applicable requirements of law, the books of the Corporation may be kept outside the State of Delaware at such location as may be designated by the Board of Directors or in the by-laws of the Corporation.

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: The Corporation shall indemnify each person who at any time is, or shall have been, a director or officer of the Corporation, and is threatened to be or is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is, or was, a director or officer of the Corporation, or served at the request of the Corporation as a director, officer, employee, trustee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with any such action, suit or proceeding to the maximum extent permitted by the General Corporation Law of the State of Delaware. The foregoing right of indemnification shall in no way be exclusive of any other rights of indemnification to which any such director or officer may be entitled, under any by-law, agreement, vote of directors or stockholders or otherwise.

NINTH: No director of the Corporation shall be personally liable to the Corporation or to any of its stockholders for monetary damages arising out of such director's breach of fiduciary duty as a director of the Corporation, except to the extent that the elimination or limitation of liability is not permitted by the General Corporation Law of the State of Delaware. No amendment or repeal of this Article NINTH shall deprive a director of the benefits hereof with respect to any act or omission occurring prior to such amendment or repeal.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and this Certificate of Incorporation and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been executed by a duly authorized officer of the Corporation on this the 9th day of August, 2018.

DESTINATION XL GROUP, INC.

By: /s/ David A/ Levin
Name: David A. Levin
Title: President & CEO

Exhibit 31.1

CERTIFICATION

I, Harvey S. Kanter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Destination XL Group, Inc.;
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: August 31, 2021

By: /s/ Harvey S. Kanter
Harvey S. Kanter
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Peter H. Stratton, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Destination XL Group, Inc.;
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: August 31, 2021

By: /s/ Peter H. Stratton, Jr.
Peter H. Stratton, Jr.
Chief Financial Officer

CERTIFICATION 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 Destination XL Group, Inc. (the “Company”) for the period ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Harvey S. Kanter, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

This certification is being furnished as an exhibit to the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates this certification by reference.

Date: August 31, 2021	By:	/s/ Harvey S. Kanter **Harvey S. Kanter** **Chief Executive Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION 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 Destination XL Group, Inc. (the “Company”) for the period ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter H. Stratton, Jr., Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

This certification is being furnished as an exhibit to the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates this certification by reference.

Date: August 31, 2021	By:	/s/ Peter H. Stratton, Jr. **Peter H. Stratton, Jr.** **Chief Financial Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.