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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 November 2, 2024

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
Common Stock, $0.01 par value	DXLG	The Nasdaq Stock Market LLC

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

As of November 13, 2024, the registrant had 54,307,237 shares of common stock, $0.01 par value per share, outstanding.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	November 2, 2024 (Fiscal 2024)	February 3, 2024 (Fiscal 2023)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,108	$ 27,590
Short-term investments	35,851	32,459
Accounts receivable	840	3,920
Inventories	89,139	80,968
Prepaid expenses and other current assets	7,319	8,308
Total current assets	140,257	153,245
Non-current assets:		
Property and equipment, net of accumulated depreciation and amortization	51,988	43,238
Operating lease right-of-use assets	167,814	138,118
Deferred income taxes, net of valuation allowance	19,609	21,533
Intangible assets	1,150	1,150
Other assets	503	457
Total assets	$ 381,321	$ 357,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 28,013	$ 17,353
Accrued expenses and other current liabilities	26,201	35,302
Operating leases, current	35,353	37,221
Total current liabilities	89,567	89,876
Long-term liabilities:		
Operating leases, non-current	145,771	117,316
Other long-term liabilities	527	1,596
Total long-term liabilities	146,298	118,912
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 125,000,000 shares authorized, 79,362,021 and 79,033,378 shares issued at November 2, 2024 and February 3, 2024, respectively	794	790
Additional paid-in capital	327,836	325,202
Treasury stock at cost, 24,681,934 shares at November 2, 2024 and 21,041,661 shares at February 3, 2024	(140,643)	(130,137)
Accumulated deficit	(42,531)	(46,902)
Total stockholders' equity	145,456	148,953
Total liabilities and stockholders' equity	$ 381,321	$ 357,741

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 Nine Months Ended	
	November 2, 2024 (Fiscal 2024)	October 28, 2023 (Fiscal 2023)	November 2, 2024 (Fiscal 2024)	October 28, 2023 (Fiscal 2023)
Sales	$ 107,503	$ 119,188	$ 347,812	$ 384,673
Cost of goods sold including occupancy costs	59,064	62,577	183,520	196,767
Gross profit	48,439	56,611	164,292	187,906
Expenses:				
Selling, general and administrative	47,409	47,962	148,594	143,689
Depreciation and amortization	3,569	3,393	10,232	10,338
Total expenses	50,978	51,355	158,826	154,027
Operating income (loss)	(2,539)	5,256	5,466	33,879
Loss on termination of retirement plans	—	(57)	—	(4,231)
Interest income, net	552	564	1,673	1,408
Income (loss) before provision (benefit) for income taxes	(1,987)	5,763	7,139	31,056
Provision (benefit) for income taxes	(182)	1,743	2,768	8,436
Net income (loss)	$ (1,805)	$ 4,020	$ 4,371	$ 22,620
Net income per share - basic	$ (0.03)	$ 0.07	$ 0.08	$ 0.37
Net income per share - diluted	$ (0.03)	$ 0.06	$ 0.07	$ 0.35
Weighted-average number of common shares outstanding:				
Basic	57,135	60,169	57,801	61,612
Diluted	57,135	63,464	60,642	64,995

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 Nine Months Ended	
	November 2, 2024 (Fiscal 2024)	October 28, 2023 (Fiscal 2023)	November 2, 2024 (Fiscal 2024)	October 28, 2023 (Fiscal 2023)
Net income (loss)	$ (1,805)	$ 4,020	$ 4,371	$ 22,620
Other comprehensive income before taxes:				
Retirement plans	—	66	—	197
Recognized loss on termination of retirement plans	—	31	—	4,205
Other comprehensive income before taxes	—	97	—	4,402
Tax effect related to items of other comprehensive income	—	(17)	—	(1,145)
Other comprehensive income, net of tax	—	80	—	3,257
Comprehensive income (loss)	$ (1,805)	$ 4,100	$ 4,371	$ 25,877

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 Shares	Common Stock Amounts	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amounts	Accumulated Deficit	Total
Balance at February 3, 2024	79,033	$ 790	$ 325,202	(21,041)	$ (130,137)	$ (46,902)	$ 148,953
Board of directors' compensation	18	1	111	—	—	—	112
Stock compensation expense	—	—	875	—	—	—	875
Issuance of common stock, upon RSUs release	129	1	(1)	—	—	—	—
Shares withheld for taxes related to net share settlement	(14)	—	(48)	—	—	—	(48)
Exercise of stock options	132	1	75	—	—	—	76
Repurchase of common stock	—	—	—	(53)	(211)	—	(211)
Net income	—	—	—	—	—	3,793	3,793
Balance at May 4, 2024	79,298	$ 793	$ 326,214	(21,094)	$ (130,348)	$ (43,109)	$ 153,550
Board of directors' compensation	23	—	112	—	—	—	112
Stock compensation expense	—	—	905	—	—	—	905
Exercise of stock options	8	—	4	—	—	—	4
Net income	—	—	—	—	—	2,383	2,383
Balance at August 3, 2024	79,329	$ 793	$ 327,235	(21,094)	$ (130,348)	$ (40,726)	$ 156,954
Board of directors' compensation	23	—	111	—	—	—	111
Stock compensation expense	—	—	508	—	—	—	508
Issuance of common stock, upon RSUs release	16	1	(1)	—	—	—	—
Shares withheld for taxes related to net share settlement	(6)	—	(17)	—	—	—	(17)
Repurchase of common stock	—	—	—	(3,588)	(10,295)	—	(10,295)
Net loss						(1,805)	(1,805)
Balance at November 2, 2024	79,362	$ 794	$ 327,836	(24,682)	$ (140,643)	$ (42,531)	$ 145,456

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 Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amounts		Shares	Amounts			
Balance at January 28, 2023	78,230	$ 782	$ 321,516	(15,625)	$ (105,386)	$ (74,756)	$ (4,928)	$ 137,228
Board of directors' compensation	15	—	108	—	—	—	—	108
Stock compensation expense	—	—	404	—	—	—	—	404
Restricted stock units (RSUs) granted for achievement of performance-based compensation, reclassified from liability to equity	—	—	1,146	—	—	—	—	1,146
Issuance of common stock, upon RSUs release	251	3	(3)	—	—	—	—	—
Shares withheld for taxes related to net share settlement	(81)	(1)	(445)	—	—	—	—	(446)
Exercise of stock options	81	1	215	—	—	—	—	216
Other comprehensive income, net of taxes	—	—	—	—	—	—	49	49
Net income	—	—	—	—	—	6,967	—	6,967
Balance at April 29, 2023	78,496	$ 785	$ 322,941	(15,625)	$ (105,386)	$ (67,789)	$ (4,879)	$ 145,672
Board of directors' compensation	25	—	112	-	—	—	—	112
Stock compensation expense	—	—	411	-	—	—	—	411
Exercise of stock options	85	1	48	-	—	—	—	49
Repurchase of common stock, including excise tax	—	—	—	(2,249)	(10,905)	—	—	(10,905)
Other comprehensive income, net of taxes	—	—	—	—	—	—	3,128	3,128
Net income	—	—	—	—	—	11,633		11,633
Balance at July 29, 2023	78,606	$ 786	$ 323,512	(17,874)	$ (116,291)	$ (56,156)	$ (1,751)	$ 150,100
Board of directors' compensation	22	—	112	—	—	—	—	112
Stock compensation expense	—	—	800	—	—	—	—	800
Exercise of stock options	44	1	31	—	—	—	—	32
Issuance of common stock, upon RSUs release	285	3	(3)	—	—	—	—	—
Shares withheld for taxes related to net share settlement	(72)	(1)	(311)	—	—	—	—	(312)
Repurchase of common stock, including excise tax	—	—	—	(838)	(4,065)	—	—	(4,065)
Other comprehensive income, net of taxes	—	—	—	—	—	—	80	80
Net income	—	—	—	—	—	4,020	—	4,020
Balance at October 28, 2023	78,885	$ 789	$ 324,141	(18,712)	$ (120,356)	$ (52,136)	$ (1,671)	$ 150,767

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

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

	November 2, 2024 (Fiscal 2024)	October 28, 2023 (Fiscal 2023)
Cash flows from operating activities:		
Net income	$ 4,371	$ 22,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred debt issuance costs	57	57
Loss on retirement plan terminations	—	4,231
Gain from the sale of equipment	(11)	(136)
Depreciation and amortization	10,232	10,338
Deferred taxes, net of valuation allowance	1,924	9,232
Stock compensation expense	2,288	1,615
Board of directors' stock compensation	335	332
Changes in operating assets and liabilities:		
Accounts receivable	2,825	(1,994)
Inventories	(8,171)	(6,854)
Prepaid expenses and other current assets	989	(118)
Other assets	(103)	55
Accounts payable	10,660	708
Operating leases, net	(3,109)	548
Accrued expenses and other liabilities	(9,832)	(7,533)
Net cash provided by operating activities	12,455	33,101
Cash flows from investing activities:		
Additions to property and equipment, net	(19,405)	(10,404)
Proceeds from sale of equipment	11	136
Purchase of short-term investments	(39,012)	(69,880)
Maturity of short-term investments	35,875	21,007
Net cash used for investing activities	(22,531)	(59,141)
Cash flows from financing activities:		
Repurchase of common stock, excluding excise taxes	(10,421)	(14,850)
Tax withholdings paid related to net share settlements	(65)	(758)
Proceeds from the exercise of stock options	80	297
Net cash used for financing activities	(10,406)	(15,311)
Net decrease in cash and cash equivalents	(20,482)	(41,351)
Cash and cash equivalents:		
Beginning of period	27,590	52,074
End of period	$ 7,108	$ 10,723
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for income taxes	$ 1,015	$ 453
Cash paid during the period for interest	$ 288	$ 250
Non-cash activity during the period:		
Capital expenditures incurred but not yet paid	$ 1,916	$ 1,588

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

DESTINATION XL GROUP, INC.

Notes to Consolidated Financial Statements

(Unaudited)

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 February 3, 2024 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 21, 2024.

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 2024 is a 52-week period ending on February 1, 2025 and fiscal 2023 was a 53-week period ending on February 3, 2024.

Segment Information

The Company has two operating segments: its stores and its direct business. 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and short-term investments, which have a maturity of ninety days or less when acquired. Included in cash equivalents are credit card and debit card receivables from banks, which generally settle within two to four business days.

Short-Term Investments

Short-term investments consist of those investments that have a maturity date, when acquired, that is greater than three months and twelve months or less. These investments are classified as held-to-maturity and are carried at amortized cost, which approximates fair value due to the short period between purchase and maturity.

Concentration of Credit Risk

Cash and cash equivalents include amounts due from third party financial institutions, which from time to time, may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company is potentially exposed to a concentration of credit risk when cash and cash equivalent deposits in these financial institutions are in excess of FDIC limits. The Company considers the credit risk associated with these financial instruments to be minimal as cash and cash equivalents are held by financial institutions with high credit ratings and it has not historically sustained any credit losses associated with its cash and cash equivalents balances. In addition, the Company's cash and cash equivalents include money market accounts with Citizens Bank, N.A. and investments in U.S. government-backed securities held with Fidelity Investments.

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 carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. See Note 9 - *Fair Value Measurement* for information regarding the fair value of certain financial assets.

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

In the fourth quarter of fiscal 2023, the Company terminated its frozen retirement plans, which was the only AOCI activity. As a result, there was no remaining AOCI as of February 3, 2024.

For the first three and nine months of fiscal 2023, other comprehensive income and reclassifications from AOCI was as follows:

in thousands	For the three months ended October 28, 2023	For the nine months ended October 28, 2023
Balance at beginning of fiscal year	$ (1,751)	$ (4,928)
Other comprehensive income before reclassifications, net of taxes	14	43
Recognition of loss on retirement plan termination, net of taxes [1]	31	3,111
Amounts reclassified from accumulated other comprehensive income, net of taxes [2]	35	103
Other comprehensive income for the period	80	3,257
Balance at end of quarter	$ (1,671)	$ (1,671)

(1) In connection with the Company's decision to terminate its frozen retirement plans, the Company completed a termination of its Supplemental Executive Retirement Plan ("SERP") in the third quarter of fiscal 2023 and recognized the loss in AOCI of $31,000, with no related tax effect. Results for the nine months ended October 28, 2023 also reflect the partial settlement of the Pension Plan which resulted in the recognition of $4.2 million loss on termination, or $3.1 million net of taxes.

(2) Includes the amortization of the unrecognized loss on retirement plans, which was charged to "Selling, General and Administrative" Expense on the Consolidated Statements of Operations for all periods presented. The Company recognized expense of $47,000, or $35,000 net of taxes, for the three months ended October 28, 2023 and expense of $139,000, or $103,000 net of taxes, for the nine months ended October 28, 2023.

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.

There were no grants of stock options in the first nine months of fiscal 2024. For the first nine months of fiscal 2023, the fair value of each stock option grant was 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.

	October 28, 2023
Expected volatility	86.3% - 92.1%
Risk-free interest rate	3.71%-4.42%
Expected term	2.5 yrs.
Dividend rate	—
Weighted average fair value of options granted	$ 3.24

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's judgment regarding the identification of impairment indicators is based on operational performance at the store level. Factors considered by the Company that could result in an impairment triggering event include significant changes in the use of assets, a current period operating or cash flow loss, underperformance of a store relative to historical or expected operating results, and an accumulation of costs significantly in excess of the amount originally expected for the construction of the long-lived store assets. 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.

There were no impairments or non-cash gains recognized in the first nine months of fiscal 2024 and fiscal 2023.

Advertising Costs

The Company expenses in-store advertising costs as incurred. Creative production costs, if any, are expensed in the period in which the advertising is first aired, and media costs are expensed as incurred. Direct response advertising costs, if any, are expensed in the period in which the mailing occurs. Advertising expense, which is included in selling, general and administrative expenses, was $6.1 million and $7.5 million for third quarter of fiscal 2024 and fiscal 2023, respectively, and was $24.4 million and $21.5 million for the first nine months of fiscal 2024 and fiscal 2023, respectively.

Leases

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. Lease incentives are included in the value of the ROU 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 November 2, 2024, 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 store leases with an initial term of 5 years, the Company evaluates each lease independently and, when the Company considers it reasonably certain that it will exercise an option to extend, the associated payment of that option will be included in the measurement of the ROU 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 ROU assets and lease liabilities. Tenant allowances are included as an offset to the ROU asset and amortized as reductions to rent expense over the associated lease term.

See Note 4, "*Leases"* for additional information.

Recently Issued Accounting Pronouncements - Not Yet Adopted

In July 2023, the FASB issued ASU 2023-03, *Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock*, which amends or supersedes various SEC paragraphs within the Accounting Standards Codification to conform to past SEC announcements and guidance issued by the SEC. The ASU does not provide any new guidance, and as such, there is no transition effective date. ASU 2023-03 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendment in Response to the SEC's Disclosure Update and Simplification Initiative*. ASU-2023-06 incorporates several disclosure and presentation requirements currently residing in the SEC Regulations S-X and S-K. The amendments will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. The ASU is not expected to have a material impact on the Company's Consolidated Financial Statements or related disclosures because the Company is currently subjected to the reporting requirements of Regulations S-X and S-K.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*, which requires all public entities to provide enhanced disclosures about significant segment expenses. The amendments in this ASU are to be applied retrospectively and are effective for our annual financial statements starting in fiscal 2024 and interim periods starting in fiscal 2025, with early adoption permitted. We are currently evaluating the impact of this accounting standard on our financial statements and anticipate expanding our segment reporting disclosures in accordance with this new standard.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*, which enhances transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid and to improve the effectiveness of income tax disclosures. This ASU will be effective in fiscal 2025, and allows for adoption on a prospective basis, with a retrospective option. Early adoption is permitted. We are currently evaluating the impact of adopting this accounting standard on our financial statements or related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 2*20-40), which will require disclosure, in the notes to financial statements, of specified information about certain costs and expenses, including disclosure of amounts for (a) purchases of inventory, (b) employee compensation, (c) depreciation and (d) intangible asset amortization, included in each relevant expense caption. This ASU will be effective for our annual financial statements starting in fiscal 2027 and interim periods starting in fiscal 2028. We are currently evaluating the impact of this accounting standard on our financial statements or related disclosures.

There were no other new accounting pronouncements, issued or effective during the first nine months of fiscal 2024, which 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 and direct. 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. 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.

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 $1.8 million and $3.2 million at November 2, 2024 and February 3, 2024, respectively.

Unredeemed Loyalty Coupons. The Company offers a free loyalty program to its customers for which points accumulate based on the purchase of merchandise. 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 be redeemed or expire. The cycle of earning and redeeming loyalty points is generally under one year in duration. The loyalty accrual, net of breakage, was $1.0 million and $1.7 million at November 2, 2024 and February 3, 2024, 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. 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:

	For the Three Months Ended				For the Nine Months Ended			
(in thousands)	November 2, 2024		October 28, 2023		November 2, 2024		October 28, 2023	
Store sales	$ 76,175	*70.9%*	$ 82,997	*69.6%*	$ 244,868	*70.4%*	$ 267,739	*69.6%*
Direct sales	31,328	*29.1%*	36,191	*30.4%*	102,944	*29.6%*	116,934	*30.4%*
Total sales	$ 107,503		$ 119,188		$ 347,812		$ 384,673	

3. Debt

Credit Agreement with Citizens Bank, N.A.

The Company has a credit facility with Citizens Bank, N.A, which provides for a $125.0 million secured, asset-based credit facility with a maturity date of October 28, 2026 (the "Credit Facility"). The maximum committed borrowing of $125.0 million includes a sublimit of $20.0 million for commercial and standby letters of credit and a sublimit of up to $15.0 million for swing line loans. The Company's ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets.

Borrowings under the Credit Facility bear interest at either a Base Rate loan or Daily Simple SOFR rate, at the Company's option. Base Rate loans will bear interest at a rate equal to (i) the greater of: (a) the Prime Rate, (b) the Federal Funds effective rate plus 0.50% per annum and (c) the Daily Simple SOFR rate plus 1.00% per annum (provided the Base Rate shall never be less than the Floor (as defined in the Credit Facility)), plus (ii) a varying percentage, based on the Company's average excess availability, of either 0.25% or 0.50% (the "Applicable Margin"). Daily Simple SOFR loans will bear interest at a rate equal to (i) the Daily Simple SOFR rate plus an adjustment of 0.10% (provided the Daily Simple SOFR rate shall never be less than the Floor), plus (ii) the Applicable Margin. Any swingline loan will continue to bear interest at a rate equal to the Base Rate plus the Applicable Margin. The Company is subject to an unused line fee of 0.25%.

The Company's obligations under the Credit Facility are secured by a lien on substantially all of its assets. If the Company's availability under the Credit Facility at any time is less than the greater of (i) 10% of the Revolving Loan Cap (the lesser of the aggregate revolving commitments or the borrowing base) and (ii) $7.5 million, then the Company is required to maintain a minimum consolidated fixed charge coverage ratio of 1.0:1.0 until such time as availability has exceeded the greater of (1) 10% of the Revolving Loan Cap and (2) $7.5 million for 30 consecutive days.

At November 2, 2024, the Company had no borrowings outstanding under the Credit Facility and unused availability was $78.1 million. The Company had no borrowings during the first nine months of fiscal 2024, resulting in an average unused excess availability of approximately $72.9 million. Outstanding standby letters of credit were $4.2 million and outstanding documentary letters were $0.3 million at November 2, 2024. At November 2, 2024, the Company's prime-based interest rate was 8.25%.

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 headquarters is for 20 years, with the opportunity to extend for six additional consecutive 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. As of November 2, 2024, the Company's operating leases liabilities represent the present value of the remaining future minimum lease payments updated based on concessions and lease modifications.

Lease costs related to store locations are included in cost of goods sold including occupancy costs on the Consolidated Statements of Operations, and expenses and lease costs related to the corporate headquarters and equipment leases are included in selling, general and administrative expenses on the Consolidated Statements of Operations.

The following table is a summary of the Company's components of net lease cost for the three and nine months ended November 2, 2024 and October 28, 2023:

	For the three months ended		For the nine months ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
(in thousands)				
Operating lease cost	$ 12,360	$ 11,420	$ 36,059	$ 33,461
Variable lease costs[1]	3,297	3,190	9,841	9,648
Total lease costs	$ 15,657	$ 14,610	$ 45,900	$ 43,109

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

Supplemental cash flow and balance sheet information related to leases as of and for the first nine months ended November 2, 2024 and October 28, 2023 was as follows:

(dollars in thousands)	For the Nine Months Ended	
Cash paid for amounts included in the measurement of lease liabilities:	November 2, 2024	October 28, 2023
Operating cash flows for operating leases [1]	$ 39,080	$ 34,121
Non-cash operating activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 56,927	$ 39,119
	As of	
	November 2, 2024	October 28, 2023
Weighted average remaining lease term	5.3 yrs.	4.8 yrs.
Weighted average discount rate	6.34 %	6.48 %

(1) The cash paid for the first nine months of fiscal 2024 and fiscal 2023 included prepaid rent of $4.4 million and $0.6 million, respectively.

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 November 2, 2024:

(in thousands)	
2024 (remaining)	$ 5,920
2025	52,644
2026	42,107
2027	35,351
2028	26,838
Thereafter	52,572
Total minimum lease payments	$ 215,432
Less: amount of lease payments representing interest	34,308
Present value of future minimum lease payments	$ 181,124
Less: current obligations under leases	35,353
Long-term lease obligations	$ 145,771

As of November 2, 2024, the Company had entered into 10 ten-year store leases that have not yet commenced with aggregated estimated future lease payments of approximately $12.3 million, which are not included in the above table. The leases are expected to commence through the end of the second quarter of fiscal 2025.

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 Plan. See Note 6, *Stock-Based Compensation*.

The LTIPs are granted annually and each LTIP covers a three-year performance period. 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. Awards for any achievement of performance targets are not granted until the performance targets are achieved and then are subject to additional vesting through August 31 following the end of the applicable performance period.

2021-2023 LTIP

The performance targets for the Company's 2021-2023 LTIP were approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") on March 8, 2021, and covered a three-year period performance period, which ended on February 3, 2024. The time-vested portion of the 2021-2023 LTIP vests in four annual installments, with the remaining installment vesting on April 1, 2025.

On March 29, 2024, the Compensation Committee approved a grant of awards, effective April 1, 2024, equal to $3.0 million for the achievement of the performance target for the 2021-2023 LTIP. In an effort to preserve share availability under the 2016 Plan, all awards, which were subject to further vesting through August 31, 2024, were granted in cash.

Active LTIPs

At November 2, 2024, the Company had three active LTIPs: the 2022-2024 LTIP, the 2023-2025 LTIP and the 2024-2026 LTIP. The time-based awards under each LTIP were granted in a combination of 50% RSUs and 50% cash.

Performance targets for the 2022-2024 LTIP, the 2023-2025 LTIP and the 2024-2026 LTIP were established and approved by the Compensation Committee on April 9, 2022, May 1, 2023 and April 1, 2024, 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 an additional service requirement through August 31, 2025, August 31, 2026 and August 31, 2027, respectively. The time-based awards under the 2022-2024 LTIP, the 2023-2025 LTIP, and the 2024-2026 LTIP vest in four equal installments through April 1, 2026, April 1, 2027 and April 1, 2028, respectively. Assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense associated with the 2022-2024 LTIP, 2023-2025 LTIP and 2024-2026 LTIP is estimated to be approximately $4.8 million, $5.1 million and $5.3 million, respectively. Approximately half of the compensation expense for each LTIP relates to the time-based awards, which are being expensed straight-line over 48 months, 47 months and 49 months, respectively.

At November 2, 2024, the Company had accrued $1.8 million under the 2022-2024 LTIP, $0.3 million under the 2023-2025 LTIP and $0.2 million under the 2024-2026 LTIP for the performance awards.

6. Stock-Based Compensation

The Company has one active stock-based compensation plan: the Second Amended and Restated 2016 Incentive Compensation Plan (the "2016 Plan"). 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. At the Company's Annual Meeting of Stockholders held on August 8, 2024, the Company's stockholders approved an increase of 6,150,000 shares authorized for future grant under the 2016 Plan. At November 2, 2024, 21,270,538 shares were authorized under the 2016 Plan, of which 7,521,274 shares remained available for grant.

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 nine months of fiscal 2024:

	RSUs [(1)]	Deferred shares [(2)]	Performance Share Units [(3)]	Fully-Vested Shares [(4)]	Total number of shares	Weighted-average grant-date fair value
Shares						
Outstanding non-vested shares at beginning of year	536,285	435,568	573,000	—	1,544,853	$ 3.53
Shares granted	388,650	30,657	—	34,250	453,557	$ 3.53
Shares vested and/or issued	(145,116)	—	—	(34,250)	(179,366)	$ 4.63
Shares expired	—	—	—	—	—	$ —
Shares forfeited	—	—	—	—	—	$ —
Outstanding non-vested shares at end of quarter	779,819	466,225	573,000	—	1,819,044	$ 3.43

(1) During the first nine months of fiscal 2024, grants primarily related to the grant of time-based RSUs under its 2024-2026 LTIP. See Note 5, *Long-Term Incentive Plans*. As a result of net share settlements, of the 145,116 RSUs that vested, 125,125 shares of common stock were issued.

(2) The 30,657 shares of deferred stock, with a fair value of $108,743 represent director compensation in lieu of cash, in accordance with the director's irrevocable election. The shares of deferred stock will be issued upon the director's separation from service.

(3) On August 11, 2023, the Company granted 573,000 performance share units ("PSUs") in connection with the extension of Mr. Kanter's employment agreement. The award consists of nine tranches, with the first tranche vesting if and when the 30-day volume-weighted closing price of the Company's common stock is equal to or greater than $6.50 per share. Each subsequent tranche will vest upon achievement of the 30-day volume-weighted closing price of the Company's common stock in $0.25 increments with the ninth tranche vesting when such price is equal to or greater than $8.50 per share. The PSUs are subject to a one-year minimum vesting period, and any unvested PSUs will expire on August 11, 2026. The $2.4 million fair value was expensed over the respective derived service periods of each tranche which ranged from 12 to 13 months. The respective fair value and derived service periods assigned to the PSUs were determined using a Monte Carlo model based on: a weighted historical volatility of 57.8%, a term of 3 years, stock price on the date of grant of $4.98 per share, a risk-free rate of 4.6% and a cost of equity of 11.0%.

(4) Represented compensation, with a fair value of $121,487, to certain directors, who are required to receive shares, in lieu of cash, in order to satisfy their minimum equity ownership under the Non-Employee Director Compensation Plan. Voluntary shares received, in lieu of cash, are reported below under *Non-Employee Director Compensation Plan*.

	Number of shares	Weighted-average exercise price per option	Weighted-average remaining contractual term	Aggregate intrinsic value (000's)
Stock Options				
Outstanding options at beginning of year	3,180,739	$ 0.75	—	$ 10,962
Options granted	—	—	—	—
Options exercised	(139,667)	$ 0.57	—	409
Options expired	(53,441)	$ 5.29	—	—
Options forfeited	(1,715)	$ 0.75	—	5
Outstanding options at end of quarter	2,985,916	$ 0.67	5.8 years	$ 6,118
Options exercisable at end of quarter	2,745,724	$ 0.66	5.8 years	$ 5,646

For the first nine months of fiscal 2024, the Company granted 388,650 restricted stock units, 30,657 shares of deferred stock and 34,250 fully-vested shares. For the first nine months of fiscal 2023, the Company granted stock options to purchase an aggregate of 1,317 shares of common stock, 547,294 restricted stock units and 19,772 fully-vested shares.

Non-Employee Director Compensation Plan

The Company granted 29,599 shares of common stock, with a fair value of approximately $104,990, to certain of its non-employee directors as compensation in lieu of cash in the first nine months of fiscal 2024. These shares are in addition to any shares that may be granted under the 2016 Plan related to the requirement to receive equity if a director has not yet satisfied his or her minimum equity ownership requirement under the Non-Employee Director Compensation Plan.

Stock Compensation Expense

The Company recognized total stock-based compensation expense of $2.3 million and $1.6 million for the first nine months of fiscal 2024 and fiscal 2023, respectively. The total compensation cost related to time-vested stock options and RSU awards not yet recognized as of November 2, 2024 was approximately $2.5 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 32 months.

7. Equity and Earnings per Share

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

(in thousands)	For the three months ended November 2, 2024	For the three months ended October 28, 2023	For the nine months ended November 2, 2024	For the nine months ended October 28, 2023
Common stock outstanding:				
Basic weighted average common shares outstanding	57,135	60,169	57,801	61,612
Common stock equivalents – stock options, restricted stock units and deferred stock (1)	—	3,295	2,841	3,383
Diluted weighted average common shares outstanding	57,135	63,464	60,642	64,995

(1) Common stock equivalents of 2.7 million for the third quarter of fiscal 2024 were excluded from the determination of diluted weighted average common shares outstanding due to the net loss reported for the third quarter of fiscal 2024.

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 or restricted stock units had an anti-dilutive effect.

(in thousands, except exercise prices)	For the three months ended November 2, 2024	For the three months ended October 28, 2023	For the nine months ended November 2, 2024	For the nine months ended October 28, 2023
Stock options	36	104	36	99
Restricted stock units and deferred stock	770	41	347	17
Range of exercise prices of such options	$4.48-$6.59	$4.48 - $6.59	$4.48 - $6.59	$4.48 - $6.59

The above options, which were outstanding at November 2, 2024, expire from November 10, 2024 to March 20, 2033.

Excluded from the computation of basic and diluted earnings per share were 573,000 shares for the first three and nine months of fiscal 2024. 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, 466,225 shares and 435,568 shares of deferred stock at November 2, 2024 and October 28, 2023, respectively, were excluded from the computation of basic earnings per share. Shares of deferred stock are not considered issued and outstanding until the vesting date of the deferral period.

8. Income Taxes

The Company's tax provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any. Each quarter, the Company updates its estimate of the annual effective tax rate and makes a year-to-date adjustment to the provision.

For the first nine months of fiscal 2024 and 2023, the Company’s effective tax rate was 38.8% and 27.2%, respectively. The increase in the effective tax rate was primarily due to permanent book-to-tax differences combined with a lower pretax income as compared to the first nine months of fiscal 2023.

9. Fair Value Measurement

At November 2, 2024 and February 3, 2024, the Company held U.S. treasury bills which were classified as held-to maturity and carried at amortized cost.

(in thousands)	Carrying value	Fair Value: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At November 2, 2024:				
Short-term investments	35,851	35,910	—	—
At February 3, 2024:				
Cash equivalents	6,047	6,052	—	—
Short-term investments	32,459	32,479	—	—

10. Stock Repurchase Program

During the first quarter of fiscal 2024, the Company repurchased 52,802 shares at a total cost, including fees, of $211,182, completing its stock repurchase program that was approved by the Company's Board of Directors ("Board") in March 2023.

On September 3, 2024, the Board approved a new stock repurchase program pursuant to which the Company is authorized to repurchase up to $15.0 million of its common stock, including excise tax, through open market and privately negotiated transactions. The stock repurchase program will expire on February 1, 2025. During the third quarter of fiscal 2024, the Company repurchased 3.6 million shares at a total cost, including fees, of $10.2 million under this stock repurchase program.

The Inflation Reduction Act of 2022 imposed a nondeductible 1% excise tax on the net value of certain share repurchases made after December 31, 2022. The applicable excise tax is charged to additional paid-in capital in the Company's Consolidated Balance Sheet as part of the cost basis of the shares repurchased, with the corresponding liability for the excise tax payable recorded in accrued expenses and other current liabilities until paid. This liability is partially offset by a 1% credit permitted under the rules for the fair value of shares issued by the Company. At November 2, 2024, the Company had accrued $0.1 million for the payment of excise taxes.

11. Termination of Retirement Plans

In connection with the acquisition of Casual Male Corp. in May 2002, the Company assumed the assets and liabilities of the frozen Casual Male Noncontributory Pension Plan “Casual Male Corp. Retirement Plan,” which was previously known as the J. Baker, Inc. Qualified Plan (the “Pension Plan”) and the frozen Casual Male Supplemental Executive Retirement Plan ("SERP"). In the second quarter of fiscal 2023, the Company's Board of Directors approved the termination of these frozen plans.

In the second quarter of fiscal 2023, the Company completed a partial settlement of the Pension Plan through the purchase of nonparticipating annuities. In connection with the partial settlement, the Company recognized a charge of $4.2 million, representing a pro-rata portion of the unrealized loss in "Accumulated Other Comprehensive Loss" on the Consolidated Balance Sheet. The Company settled the remaining obligation and terminated the Pension Plan in the fourth quarter of fiscal 2023.

In the third quarter of fiscal 2023, the Company completed the termination of the SERP though the purchase of a nonparticipating annuity. In connection with the SERP termination, the Company made a cash contribution of $0.4 million and recognized a loss on the termination of the plan of $57,000 in the third quarter of fiscal 2023, which included the recognition of the unrealized loss of $31,000 in Accumulated Other Comprehensive Loss.

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 our long-range strategic plan and the expected impact of our strategic initiatives on future growth, including with respect to our marketing efforts and raising brand awareness, store development, website replatform and future alliances and collaborations; expected marketing costs, gross margin rates and expected capital expenditures in 2024; expected store openings and store conversions for the remainder of fiscal 2024 and fiscal 2025; expected long-term plans for new stores; the expected completion and impact of our rollout of our improved eCommerce platform; and our expectations regarding liquidity needs 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 February 3, 2024, included in our Annual Report on Form 10-K for the year ended February 3, 2024, as filed with the Securities and Exchange Commission on March 21, 2024 (our "Fiscal 2023 Annual Report").

Numerous factors could cause our actual results to differ materially from such forward-looking statements. The Company encourages readers to refer to its filings with the SEC that set forth certain risks and uncertainties that may have an impact on future results and direction of our Company, including risks related to changes in consumer spending in response to economic factors; the impact of inflation with rising costs and high interest rates; the impact of ongoing worldwide conflicts, including the Israel-Hamas conflict and the ongoing Russian invasion of Ukraine, on the global economy; potential labor shortages; and the Company's ability to execute on its marketing, digital, store and collaboration strategies, ability to grow its market share, predict customer tastes and fashion trends, forecast sales growth trends and compete successfully in the United States men's big and tall apparel market, and the other risks and uncertainties as set forth in the "Risk Factors" section in Part I, Item 1A of our Fiscal 2023 Annual Report.

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 and direct operations in the United States. We operate under the trade names of Destination XL®, DXL®, DXL Outlets, Casual Male XL® and Casual Male XL Outlets. At November 2, 2024, we operated 239 Destination XL stores, 15 DXL outlet stores, 12 Casual Male XL retail stores, 19 Casual Male XL outlet stores and a digital business, including an e-commerce site at dxl.com and a mobile site, m.destinationXL.com, mobile app and third-party marketplaces.

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 February 1, 2025 and February 3, 2024 as "fiscal 2024" and "fiscal 2023," respectively. Fiscal 2024 is a 52-week period and fiscal 2023 was a 53-week period.

SEGMENT REPORTING

We currently have two principal operating segments: our stores and direct 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.

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, certain transactions that begin online 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 at curbside. We define store sales as sales that originate and are fulfilled directly at the store level. Digital 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 at least 13 months are included in comparable sales. Stores that have been remodeled or relocated 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 is temporarily closed for more than 7 days, it is removed from the calculation of comparable sales until it reopens and upon its anniversary is once again removed from the calculation until the reopen date. 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.

EXECUTIVE SUMMARY

	For the three months ended		For the nine months ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
(in millions, except percentage of sales and per share data)				
Sales	$ 107.5	$ 119.2	$ 347.8	$ 384.7
Net income (loss)	$ (1.8)	$ 4.0	$ 4.4	$ 22.6
Adjusted EBITDA (Non-GAAP basis)	$ 1.0	$ 8.6	$ 15.7	$ 44.2
Gross margin, as a percentage of sales	45.1 %	47.5 %	47.2 %	48.8 %
SG&A expenses, as a percentage of sales	44.1 %	40.2 %	42.7 %	37.4 %
Adjusted EBITDA margin (Non-GAAP basis)	1.0 %	7.3 %	4.5 %	11.5 %
Per diluted share:				
Net income (loss)	$ (0.03)	$ 0.06	$ 0.07	$ 0.35

Our third quarter performance continued to be challenged by consumer spending headwinds, which resulted in lower traffic to our stores and lower conversion online. These were the primary contributors to our comparable sales decrease for the third quarter of 11.3%. Comparable sales for our stores were down 9.9% and our direct business was down 14.7%. Our customers have been very price conscious and, when they shop, they are gravitating toward our more moderate and entry-level price points. Despite the disappointing sales performance, we have maintained our disciplined operating regimen, and we have avoided a material erosion in merchandise margin, while keeping our inventory healthy and maintaining a strong balance sheet. While we continued to diligently manage our operating expenses, given the pressure on sales, some of our cost structure was negatively deleveraged by the sales shortfall.

As of November 2, 2024, we had cash and investments of $43.0 million as compared to $60.4 million at October 28, 2023 with no debt outstanding and unused excess availability of $78.1 million. We continued to maintain our strong financial position, successfully managing our liquidity and our inventory levels, which were down 10.7% to October 28, 2023. In September 2024, our Board of Directors approved a $15.0 million stock repurchase program and during the third quarter of fiscal 2024, we utilized $10.2 million of our excess cash on hand to repurchase 3.6 million shares of our common stock.

Progress on Our Long-Range Plan and Future Growth Strategy

Through the first nine months of fiscal 2024, we continued to move forward with our long-term strategic growth initiatives, and we continue to believe that these initiatives will give us the opportunity to build greater brand awareness and a greater opportunity for long-term growth. However, given the continued pressure on sales, we have paused our brand campaign for the fourth quarter of fiscal 2024 and are reducing the planned number of new store openings in fiscal 2025. While we still remain committed to our long-range plan, we believe pulling back on parts of our initiatives is prudent to ensure that we remain fiscally responsible with our investment spending and focused on near-term profitability and positive free cash flow.

Marketing & Brand Building: We launched our new brand advertising campaign in the second quarter of fiscal 2024 to build awareness of our brand. The campaign ran in a three-matched-market test in Boston, Detroit, and St. Louis and the results were positive in all three markets, with increased traffic, sessions, and customer acquisition. However as we disclosed in the second quarter of fiscal 2024, given current market conditions, we have paused our brand campaign at this time and are instead investing our marketing dollars back into our traditional marketing channels that will be more productive, including a video campaign on various social media platforms.

Store Development: While we have stores in every major metropolitan market across the United States, there are geographic voids in certain markets where big + tall consumers are not being served by a DXL store. Our consumer research has indicated that 44% of big + tall men self-reported they do not shop with us because a store is not near them, while 35% self-reported that they do not shop with us because a store location is not convenient. During the first nine months of fiscal 2024, we opened four new stores, with four more expected by the end of the fiscal year. We are developing our fiscal 2025 store development schedule and are targeting 8 new store openings, down from our previous expectation of 10 new store openings.

New Website Platform: We are making significant progress in our transition to a new and improved eCommerce platform, with 100% of the site traffic now on our new platform. The platform addresses friction online and will drive a richer and simpler consumer experience, as well as drive measurably greater speed and agility. During the third quarter, we completed the second phase of this project, which included catalog pages, product detail pages, and a new site search experience. The last phase, which will improve the checkout process and other user experiences, is scheduled to be completed in early 2025. We expect this new platform, engineered by a leading eCommerce technology provider, will position us to respond faster and more effectively to make changes in the future.

Alliances & Collaborations: In the second quarter of fiscal 2024, we launched our DXL Big & Tall merchandise assortment on Nordstrom's digital marketplace platform and we currently have 37 brands and over 1,400 styles available on the platform, with plans for an additional 500 styles during the next month. We believe this collaboration will allow us to bring the DXL experience beyond our four walls and directly to the Nordstrom customer, thereby further extending our relationship with the female consumer.

RESULTS OF OPERATIONS

Sales

The following table presents sales by segment for the three and nine months ended November 2, 2024 and October 28, 2023:

	For the Three Months Ended				For the Nine Months Ended			
(in thousands)	November 2, 2024		October 28, 2023		November 2, 2024		October 28, 2023	
Store sales	$ 76,175	*70.9%*	$ 82,997	*69.6%*	$ 244,868	*70.4%*	$ 267,739	*69.6%*
Direct sales	31,328	*29.1%*	36,191	*30.4%*	102,944	*29.6%*	116,934	*30.4%*
Total sales	$ 107,503		$ 119,188		$ 347,812		$ 384,673	

Total sales for the third quarter of fiscal 2024 were $107.5 million, as compared to $119.2 million in the third quarter of fiscal 2023. The decrease in total sales was primarily attributable to a decrease in comparable sales for the third quarter of 11.3%, partially offset by an increase in non-comparable sales.

The comparable sales decrease of 11.3% consisted of comparable sales from our stores down 9.9% and our direct business down 14.7%. This third quarter decline was consistent with the trend from the first half of fiscal 2024, with the decrease in comparable sales principally driven by a decrease in traffic in our stores and decreased conversion in our direct business. We continued to see a shift toward our private-label merchandise, as opposed to our national brands, as customers continued to be cost-conscious with their discretionary spending.

For the first nine months of fiscal 2024, total sales of $347.8 million decreased 9.6% as compared to $384.7 million for the first nine months of fiscal 2023. The decrease was primarily driven by a decrease in comparable sales of 11.2%, with stores down 10.5% and our direct business down 12.8%. This decrease in comparable sales was slightly offset by an increase in non-comparable sales of $4.8 million, primarily from new stores, and a $1.4 million shift in calendar weeks due to the 53rd week in fiscal 2023.

Gross Margin Rate

For the third quarter of fiscal 2024, our gross margin rate, inclusive of occupancy costs, was 45.1% as compared to a gross margin rate of 47.5% for the third quarter of fiscal 2023.

Our gross margin rate decreased by 240-basis points, which was driven by an increase of 220 basis points in occupancy costs, as a percentage of sales, primarily due to the deleveraging of sales and increased rents as a result of lease extensions. Merchandise margin for the third quarter decreased by 20 basis points, as compared to the third quarter of fiscal 2023, primarily due to an increase in markdown activity on seasonal merchandise as well as an increase in inbound freight. These increases were partially offset by favorable outbound shipping costs, a decrease in loyalty expense and a shift in product mix.

For the first nine months of fiscal 2024, our gross margin rate, inclusive of occupancy costs, was 47.2% as compared to a gross margin rate of 48.8% for the first nine months of fiscal 2023. The decrease of 160-basis points was due to an increase of 200-basis points in occupancy costs due to the deleveraging of sales and increased rents. This increased cost was partially offset by an increase in merchandise margin of 40-basis points, driven by favorable shipping costs and a reduction in loyalty expense.

For 2024, we expect gross margin rates to be approximately 130 to 180 basis points lower than fiscal 2023 primarily related to the deleveraging of occupancy on a lower sales base.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A (selling, general and administrative) expenses for the third quarter of fiscal 2024 were 44.1% as compared to 40.2% for the third quarter of fiscal 2023. For the first nine months of fiscal 2024, SG&A expenses, as a percentage of sales, were 42.7% as compared to 37.4% for the first nine months of fiscal 2023.

On a dollar basis, SG&A expenses decreased by $0.6 million for the third quarter of fiscal 2024 as compared to the third quarter of fiscal 2023. The decrease was primarily due to a decrease in marketing of $1.4 million as compared to the prior year's third quarter, partially offset by increases in healthcare costs, technology costs and professional services. On a percentage of sales basis, SG&A expenses increased due to the decrease in sales for the third quarter of fiscal 2024 as compared to the third quarter of fiscal 2023.

For the first nine months of fiscal 2024, SG&A expenses increased $4.9 million as compared to the first nine months of fiscal 2023. The increase was principally due to an increase in marketing costs of $2.9 million, which included our brand campaign that launched in the second quarter. The remainder of the increase was primarily due to increased healthcare costs and technology costs as compared to the first nine months of fiscal 2023. These increased costs were partially offset by a decrease in incentive accruals.

Marketing costs were 5.7% of sales for the third quarter of fiscal 2024 as compared to 6.3% of sales for the third quarter of fiscal 2023. For the first nine months of fiscal 2024, marketing costs were 7.0% as compared to 5.6% for the first nine months of fiscal 2023. For fiscal 2024, marketing costs are expected to be approximately 6.8% of sales.

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 24.2% of sales in the first nine months of fiscal 2024 as compared to 21.0% of sales in the first nine months of fiscal 2023. Corporate Support Costs, which include the distribution center and corporate overhead costs, represented 18.5% of sales in the first nine months of fiscal 2024 as compared to 16.4% of sales in the first nine months of fiscal 2023.

Depreciation and Amortization

Depreciation and amortization for the third quarter of fiscal 2024 increased slightly to $3.6 million as compared to $3.4 million for the third quarter of fiscal 2023. Our capital expenditures have increased in fiscal 2024 as we have started to open new store locations and are investing in certain other infrastructure and technology projects.

For the first nine months of fiscal 2024 depreciation and amortization was $10.2 million as compared to $10.3 million for the first nine months of fiscal 2023.

Loss from Termination of Retirement Plans

Results for the third quarter and first nine months of fiscal 2023 included a charge of $57,000 and $4.2 million, respectively, related to the termination of the frozen Supplemental Executive Retirement Plan ("SERP") in the third quarter of fiscal 2023 and a partial settlement of our pension obligation in the second quarter of fiscal 2023. The termination and final settlement of the remaining pension obligation was completed in the fourth quarter of fiscal 2023.

Interest Income, Net

Net interest income for the third quarter of fiscal 2024 was $0.6 million, which was flat as compared to the third quarter of fiscal 2023. Net interest income for the first nine months of fiscal 2024 was $1.7 million, as compared to $1.4 million for the first nine months of fiscal 2023. Interest income was earned from investments in U.S. government-backed investments and money market accounts. Interest costs for all periods were immaterial because we had no outstanding debt and no borrowings under our credit facility.

Income Taxes

Our provision for income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any. Each quarter, we update our estimate of the annual effective tax rate and make a year-to-date adjustment to the provision.

For the third quarter of fiscal 2024 and fiscal 2023, our effective tax rate was 9.2% and 30.2%, respectively.

For the first nine months of fiscal 2024 and fiscal 2023, our effective tax rate was 38.8% and 27.2%, respectively. The increase in the effective tax rate was primarily due to permanent book-to-tax differences combined with a lower pretax income as compared to the first nine months of fiscal 2023.

Net Income (Loss)

For the third quarter of fiscal 2024, we recorded a net loss of $1.8 million, or $(0.03) per diluted share, as compared to net income of $4.0 million, or $0.06 per diluted share, for the third quarter of fiscal 2023.

For the first nine months of fiscal 2024, net income was $4.4 million, or $0.07 per diluted share, as compared to $22.6 million, or $0.35 per diluted share, for the first nine months of fiscal 2023. The decrease in earnings was driven primarily by a decrease in sales and to a lesser extent an increase in marketing costs associated with our brand campaign.

Results for the third quarter and first nine months of fiscal 2023 included charges of $0.1 million and $4.2 million related to the termination of the SERP and the partial settlement of the pension plan.

Inventory

As of November 2, 2024, our inventory decreased by approximately $10.7 million to $89.1 million, as compared to $99.9 million at October 28, 2023. We continue to take proactive measures to manage our inventory and adjust our receipt plan given the ongoing macroeconomic factors affecting consumer spending. At November 2, 2024, our clearance inventory was 9.2% of our total inventory, as compared to 9.7% at October 28, 2023. Our inventory position is very strong and our clearance levels are in line with our benchmark of 10% even with the 10.7% decrease in total inventory. Our inventory turnover rate has improved by over 30% from fiscal 2019.

SEASONALITY

Historically, and consistent with the retail industry, we have experienced seasonal fluctuations as it relates to our operating income, net income, and free cash flow. Traditionally, a significant portion of our operating income, net income, and free cash flow is generated in the second and fourth quarters. Our inventory is typically at peak levels by the end of the third quarter, which represents a significant use of cash, which is then relieved in the fourth quarter as we sell-down our inventory through the holiday shopping season.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are our cash and cash equivalents, short-term investments, cash generated from operations and availability under our credit facility, which is discussed below. At November 2, 2024, we had no outstanding debt, including no borrowings under our credit facility during the first nine months of fiscal 2024. Cash that is in excess of our forecasted needs may be invested in money market accounts and U.S. government-backed securities.

We believe that our cash and cash equivalent balances, short-term investments, cash generated from operations, and borrowings available to us under our credit facility will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next 12 months. However, we remain cautious regarding the effect that the current macroeconomic conditions may have on consumer spending, including inflation, high interest costs, and other geopolitical conflicts around the world. We also believe that cash flows from operating activities and cash on hand will be sufficient to satisfy our current capital requirements and our stock repurchase program. In the longer term, to the extent future capital requirements exceed cash on hand plus cash flows from operating activities, we anticipate that working capital will be financed by our credit facility.

For the first nine months of fiscal 2024, cash flow from operations was $12.5 million as compared to $33.1 million for the first nine months of fiscal 2023. Free cash flow, before capital expenditures for store development, a non-GAAP measure, was $2.5 million for the first nine months of fiscal 2024 as compared to $26.5 million for the first nine months of fiscal 2023. Free cash flow, a non-GAAP measure, was $(7.0) million for the first nine months of fiscal 2024 as compared to $22.7 million for the first nine months of fiscal 2023. The decrease in free cash flow was primarily due to a decrease in operating income, driven by our sales decrease, and increases in capital expenditures of $5.6 million for store development and $3.4 million for other capital projects.

	For the nine months ended	
(in millions)	November 2, 2024	October 28, 2023
Cash flow from operating activities (GAAP basis)	$ 12.5	$ 33.1
Capital expenditures, excluding store development	(10.0)	(6.6)
Free Cash Flow before capital expenditures for store development (non-GAAP basis)	$ 2.5	$ 26.5
Capital expenditures for store development	(9.4)	(3.8)
Free Cash Flow (non-GAAP basis)	$ (7.0)	$ 22.7

Cash flow used for investing activities was $22.5 million for the first nine months of fiscal 2024 as compared to $59.1 million for the first nine months of fiscal 2023. This decrease of $36.6 million was primarily due to a decrease in net purchases of short-term investments, partially offset by an increase in capital expenditures.

Cash flow used for financing was $10.4 million for the first nine months of fiscal 2024 as compared to $15.3 million for the first nine months of fiscal 2023 and primarily reflected cash used to repurchase shares of the Company's common stock pursuant to the Stock Repurchase Programs.

<u>Stock Repurchase Program</u>

In the first quarter of fiscal 2024, the Company repurchased 52,802 shares at a total cost, including fees, of $211,182, completing the stock repurchase program that was approved by the Company's Board of Directors ("Board") in March 2023.

On September 3, 2024, the Board approved a new stock repurchase program, pursuant to which the Company is authorized to repurchase up to $15.0 million of its common stock, including excise tax, through open market and privately negotiated transactions. During the third quarter of fiscal 2024, the Company repurchased 3.6 million shares at a total cost, including fees, of $10.2 million under this stock repurchase program.

Credit Facility

The Company has a $125.0 million revolving credit agreement with Citizens Bank, N.A., with a maturity date of October 28, 2026 (the "Credit 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 under the Credit Facility bear interest at either a Base Rate loan or Daily Simple SOFR rate, at the Company's option. Base Rate loans will bear interest at a rate equal to (i) the greater of: (a) the Prime Rate, (b) the Federal Funds effective rate plus 0.50% per annum and (c) the Daily Simple SOFR rate plus 1.00% per annum (provided the Base Rate shall never be less than the Floor (as defined in the Credit Facility)), plus (ii) a varying percentage, based on the Company's average excess availability, of either 0.25% or 0.50% (the "Applicable Margin"). Daily Simple SOFR loans will bear interest at a rate equal to (i) the Daily Simple SOFR rate plus an adjustment of 0.10% (provided the Daily Simple SOFR rate shall never be less than the Floor), plus (ii) the Applicable Margin. Any swingline loan will continue to bear interest at a rate equal to the Base Rate plus the Applicable Margin. We are subject to an unused line fee of 0.25%.

We had no outstanding borrowings under the Credit Facility at November 2, 2024 and no borrowings during the first nine months of fiscal 2024. At November 2, 2024, outstanding standby letters of credit were $4.2 million and outstanding documentary letters of credit were $0.3 million. The average unused excess availability during the first nine months of fiscal 2024 was approximately $72.9 million and the unused excess availability at November 2, 2024 was $78.1 million.

Capital Expenditures

The following table sets forth the open stores and related square footage at November 2, 2024 and October 28, 2023, respectively:

	November 2, 2024		October 28, 2023	
Store Concept	Number of Stores	Square Footage	Number of Stores	Square Footage
(square footage in thousands)				
DXL Retail	239	1,753	226	1,694
DXL Outlets	15	76	16	80
Casual Male XL Retail	12	37	21	68
Casual Male Outlets	19	57	19	57
Total Stores	285	1,923	282	1,899

During the first nine months of fiscal 2024, we opened four new DXL stores, relocated one DXL store, converted four Casual Male XL stores to the DXL format, completed four DXL remodels, and closed one Casual Male XL store and one DXL store. We expect to open four additional DXL stores, convert another Casual Male store to the DXL store format and complete one additional DXL remodel before the end of fiscal 2024. We expect our capital expenditures to range from $21.0 million to $24.0 million, net of tenant incentives, in fiscal 2024. Over the next five years, we believe we could potentially open approximately 50 net new DXL stores across the country, which could average 6,000 square feet or 300,000 sq. ft. in total, a 15% increase over our current square footage. We are currently planning to open 8 stores in fiscal 2025.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the critical accounting policies and estimates disclosed in our Fiscal 2023 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

Free cash flow, free cash flow before capital expenditures for store development, adjusted EBITDA and adjusted EBITDA margin 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 income, net income per diluted share 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)*:

Free Cash Flow. We define free cash flow as cash flow from operating activities less capital expenditures. We define free cash flow before capital expenditures for store development as cash flow from operations activities less all capital expenditures except capital expenditures for store development. Capital expenditures for store development includes capital expenditures for new stores, conversions of Casual Male XL stores to DXL and remodels. Capital expenditures related to store relocations and maintenance are not included in store development. Free cash flow excludes the mandatory and discretionary repayment of debt. Free cash flow is a metric that management uses to monitor liquidity. Management believes this metric is important to investors because it demonstrates the Company's ability to strengthen liquidity while supporting its capital projects and new store development. We expect to fund our ongoing capital expenditures with cash flow from operations.

The following table reconciles free cash flow:

	For the nine months ended	
(in millions)	November 2, 2024	October 28, 2023
Cash flow from operating activities (GAAP basis)	$ 12.5	$ 33.1
Capital expenditures, excluding store development	(10.0)	(6.6)
Free Cash Flow before capital expenditures for store development (non-GAAP basis)	$ 2.5	$ 26.5
Capital expenditures for store development	(9.4)	(3.8)
Free Cash Flow (non-GAAP basis)	$ (7.0)	$ 22.7

Adjusted EBITDA and Adjusted EBITDA Margin. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization and adding back impairment (gain) of assets, if any, and loss on termination of retirement plans. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Sales. We believe that providing adjusted EBITDA and adjusted EBITDA margin is useful to investors in evaluating our performance and are key metrics to measure profitability and economic productivity. The following table reconciles adjusted EBITDA from net income and calculates adjusted EBITDA margin:

	For the three months ended		For the nine months ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
(in millions)				
Net income (loss) (GAAP basis)	$ (1.8)	$ 4.0	$ 4.4	$ 22.6
Add back:				
Loss on termination of retirement plans	—	0.1	—	4.2
Provision (benefit) for income taxes	(0.2)	1.7	2.8	8.4
Interest income, net	(0.6)	(0.6)	(1.7)	(1.4)
Depreciation and amortization	3.6	3.4	10.2	10.3
Adjusted EBITDA (non-GAAP basis)	$ 1.0	$ 8.6	$ 15.7	$ 44.2
Sales	$ 107.5	$ 119.2	$ 347.8	$ 384.7
Adjusted EBITDA margin (non-GAAP), as a percentage of sales	1.0 %	7.3 %	4.5 %	11.5 %

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. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of these and other potential exposures.

There have not been any material changes to our interest rate previously disclosed in Part II, Item 7A of our Fiscal 2023 Annual Report.

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 November 2, 2024. 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 November 2, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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 November 2, 2024 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 2023 Annual Report.

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

On September 3, 2024, the Company's Board of Directors approved a stock repurchase program pursuant to which the Company was authorized to repurchase up to $15.0 million of its common stock through open market and privately negotiated transactions. The timing and the amount of any repurchases of common stock will be determined based on the Company's evaluation of market conditions and other factors. The stock repurchase program will expire on February 1, 2025, but may be suspended, terminated or modified at any time for any reason.

Stock repurchase activity during the three months ended November 2, 2024 was as follows:

Period	(a) Total number of shares purchased	(b) Average price paid per share (1)	(c) Total number of shares purchased as part of publicly announced plan	(d) Approximate dollar value of shares that may yet be purchased under the plan (1)
August 4, 2024 to August 31, 2024	—	$ —	—	$ —
September 1, 2024 to October 5, 2024	1,859,260	$ 2.85	1,859,260	$ 9,702,183
October 6, 2024 to November 2, 2024	1,728,211	$ 2.84	1,728,211	$ 4,790,664
Total	3,587,471	$ 2.85	3,587,471	$ 4,790,664

(1) Average price paid per share and the approximate dollar value of shares that may yet be purchased under the plan excludes the accrual of excise tax of $0.1 million as of November 2, 2024.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended November 2, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended).

Item 6. Exhibits.

10.1	Second Amended and Restated 2016 Incentive Compensation Plan (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 8, 2024, and incorporated herein as 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 With Embedded 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: November 22, 2024	By:	/s/ John F. Cooney
		John F. Cooney Senior Vice President, Chief Accounting Officer and Corporate Controller (Duly Authorized Officer and Chief Accounting Officer)

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: November 22, 2024

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: November 22, 2024

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

Exhibit 32.1

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 November 2, 2024, 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:	November 22, 2024	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 November 2, 2024, 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:	November 22, 2024	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.