

**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 1, 2025

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)
555 Turnpike Street
Canton, MA
(Address of principal executive offices)

04-2623104
(I.R.S. Employer
Identification No.)

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

As of November 11, 2025, the registrant had 54,656,415 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 1, 2025 (Fiscal 2025)	February 1, 2025 (Fiscal 2024)
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 14,594	\$ 11,901
Short-term investments	12,424	36,516
Accounts receivable	619	1,629
Inventories	85,040	75,486
Prepaid expenses and other current assets	7,848	6,355
Total current assets	<u>120,525</u>	<u>131,887</u>
<i>Non-current assets:</i>		
Property and equipment, net of accumulated depreciation and amortization	59,817	56,982
Operating lease right-of-use assets	198,303	171,084
Deferred income taxes, net of valuation allowance	20,975	19,343
Intangible assets	1,150	1,150
Other assets	769	509
Total assets	<u>\$ 401,539</u>	<u>\$ 380,955</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Accounts payable	\$ 28,296	\$ 24,344
Accrued expenses and other current liabilities	22,255	30,432
Operating leases, current	34,711	35,920
Total current liabilities	<u>85,262</u>	<u>90,696</u>
<i>Long-term liabilities:</i>		
Operating leases, non-current	178,574	148,695
Other long-term liabilities	499	341
Total long-term liabilities	<u>179,073</u>	<u>149,036</u>
Commitments and contingencies		
<i>Stockholders' equity:</i>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 125,000,000 shares authorized, 80,461,305 and 79,403,349 shares issued at November 1, 2025 and February 1, 2025, respectively	805	794
Additional paid-in capital	330,555	328,261
Treasury stock at cost, 25,908,533 shares at November 1, 2025 and February 1, 2025	(143,985)	(143,985)
Accumulated deficit	<u>(50,171)</u>	<u>(43,847)</u>
Total stockholders' equity	137,204	141,223
Total liabilities and stockholders' equity	<u>\$ 401,539</u>	<u>\$ 380,955</u>

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 1, 2025 (Fiscal 2025)	November 2, 2024 (Fiscal 2024)	November 1, 2025 (Fiscal 2025)	November 2, 2024 (Fiscal 2024)
Sales	\$ 101,879	\$ 107,503	\$ 322,917	\$ 347,812
Cost of goods sold including occupancy costs	58,345	59,064	179,618	183,520
Gross profit	43,534	48,439	143,299	164,292
Expenses:				
Selling, general and administrative	45,491	47,409	140,538	148,594
Depreciation and amortization	3,762	3,569	11,274	10,232
Total expenses	49,253	50,978	151,812	158,826
Operating income (loss)	(5,719)	(2,539)	(8,513)	5,466
Interest income, net	141	552	625	1,673
Income (loss) before provision (benefit) for income taxes	(5,578)	(1,987)	(7,888)	7,139
Provision (benefit) for income taxes	(1,458)	(182)	(1,564)	2,768
Net income (loss)	<u>\$ (4,120)</u>	<u>\$ (1,805)</u>	<u>\$ (6,324)</u>	<u>\$ 4,371</u>
Net income (loss) per share - basic	\$ (0.08)	\$ (0.03)	\$ (0.12)	\$ 0.08
Net income (loss) per share - diluted	\$ (0.08)	\$ (0.03)	\$ (0.12)	\$ 0.07
Weighted-average number of common shares outstanding:				
Basic	54,343	57,135	53,920	57,801
Diluted	54,343	57,135	53,920	60,642

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	Total
	Shares	Amounts		Shares	Amounts		
Balance at February 1, 2025	79,403	\$ 794	\$ 328,261	(25,909)	\$ (143,985)	\$ (43,847)	\$ 141,223
Board of directors' compensation	30	—	116	—	—	—	116
Stock compensation expense	—	—	340	—	—	—	340
Restricted stock units (RSUs) granted for achievement of performance-based compensation, reclassified from liability to equity	—	—	1,016	—	—	—	1,016
Issuance of common stock, upon RSUs release	230	2	(2)	—	—	—	—
Shares withheld for taxes related to net share settlement	(31)	—	(49)	—	—	—	(49)
Exercise of stock options	3	—	2	—	—	—	2
Net loss	—	—	—	—	—	(1,939)	(1,939)
Balance at May 3, 2025	79,635	\$ 796	\$ 329,684	(25,909)	\$ (143,985)	\$ (45,786)	\$ 140,709
Board of directors' compensation	89	1	139	—	—	—	140
Stock compensation expense	—	—	344	—	—	—	344
Issuance of common stock, upon RSUs release	2	—	—	—	—	—	—
Net loss	—	—	—	—	—	(265)	(265)
Balance at August 2, 2025	79,726	\$ 797	\$ 330,167	(25,909)	\$ (143,985)	\$ (46,051)	\$ 140,928
Board of directors' compensation	66	1	119	—	—	—	120
Stock compensation expense	—	—	379	—	—	—	379
Issuance of common stock, upon RSUs release	750	8	(8)	—	—	—	—
Shares withheld for taxes related to net share settlement	(81)	(1)	(102)	—	—	—	(103)
Net loss	—	—	—	—	—	(4,120)	(4,120)
Balance at November 1, 2025	80,461	\$ 805	\$ 330,555	(25,909)	\$ (143,985)	\$ (50,171)	\$ 137,204

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	Total
	Shares	Amounts		Shares	Amounts		
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 CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	November 1, 2025 (Fiscal 2025)	November 2, 2024 (Fiscal 2024)
Cash flows from operating activities:		
Net income (loss)	\$ (6,324)	\$ 4,371
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Amortization and writeoff of deferred debt issuance costs	94	57
Gain from the sale of equipment	—	(11)
Depreciation and amortization	11,274	10,232
Deferred taxes, net of valuation allowance	(1,632)	1,924
Stock compensation expense	1,063	2,288
Board of directors' stock compensation	376	335
Changes in operating assets and liabilities:		
Accounts receivable	1,603	2,825
Inventories	(9,554)	(8,171)
Prepaid expenses and other current assets	(1,551)	989
Other assets	26	(103)
Accounts payable	3,952	10,660
Operating leases, net	1,451	(3,109)
Accrued expenses and other liabilities	(3,989)	(9,832)
Net cash provided by (used for) operating activities	<u>(3,211)</u>	<u>12,455</u>
Cash flows from investing activities:		
Additions to property and equipment, net	(17,000)	(19,405)
Proceeds from sale of equipment	—	11
Purchase of short-term investments	(5,005)	(39,012)
Maturity of short-term investments	28,504	35,875
Net cash provided by (used for) investing activities	<u>6,499</u>	<u>(22,531)</u>
Cash flows from financing activities:		
Repurchase of common stock, excluding excise taxes	—	(10,421)
Debt issuance costs	(322)	—
Excise taxes paid on repurchase of common stock	(123)	—
Tax withholdings paid related to net share settlements	(152)	(65)
Proceeds from the exercise of stock options	2	80
Net cash used for financing activities	<u>(595)</u>	<u>(10,406)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,693</u>	<u>(20,482)</u>
Cash and cash equivalents:		
Beginning of period	11,901	27,590
End of period	<u>\$ 14,594</u>	<u>\$ 7,108</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for income taxes	\$ 149	\$ 1,015
Cash paid during the period for interest	\$ 270	\$ 288
Non-cash activity during the period:		
Capital expenditures incurred but not yet paid	\$ 650	\$ 1,916

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 1, 2025 included in the Company’s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (“SEC”) on March 20, 2025.

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 2025 and fiscal 2024 are both 52-week periods ending on January 31, 2026 and February 1, 2025, respectively.

Segment Information

The Company has two operating segments: its stores and its direct business. The Company considers its stores and direct business operating segments to be similar in terms of economic characteristics, production processes and operations, and has therefore aggregated them into one reportable segment consistent with its integrated commerce business approach. See Note 10, *Segment Disclosures*.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and short-term investments, which have a maturity of 90 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 insurance 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.

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 2025 and fiscal 2024.

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 (“ROU”) 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 2025 and fiscal 2024.

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 \$6.2 million and \$6.1 million for the third quarter of fiscal 2025 and fiscal 2024, respectively, and was \$19.6 million and \$24.4 million for the first nine months of fiscal 2025 and fiscal 2024, respectively.

Leases

The Company determines if an arrangement contains a lease at the inception of a contract. ROU 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. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments and 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 1, 2025, 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. As discussed in Note 4, *Leases*, during the second quarter of fiscal 2025, the Company amended its lease agreement for the Company's corporate headquarters and distribution center to extend the lease term from February 1, 2026 to January 31, 2033. At the end of the first extension term, the Company will have the opportunity to extend this lease for three additional successive periods of five years.

The renewal options were not considered reasonably certain at the time of the lease remeasurement.

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 October 2023, the Financial Accounting Standards Board ("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 SEC Regulations S-X and S-K. The amendments will be applied prospectively and will be 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 subject to the reporting requirements of Regulations S-X and S-K.

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 with the Company's annual disclosures for fiscal 2025. The ASU allows for adoption on a prospective basis, with a retrospective option. The Company is currently evaluating the impact of adopting this accounting standard on its financial statements and related disclosures but expects to adopt this ASU on a prospective basis.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"), 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. In January 2025, the FASB issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date* ("ASU 2025-01"). ASU 2024-03, as clarified by ASU 2025-01, will be effective for the Company's annual financial statements beginning in fiscal 2027 and interim periods beginning in fiscal 2028. The Company is currently evaluating the impact of this accounting standard on its financial statement presentation and related disclosures.

There were no other new accounting pronouncements, issued or effective during the first nine months of fiscal 2025, 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 \$2.0 million and \$3.3 million at November 1, 2025 and February 1, 2025, 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 Company's legacy loyalty program ended at the end of fiscal 2024, and all unused loyalty points and certificates were expired. The Company's new loyalty program launched at the start of fiscal 2025. As such, at February 1, 2025 there was no outstanding loyalty accrual. The loyalty accrual, net of breakage, was \$0.7 million at November 1, 2025.

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, *Basis of Presentation*, the Company's business consists of one reportable 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:

<i>(in thousands)</i>	For the Three Months Ended				For the Nine Months Ended			
	November 1, 2025		November 2, 2024		November 1, 2025		November 2, 2024	
Store sales	\$ 74,538	73.2%	\$ 76,175	70.9%	\$ 234,704	72.7%	\$ 244,868	70.4%
Direct sales	27,341	26.8%	31,328	29.1%	88,213	27.3%	102,944	29.6%
Total sales	<u>\$ 101,879</u>		<u>\$ 107,503</u>		<u>\$ 322,917</u>		<u>\$ 347,812</u>	

3. Debt

Credit Agreement with Citizens Bank, N.A.

The Company has a credit facility with Citizens Bank, N.A., which was amended during the third quarter of fiscal 2025 (as amended, the "Credit Facility"). As amended, the borrowing commitment under the Credit Facility was reduced from \$125.0 million to \$100.0 million and the maturity date of the Credit Facility was extended to August 13, 2030.

The Credit Facility includes a sublimit of \$20.0 million for commercial and standby letters of credit and a sublimit of up to \$10.0 million for swing line loans, which was reduced from \$15.0 million as part of the amendment on August 13, 2025. 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 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 1, 2025, the Company had no borrowings outstanding under the Credit Facility and unused availability was \$73.6 million. The Company had no borrowings during the first nine months of fiscal 2025, resulting in an average unused excess availability of approximately \$71.1 million. Outstanding standby letters of credit were \$3.6 million at November 1, 2025. At November 1, 2025, the Company's prime-based interest rate was 7.25%.

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.

In the second quarter of fiscal 2025, the Company extended the term of its corporate lease from February 1, 2026 to January 31, 2033, with the opportunity to extend for three additional consecutive periods of five years. In connection with the lease amendment to extend the term of the lease, the landlord provided the Company with an improvement allowance in an amount up to \$4.7 million, which has been included as an offset to the ROU asset and will be amortized as a reduction to rent expense over the lease term.

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 1, 2025, 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 1, 2025 and November 2, 2024, respectively:

	for the Three Months ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
<i>(in thousands)</i>				
Operating lease cost	\$ 13,179	\$ 12,360	\$ 39,437	\$ 36,059
Variable lease costs ⁽¹⁾	3,670	3,297	11,173	9,841
Total lease costs	<u>\$ 16,849</u>	<u>\$ 15,657</u>	<u>\$ 50,610</u>	<u>\$ 45,900</u>

(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 1, 2025 and November 2, 2024 was as follows:

<i>(dollars in thousands)</i>	For the Nine Months Ended	
	November 1, 2025	November 2, 2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases ⁽¹⁾	\$ 41,693	\$ 39,080
Non-cash operating activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 56,207	\$ 56,927
	As of	
	November 1, 2025	November 2, 2024
Weighted average remaining lease term	5.8 years	5.3 years
Weighted average discount rate	6.51%	6.34%

(1) The cash paid for the first nine months of fiscal 2025 and fiscal 2024 included prepaid rent of \$4.7 million and \$4.4 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 1, 2025:

<i>(in thousands)</i>	
2025 (remaining)	\$ 7,400
2026	51,112
2027	49,731
2028	41,418
2029	33,948
Thereafter	76,176
Total minimum lease payments	\$ 259,785
Less: amount of lease payments representing interest	46,500
Present value of future minimum lease payments	\$ 213,285
Less: current obligations under leases	34,711
Long-term lease obligations	\$ 178,574

During the third quarter of fiscal 2025, the landlord for one of the store locations exercised its right under the lease agreement, as amended, to terminate the lease agreement effective April 1, 2026. As consideration for the landlord's right to terminate prior to the end of the lease term, the landlord will pay the Company a termination fee of approximately \$1.4 million, which will be recognized by the Company at the time of the lease termination.

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.

2022-2024 LTIP

The performance target for the Company's 2022-2024 LTIP was approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") on April 9, 2022, and covered a three-year performance period, which ended on February 1, 2025. The time-vested portion of the 2022-2024 LTIP vests in four annual installments, with the remaining installment vesting on April 1, 2026.

On March 19, 2025, the Compensation Committee approved a grant of awards, effective April 1, 2025, equal to \$2.4 million for the achievement of the performance target for the 2022-2024 LTIP. The award was granted in a combination of 50% cash and 50% restricted stock units ("RSUs"). All awards were subject to further vesting through August 31, 2025. In connection with the grant of 799,349 RSUs, the Company reclassified \$1.0 million of its liability accrual from "Accrued expenses and other current liabilities" to "Additional paid-in capital" in the first quarter of fiscal 2025. See the Consolidated Statement of Changes in Stockholders' Equity.

Active LTIPs

At November 1, 2025, the Company had three active LTIPs: the 2023-2025 LTIP, the 2024-2026 LTIP and the 2025-2027 LTIP. The time-based awards under each LTIP were granted in a combination of 50% RSUs and 50% cash.

Performance targets for the 2023-2025 LTIP, the 2024-2026 LTIP and the 2025-2027 LTIP were established and approved by the Compensation Committee with an effective date of May 1, 2023, April 1, 2024, and April 1, 2025, 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, 2026, August 31, 2027 and August 31, 2028, respectively. The time-based awards under the 2023-2025 LTIP, the 2024-2026 LTIP, and the 2025-2027 LTIP vest in four equal installments through April 1, 2027, April 1, 2028 and April 1, 2029, respectively. Assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense associated with the 2023-2025 LTIP, 2024-2026 LTIP and 2025-2027 LTIP is estimated to be approximately \$4.8 million, \$4.9 million and \$4.9 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, 49 months and 49 months, respectively.

At November 1, 2025, the Company had accrued \$0.3 million under the 2024-2026 LTIP and \$0.1 million under the 2025-2027 LTIP for performance-based awards. There was no accrual for performance-based awards under the 2023-2025 LTIP.

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 1, 2025, 21,270,538 shares were authorized under the 2016 Plan, of which 4,266,280 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 2025:

	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	761,081	479,700	573,000	—	1,813,781	\$ 3.41
Shares granted	1,714,473	73,378	—	132,665	1,920,516	\$ 1.47
					(1,114,498)	
Shares vested and/or issued	(981,833)	—	—	(132,665)	8	\$ 2.04
Shares expired	—	—	—	—	—	—
Shares forfeited	(235,735)	—	—	—	(235,735)	\$ 2.46
Outstanding non-vested shares at end of quarter	1,257,986	553,078	573,000	—	2,384,064	\$ 2.59

- (1) During the first nine months of fiscal 2025, grants primarily related to the grant of time-based RSUs under its 2025-2027 LTIP and the grants of awards under the 2022-2024 LTIP in connection with the achievement of the performance target. See Note 5, *Long-Term Incentive Plans*. As a result of net share settlements, of the 981,833 RSUs that vested, 870,253 shares of common stock were issued.
- (2) The 73,378 shares of deferred stock, with a fair value of \$108,746, 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. Any unvested PSUs will expire on August 11, 2026. The \$2.4 million grant-date 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 \$182,241, 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	2,971,460	\$ 0.65	—	\$ 6,207
Options granted	—	—	—	—
Options exercised	(3,025)	\$ 0.69	—	3
Options expired	(6,639)	\$ 5.30	—	—
Options forfeited	—	—	—	—
Outstanding options at end of quarter	2,961,796	\$ 0.64	4.8 years	\$ 1,161
Options exercisable at end of quarter	2,961,796	\$ 0.64	4.8 years	\$ 1,161

Non-Employee Director Compensation Plan

The Company granted 52,013 shares of common stock, with a fair value of approximately \$84,555, to certain of its non-employee directors as compensation in lieu of cash in the first nine months of fiscal 2025. 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 \$1.1 million and \$2.3 million for the first nine months of fiscal 2025 and fiscal 2024, respectively. The total compensation cost related to awards not yet recognized as of November 1, 2025 was approximately \$2.1 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:

<i>(in thousands)</i>	For the Three Months Ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Common stock outstanding:				
Basic weighted average common shares outstanding	54,343	57,135	53,920	57,801
Common stock equivalents – stock options, restricted stock units and deferred stock ⁽¹⁾	—	—	—	2,841
Diluted weighted average common shares outstanding	54,343	57,135	53,920	60,642

(1) Common stock equivalents of 2.2 million and 2.3 million for the third quarter and first nine months of fiscal 2025, respectively, and 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 in each period.

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 and restricted stock units had an anti-dilutive effect.

<i>(in thousands, except exercise prices)</i>	For the Three Months Ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Stock options	45	36	45	36
Restricted stock units	1,258	770	438	347
Range of exercise prices of such options	\$1.85-\$6.59	\$4.48 - \$6.59	\$1.85 - \$6.59	\$4.48 - \$6.59

The above options, which were outstanding at November 1, 2025, expire from September 11, 2026 to March 20, 2033.

Excluded from the computation of basic and diluted earnings per share for the third quarter and first nine months of fiscal 2025 and fiscal 2024 were 573,000 performance stock units. These performance-based awards will be included in the computation of basic and diluted earnings per share if, and when, the respective performance targets are achieved. In addition, 553,078 shares and 466,225 shares of deferred stock at November 1, 2025 and November 2, 2024, 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 income tax provision 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 2025 and 2024, the Company's effective tax rate was 19.8% and 38.8%, respectively. The effective tax rate for the first nine months of fiscal 2025 reflects an annual effective tax rate estimate of 18.3%, net of discrete items and the impact of permanent book-to-tax differences as well as the impact of adjustments to our net operating losses reflected in our recently filed tax returns.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA") was enacted in the U.S. The legislation permanently extends certain expiring provisions of the Tax Cuts and Jobs Act, alters aspects of the U.S. international tax regime, and reinstates certain business tax provisions, among other changes. The OBBBA has multiple effective dates, with provisions becoming effective in 2025 through 2027. There was no impact to the consolidated financial statements for the third quarter and first nine months of fiscal 2025. The Company is assessing OBBBA but does not expect it to have a material impact on the Company's consolidated financial statements.

9. Fair Value Measurement

At November 1, 2025 and February 1, 2025, the Company held U.S. treasury bills, which were classified as held-to maturity and carried at amortized cost.

<i>(in thousands)</i>	Carrying value	Fair Value		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments:				
At November 1, 2025	12,424	12,437	—	—
At February 1, 2025	36,516	36,560	—	—

10. Segment Disclosures

The Company sells clothing, footwear and accessories to big + tall men through its stores and direct business, which includes its website, mobile app and certain marketplaces. The Company has identified its stores and its direct business as two separate operating segments. Resources are allocated and performance is assessed by our President and Chief Executive Officer, whom we have determined to be our Chief Operating Decision Maker (the "CODM").

The CODM evaluates the performance of the Company's operating segments and allocates resources based on sales performance, merchandise margins and 4-wall contribution, a non-GAAP measure. The accounting policies are the same as those described in Note A, *Summary of Significant Accounting Policies* included in the Company's consolidated financial statements for the year ended February 1, 2025. The Company defines 4-wall contribution, which the CODM considers the performance measure for segment profitability, as segment revenues less cost of goods sold, occupancy costs and selling expenses.

We aggregate our two operating segments because they are economically similar. Both segments sell the same merchandise, at the

same pricing, and share the same customer base, production, advertising spend and distribution. Our distribution channels are available to our customers regardless of how they initiate their transaction. Through our mobile app or website, a customer can initiate a purchase online and that purchase could be filled either by the distribution center or one of our stores. Similarly, a customer also has the option to pick up in store or have the merchandise shipped directly to them. The 4-wall contribution margin for each segment is materially similar, further supporting the economic similarity of these two operating segments and that no additional value would be provided by reporting the segments separately.

The following table is a summary of our segment disclosures and a reconciliation of 4-wall contribution to net income:

	For the Three Months Ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
<i>(in thousands)</i>				
Sales	\$ 101,879	\$ 107,503	\$ 322,917	\$ 347,812
Cost of goods sold	(40,845)	(42,855)	(127,960)	(136,403)
Occupancy costs	(17,500)	(16,209)	(51,658)	(47,117)
Store payroll and benefits	(13,282)	(13,248)	(41,106)	(39,768)
Other selling expenses	(6,211)	(6,635)	(19,355)	(19,964)
4-wall contribution	24,041	28,556	82,838	104,560
Advertising	(6,160)	(6,141)	(19,625)	(24,432)
Corporate G&A	(12,833)	(13,598)	(38,852)	(40,940)
Distributing and supporting G&A	(7,005)	(7,787)	(21,600)	(23,490)
Depreciation and amortization	(3,762)	(3,569)	(11,274)	(10,232)
Interest income, net	141	552	625	1,673
Income (loss) before provision (benefit) for income taxes	\$ (5,578)	\$ (1,987)	\$ (7,888)	\$ 7,139
Provision (benefit) for income taxes	(1,458)	(182)	(1,564)	2,768
Net income (loss)	\$ (4,120)	\$ (1,805)	\$ (6,324)	\$ 4,371

The CODM does not receive information about assets at the segment level because the Company's assets are managed at a consolidated level by department as opposed to by segment.

11. Subsequent Event

Agreement and Plan of Merger

On December 11, 2025, the Company, Divine Merger Sub I, Inc., a Delaware corporation and wholly owned direct subsidiary of the Company ("Merger Sub"), and FBB Holdings I, Inc., a Delaware corporation ("FBB" or "FullBeauty Brands"), entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into FBB, with FBB continuing as the surviving corporation as a wholly owned subsidiary of the Company (the "Merger"). FullBeauty Brands, a private company, is a leading retailer in size inclusive fashions for plus-size women and big + tall men.

At the effective time of the Merger, each share of common stock, par value \$0.01 per share, of FBB ("FBB Common Stock") will be converted into the right to receive that number of fully paid and nonassessable shares of the common stock, par value \$0.01 per share, of the Company (the "DXL Common Stock") equal to the Exchange Ratio, as defined in the Merger Agreement. A holder of FBB Common Stock who would otherwise be entitled to receive a fraction of a share of DXL Common Stock will have such fractional share rounded up to one whole share of DXL Common Stock. Following the consummation of the Merger, holders of FBB Common Stock will own 55% of the combined company and holders of DXL Common Stock will own 45% of the combined company.

The consummation of the Merger is subject to DXL and FBB stockholder approval and other customary closing conditions and is expected to close in the first half of 2026.

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 (this “Quarterly Report”) 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 belief that the Merger with FullBeauty Brands will bring together complementary brands, channels and capabilities to better serve plus-size women and big + tall men; our belief that the combined company will have a more diverse and broader portfolio with one of the most comprehensive range of plus-size and big + tall options and will be well positioned for future growth opportunities; our expectation that the Merger with FullBeauty Brands will close in the first half of 2026; our belief that lack of traffic to our stores and direct business remains the primary reason for our sales shortfall; our belief that the overall weakness in the economy and consumer sentiment has resulted in a decrease in consumer spending and that decrease is affecting our business; our belief that our FiTMAP® technology uniquely positions us to help consumers respond to the positive effects of GLP-1 medications; our belief that our big and tall customer is not shopping as frequently or spending as much money with DXL as in prior years; our belief that there has been a discernable shift in our customers' preference towards entry level price points and private brands; our belief that our strategic initiatives will better position the Company’s return to growth; our belief that we can bring product to market that offers higher quality, lower price points and greater value; our belief that we can expand the core assortment in our private brands and refine our promotional strategy to prioritize relevance, competitiveness, and a stronger perception of value; our belief that reducing investment in underperforming national brands will drive higher profitability and enabling more strategic promotions; our belief that we can grow our private brand sales penetration from 57% at the start of fiscal 2025 to greater than 60% in 2026 and to greater than 65% in 2027; our expected expansion of FiTMAP® to an additional 100 stores by the end of the first half of fiscal 2026; our belief that we have reframed our promotional approach around a disciplined, strategic framework that prioritizes relevance, competitiveness, and a compelling value proposition; our belief that our promotions, that are now managed with clearer intent regarding timing, product focus, and customer targeting, will maximize the return on every markdown dollar and strengthen brand equity; our belief that the impact of current tariffs on our gross margin for fiscal 2025 is expected to be approximately \$2.0 million; expected marketing costs and expected capital expenditures in fiscal 2025; our ability to manage inventory; 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 1, 2025, included in our Annual Report on Form 10-K for the year ended February 1, 2025, as filed with the Securities and Exchange Commission (“SEC”) on March 20, 2025 (our “Fiscal 2024 Annual Report”).

Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to our 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 the Merger and combining our business with FullBeauty Brands, changes in consumer spending in response to economic factors, the impact of the government shutdown, the impact of current tariffs, the impact of any further increases in tariffs, our ability to proactively react to the current and further potential changes in tariffs to minimize risk, our ability to grow our private brand; rising costs, high interest rates; the impact of ongoing worldwide conflicts on the global economy; and our ability to execute on our marketing, digital, store and collaboration strategies, ability to grow our market share, predict customer tastes and fashion trends, compete successfully in the United States men’s big + 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 2024 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 + 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 1, 2025, we operated 258 Destination XL stores, 17 DXL outlet stores, 6 Casual Male XL retail stores, 15 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 January 31, 2026 and February 1, 2025 as “fiscal 2025” and “fiscal 2024,” respectively. Both fiscal years were 52-week periods.

SEGMENT REPORTING

We currently have two operating segments: our stores and our 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 consistent with our omnichannel 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 to fulfill 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.

RECENT DEVELOPMENTS - TARIFFS

The U.S. economy continues to encounter considerable disruptions that have directly affected the retail sector and increased uncertainty as it relates to consumer spending. In light of the implications of new tariffs, many companies, including ours, have had to reassess their global sourcing strategy in an effort to minimize the impact of these tariffs. The frequent changes and unpredictability surrounding tariffs and trade policies has resulted in substantial uncertainty for companies’ operational management and their ability to forecast with confidence. This unpredictability has disrupted strategic planning cycles and added complexity to supply chain and cost management efforts. See “Risk Factors” section in Part I, Item 1A of our Fiscal 2024 Annual Report for further disclosure of the risks associated with the imposition of existing and new tariffs.

SUBSEQUENT EVENT - AGREEMENT AND PLAN OF MERGER

On December 11, 2025, the Company, Divine Merger Sub I, Inc., a Delaware corporation and wholly owned direct subsidiary of the Company (“Merger Sub”), and FBB Holdings I, Inc., a Delaware corporation (“FBB” or “FullBeauty Brands”), entered into an Agreement and Plan of Merger (the “Merger Agreement”). The Merger Agreement provides that, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into FBB, with FBB continuing as the surviving corporation as a wholly owned subsidiary of the Company (the “Merger”).

At the effective time of the Merger, each share of common stock, par value \$0.01 per share, of FBB (“FBB Common Stock”) will be converted into the right to receive that number of fully paid and nonassessable shares of the common stock, par value \$0.01 per share, of the Company (the “DXL Common Stock”) equal to the Exchange Ratio, as defined in the Merger Agreement. A holder of FBB Common Stock who would otherwise be entitled to receive a fraction of a share of DXL Common Stock will have such fractional share rounded up to one whole share of DXL Common Stock. Following the consummation of the Merger, holders of FBB Common Stock will own 55% of the combined company and holders of DXL Common Stock will own 45% of the combined company.

FullBeauty Brands, a private company with last twelve months sales as of October 2025 of approximately \$0.7 billion, is a leading direct to consumer retailer specializing in size inclusive fashions for plus-size women and big + tall men, with brands that include KingSize®, Catherines®, WomanWithin®, Jessica London®, and Roaman's®, among others. We believe that this Merger will bring together complementary brands, channels and capabilities to better serve plus-size women and big + tall men. The combined company will have a more diverse and broader portfolio with one of the most comprehensive ranges of plus-size and big + tall options and will be well positioned for future growth opportunities.

The consummation of the Merger is subject to DXL and FBB stockholder approval and other customary closing conditions and is expected to close in the first half of 2026.

EXECUTIVE SUMMARY

<i>(in millions, except percentage of sales and per share data)</i>	For the Three Months Ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Sales	\$ 101.9	\$ 107.5	\$ 322.9	\$ 347.8
Net income (loss)	\$ (4.1)	\$ (1.8)	\$ (6.3)	\$ 4.4
Adjusted EBITDA (non-GAAP basis)	\$ (2.0)	\$ 1.0	\$ 2.8	\$ 15.7
Gross margin, as a percentage of sales	42.7%	45.1%	44.4%	47.2%
SG&A expenses, as a percentage of sales	44.7%	44.1%	43.5%	42.7%
Adjusted EBITDA margin (non-GAAP basis)	(1.9%)	1.0%	0.9%	4.5%
<i>Per diluted share:</i>				
Net income (loss)	\$ (0.08)	\$ (0.03)	\$ (0.12)	\$ 0.07

Our sales for the third quarter of fiscal 2025 were down 5.2% as compared to the prior year's third quarter, primarily driven by a decrease of 7.4% in comparable store sales. While the third quarter sales performance was a slight improvement from the first two quarters of fiscal 2025, traffic to our stores and direct business remains the primary reason for our sales shortfall. The overall weakness in the economy and consumer sentiment has resulted in a decrease in consumer spending that we believe is directly affecting our business. With the increasing availability of GLP-1 medications, we believe that our FitMAP technology, which is discussed below, uniquely positions us to help consumers respond to the positive effects of these medications. As our customers' weight loss journeys accelerate, their needs are shifting, as sizes change, confidence grows, and shopping habits evolve. We are embracing that journey using tools like FitMAP.

Our big and tall customer is not shopping as frequently or spending as much money with DXL as in prior years. There has also been a discernable shift in his preference towards entry level price points and private brands. In response to these challenges, and given our customers' shift to our private brands, we recognize and are focused on bringing product to market that offers higher quality, lower price points and greater value. As discussed below under *Strategic Priorities*, we are working to expand the core assortment in our private brands and refining our promotional strategy to prioritize relevance, competitiveness, and a stronger perception of value.

Despite the dynamic consumer environment, we have proactively managed our inventory and controlled our markdowns, which has enabled us to maintain a solid merchandise margin and a healthy inventory position as we head into the holiday season. In addition, we have meaningfully reduced the impact of tariffs on our merchandise margin by aggressively pivoting our sourcing strategy to diversify away from high tariff countries, negotiating better cost sharing with vendors, and value engineering product cost savings. Given the volatility that currently exists around these trade discussions, it is difficult to determine the potential impact that these tariffs may have on our financial results. However, if currently enacted rates remain in effect throughout the remainder of the fiscal year, and no new tariffs are added, we estimate that the impact of tariffs on gross margin for fiscal 2025 will be approximately \$2.0 million.

During the third quarter of fiscal 2025, we amended our credit facility to extend the maturity of the facility from October 28, 2026 to August 13, 2030. In connection with the amendment, we also reduced the size of the credit facility from \$125.0 million to \$100.0 million to more closely align the credit facility with the Company's lower inventory levels.

As of November 1, 2025, we had cash and investments of \$27.0 million as compared to \$43.0 million at November 2, 2024 with no debt outstanding and unused excess availability under our credit facility of \$73.6 million. The decrease in cash and investments at November 1, 2025 as compared to November 2, 2024 included \$13.1 million of capital spent over the past 12 months for new store development and \$3.3 million of shares repurchased during the fourth quarter of fiscal 2024. Since the beginning of fiscal 2023, we have opened 18 new DXL stores and converted 24 Casual Male XL retail and outlet stores to the DXL format, which we have been able to completely fund from our cash availability.

STRATEGIC PRIORITIES

Since the start of the fiscal year, we have pursued three critically important initiatives to address ongoing volatility, evolving consumer dynamics, and challenges specific to the Big +Tall retail sector: Assortment, FitMAP Technology expansion and Promotional Strategy. We believe these initiatives will better position the Company's return to growth.

Assortment:

Over the course of the next two years, we are strategically shifting our assortment to prioritize private brands, which deliver consistent fit, the flexibility to balance trend-right fashion with core essentials and stronger margins. To support this focus, we are reducing investment in underperforming national brands, which will drive higher profitability and enable us to leverage strategic promotions to fuel customer acquisition and sales growth. Our intent is to grow private brand sales penetration from 57% at the start of fiscal 2025 to greater than 60% in 2026 and to greater than 65% in 2027. We are confident that with the strength of our assortment, enhanced storytelling, and strategic marketing efforts, we can drive greater customer loyalty and position our private brands as a primary reason customers choose DXL.

FiTMAP:

Over the past three years, we have been working with and testing a proprietary FiTMAP® Sizing Technology for which we have an exclusive license for Big + Tall men until 2030. This innovative, contactless, digital scanning technology captures 243 unique measurements and offers custom clothing options and a great fit for all our customers. FiTMAP offers a unique experience for our customers, whether selecting from our Ready-to-Wear clothing or opting for custom garments. We are able to provide recommended sizes in all of our private brands, as well as 28 of our national brands. We believe this technology will enhance customer engagement, attract new customers and further establish DXL as a technology leader in men's big + tall apparel. To date, we have scanned over 30,000 customers. At the end of the third quarter of fiscal 2025, FiTMAP was in 88 DXL retail locations and as of the end of September 2025 the technology is available on our mobile app, providing our customers with the ability to self-scan. We plan to expand to another 100 stores in the first half of fiscal 2026.

Promotional Strategy:

We have continued to reframe our promotional strategy around a more disciplined, strategic framework that prioritizes relevance, competitiveness, and a stronger perception of value. Our customer has been telling us that we need to create greater levels of value, and our go-forward approach treats promotions like a managed category, with a clear and deliberate intent around timing, product focus, and purpose to drive sales, engagement, and brand equity. We continue to drive our positioning to maximize the return on every markdown dollar, better align with strategic imperatives, and precisely target specific customer cohorts.

RESULTS OF OPERATIONS

Sales

The following table presents sales by segment for the three and nine months ended November 1, 2025 and November 2, 2024:

<i>(in thousands)</i>	For the Three Months Ended				For the Nine Months Ended			
	November 1, 2025		November 2, 2024		November 1, 2025		November 2, 2024	
Store sales	\$ 74,538	73.2%	\$ 76,175	70.9%	\$ 234,704	72.7%	\$ 244,868	70.4%
Direct sales	27,341	26.8%	31,328	29.1%	88,213	27.3%	102,944	29.6%
Total sales	<u>\$ 101,879</u>		<u>\$ 107,503</u>		<u>\$ 322,917</u>		<u>\$ 347,812</u>	

Total sales for the third quarter of fiscal 2025 were \$101.9 million, as compared to \$107.5 million in the third quarter of fiscal 2024. The decrease in total sales was primarily attributable to a decrease in comparable sales for the third quarter of 7.4%, partially offset by an increase in non-comparable sales from new stores. Comparable sales were down 6.7% in August, down 9.3% in September, and down 5.8% in October, which was a slight improvement from the first half of fiscal 2025.

The third quarter comparable sales decrease of 7.4% consisted of a comparable sales decrease of 5.2% from stores and a comparable sales decrease of 13.1% from our direct business. A decrease in traffic continued to be the primary driver for the decrease in comparable sales. While conversion rate was up slightly, our dollars per transaction were down, partly due to the shift in product mix toward more value-driven merchandise, as our customers continue to be price sensitive due to reduced discretionary spending.

While we have seen positive results from our loyalty program, Price Match Guarantee, FiTMAP, and our Heroes discounts, our total active customer file has continued to be under pressure as customers are spending less and shopping less frequently in the current environment.

For the first nine months of fiscal 2025, total sales of \$322.9 million decreased 7.2% as compared to \$347.8 million for the first nine months of fiscal 2024. The decrease was primarily driven by a decrease in comparable sales of 8.7%, with stores down 6.3% and our direct business down 14.6%.

Comparable sales through the first five weeks of the fourth quarter of fiscal 2025 were down 5.7%, which is an improvement in trend over the third quarter of fiscal 2025.

Gross Margin Rate

For the third quarter of fiscal 2025, our gross margin rate, inclusive of occupancy costs, was 42.7% as compared to a gross margin rate of 45.1% for the third quarter of fiscal 2024.

The decrease of 240 basis points for the third quarter of fiscal 2025 was primarily driven by an increase of 210 basis points in occupancy costs, as a percentage of sales, due to the deleveraging from lower sales and increased rents from new stores and lease extensions. Merchandise margin for the third quarter decreased by 30 basis points, as compared to the third quarter of fiscal 2024, primarily due to the impact of tariffs and increased markdown activity and promotional offers associated with our marketing initiatives. These increased costs were partially offset by an improvement in merchandise margins as a result of a shift in product mix toward our private brand merchandise.

For the first nine months of fiscal 2025, our gross margin rate, inclusive of occupancy costs, was 44.4% as compared to a gross margin rate of 47.2% for the first nine months of fiscal 2024. The decrease of 280-basis points was due to an increase of 240-basis points in occupancy costs due to the deleveraging of sales and increased rents and a 40 basis point decrease in merchandise margin. Similar to the third quarter, the decrease in merchandise margin was due to the impact of tariffs and increased markdown activity and promotional offers associated with our new marketing initiatives, partially offset by an improvement in merchandise margins as a result of a shift in product mix toward our private brand merchandise.

As discussed above, there remains significant uncertainty with respect to evolving trade policies and the enactment of additional tariffs globally. For the third quarter and first nine months of fiscal 2025, the impact of tariffs on merchandise margins was estimated to be approximately 60 basis points and 25 basis points, as a percentage of sales, respectively. Assuming the currently enacted rates remain in effect throughout the remainder of the fiscal year and no new tariffs are added, we estimate that the impact of tariffs on gross margin for fiscal 2025 will be approximately \$2.0 million.

Selling, General and Administrative Expenses

As a percentage of sales, selling, general and administrative ("SG&A") expenses for the third quarter of fiscal 2025 were 44.7% as compared to 44.1% for the third quarter of fiscal 2024. For the first nine months of fiscal 2025, SG&A expenses, as a percentage of sales, were 43.5% as compared to 42.7% for the first nine months of fiscal 2024.

On a dollar basis, SG&A expenses decreased by \$1.9 million for the third quarter of fiscal 2025 as compared to the third quarter of fiscal 2024. The decrease was primarily due to a decrease in supporting payroll costs and incentive-based compensation. For the first nine months of fiscal 2025, SG&A expenses decreased \$8.1 million as compared to the first nine months of fiscal 2024 primarily due to a decrease in marketing, supporting payroll and incentive-based compensation.

Marketing costs were 6.0% of sales for the third quarter of fiscal 2025 as compared to 5.7% of sales for the third quarter of fiscal 2024. For the first nine months of fiscal 2025, marketing costs were 6.1% of sales as compared to 7.0% of sales for the first nine months of fiscal 2024. For fiscal 2025, marketing costs are expected to be approximately 6.0% 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 24.8% of sales for the first nine months of fiscal 2025 as compared to 24.2% of sales for the first nine months of fiscal 2024. Corporate Support Costs, which include the distribution center and corporate overhead costs, represented 18.7% of sales for the first nine months of fiscal 2025 as compared to 18.5% of sales for the first nine months of fiscal 2024.

Depreciation and Amortization

Depreciation and amortization for the third quarter of fiscal 2025 increased to \$3.8 million as compared to \$3.6 million for the third quarter of fiscal 2024. For the first nine months of fiscal 2025, depreciation and amortization was \$11.3 million as compared to \$10.2 million for the first nine months of fiscal 2024. The increase in depreciation and amortization in fiscal 2025 is due to the opening of new store locations and investments in certain other infrastructure and technology projects.

Interest Income, Net

Net interest income for the third quarter of fiscal 2025 was \$0.1 million as compared to \$0.6 million for the third quarter of fiscal 2024. For the first nine months of fiscal 2025, net interest income was \$0.6 million as compared to \$1.7 million for the first nine

months of fiscal 2024. The decrease in interest income for the third quarter and first nine months of fiscal 2025 was primarily due to the decrease in the average balance of investments as compared to the third quarter and first nine months of fiscal 2024.

For both years, interest income was earned from investments in U.S. government-backed investments and money market accounts. Interest costs for all periods were minimal because we had no outstanding debt and no borrowings under our credit facility.

Income Taxes

Our income tax provision 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 first nine months of fiscal 2025 and 2024, the Company's effective tax rate was 19.8% and 38.8%, respectively. The effective tax rate for the first nine months of fiscal 2025 reflects an annual effective tax rate estimate of 18.3% net of discrete items and the impact of permanent book-to-tax differences as well as the impact of adjustments to our net operating losses reflected in our recently filed tax returns.

Net Income (Loss)

For the third quarter of fiscal 2025, we recorded a net loss of \$(4.1) million, or \$(0.08) per diluted share, as compared to a net loss of \$(1.8) million, or \$(0.03) per diluted share, for the third quarter of fiscal 2024. For the first nine months of fiscal 2025, the net loss was \$(6.3) million, or \$(0.12) per diluted share, as compared to net income of \$4.4 million, or \$0.07 per diluted share, for the first nine months of fiscal 2024. The decrease in earnings for the third quarter and first nine months of fiscal 2025 was driven primarily by the decrease in sales.

Inventory

As of November 1, 2025, our inventory decreased by \$4.1 million to \$85.0 million, as compared to \$89.1 million at November 2, 2024. We continue to take proactive measures to manage our inventory and adjust our receipt plan given the ongoing macroeconomic factors affecting consumer spending, while at the same time, accelerating certain receipts to minimize the impact of tariffs. At November 1, 2025, our clearance inventory was 10.0% of our total inventory, as compared to 9.2% at November 2, 2024. Our inventory position is very strong and our clearance levels are in line with our benchmark of 10%. 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 1, 2025, we had no outstanding debt, including no borrowings under our credit facility during the first nine months of fiscal 2025. 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 geopolitical conflicts around the world, the imposition of tariffs, inflation and high interest costs. We also believe that cash flows from operating activities and cash on hand will be sufficient to satisfy our current capital requirements. 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 2025, cash flow from operations was \$(3.2) million as compared to \$12.5 million for the first nine months of fiscal 2024. The decrease in cash flow from operations was primarily due to a decrease in earnings as well as the timing of working capital.

Free cash flow, before capital expenditures for store development, a non-GAAP measure, was \$(10.9) million for the first nine months of fiscal 2025 as compared to \$2.5 million for the first nine months of fiscal 2024. Free cash flow, a non-GAAP measure, was \$(20.2) million for the first nine months of fiscal 2025 as compared to \$(7.0) million for the first nine months of fiscal 2024.

<i>(in millions)</i>	For the Nine Months Ended	
	November 1, 2025	November 2, 2024
Cash flow from operating activities (GAAP basis)	\$ (3.2)	\$ 12.5
Capital expenditures, excluding store development	(7.7)	(10.0)
Free Cash Flow before capital expenditures for store development (non-GAAP basis)	\$ (10.9)	\$ 2.5
Capital expenditures for store development	(9.3)	(9.4)
Free Cash Flow (non-GAAP basis)	\$ (20.2)	\$ (7.0)

Cash flow provided by investing activities was \$6.5 million as compared to cash flow used for investing activities of \$(22.5) million for the first nine months of fiscal 2024. The increase in cash flow provided by investing activities of \$29.0 million was primarily due to the maturity of short-term investments and a decrease in the amount of short-term investments purchased.

Credit Facility

During the third quarter of fiscal 2025, we amended our revolving credit agreement with Citizens Bank, N.A., by entering into the Second Amendment to Credit Facility (as amended, the "Credit Facility"). As a result of the amendment, the maturity date of the Credit Facility was extended from October 28, 2026 to August 13, 2030 and the revolving commitments under the facility were reduced from \$125.0 million to \$100.0 million, to more closely align with our average inventory levels, which serve as the primary borrowing base for the Credit Facility. In addition, the sublimit for swing-line loans was reduced from \$15.0 million to \$10.0 million. The Credit Facility continues to include a sublimit of \$20.0 million for commercial and standby letters of credit. Our availability under the Credit Facility did not materially change as a result of the amendment.

Borrowings under the Credit Facility bear interest at either a Base Rate or Daily Simple SOFR rate, at our 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 our 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 1, 2025 and no borrowings during the first nine months of fiscal 2025. At November 1, 2025, outstanding standby letters of credit were \$3.6 million. The average unused excess availability during the first nine months of fiscal 2025 was approximately \$71.1 million and the unused excess availability at November 1, 2025 was \$73.6 million.

Capital Expenditures

The following table sets forth the open stores and related square footage at November 1, 2025 and November 2, 2024, respectively:

Store Concept	November 1, 2025		November 2, 2024	
	Number of Stores	Square Footage	Number of Stores	Square Footage
<i>(square footage in thousands)</i>				
DXL Retail	258	1,853	239	1,753
DXL Outlets	17	84	15	76
Casual Male XL Retail	6	18	12	37
Casual Male Outlets	15	44	19	57
Total Stores	296	1,999	285	1,923

During the first nine months of fiscal 2025, we opened eight new DXL stores, converted two Casual Male XL retail stores and one Casual Male XL outlet to DXL retail stores and two Casual Male XL outlets to DXL outlets. We expect our capital expenditures to range from \$17.0 million to \$19.0 million, net of tenant incentives.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the critical accounting policies and estimates disclosed in our Fiscal 2024 Annual Report. See Note 1, *Basis of Presentation* to the Consolidated Financial Statements included in this Quarterly 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 (loss), net income (loss) 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 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:

<i>(in millions)</i>	For the Nine Months Ended	
	November 1, 2025	November 2, 2024
Cash flow from operating activities (GAAP basis)	\$ (3.2)	\$ 12.5
Capital expenditures, excluding store development	(7.7)	(10.0)
Free Cash Flow before capital expenditures for store development (non-GAAP basis)	\$ (10.9)	\$ 2.5
Capital expenditures for store development	(9.3)	(9.4)
Free Cash Flow (non-GAAP basis)	\$ (20.2)	\$ (7.0)

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 and accrual for estimated non-recurring legal settlement costs, if any. 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:

<i>(in millions)</i>	For the Three Months Ended		For the Nine Months Ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Net income (loss) (GAAP basis)	\$ (4.1)	\$ (1.8)	\$ (6.3)	\$ 4.4
Add back:				
Provision (benefit) for income taxes	(1.5)	(0.2)	(1.6)	2.8
Interest income, net	(0.1)	(0.6)	(0.6)	(1.7)
Depreciation and amortization	3.8	3.6	11.3	10.2
Adjusted EBITDA (non-GAAP basis)	\$ (2.0)	\$ 1.0	\$ 2.8	\$ 15.7
Sales	\$ 101.9	\$ 107.5	\$ 322.9	\$ 347.8
Adjusted EBITDA margin (non-GAAP basis), as a percentage of sales	(1.9%)	1.0%	0.9%	4.5%

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 2024 Annual Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (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 1, 2025. 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 1, 2025, 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 1, 2025 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. We currently believe 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 2024 Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended November 1, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act 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 Amendment dated August 13, 2025 to Credit Agreement dated October 28, 2021, by and among Citizens, N.A., as Administrative Agent and Collateral Agent, Other Lenders identified therein, the Company, as lead borrower, and the Borrowers and Guarantors identified therein \(included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 14, 2025, and incorporated herein by reference\).#](#)
- 31.1 [Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934*.](#)
- 31.2 [Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934*.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- 101.INS Inline XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema 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.

Certain schedules and/or exhibits were omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. We agree to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

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: December 11, 2025

By: /s/ John F. Cooney
John F. Cooney
Senior Vice President, Chief Accounting Officer and
Corporate Controller (Duly Authorized Officer and Chief
Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the "Company") for the period ended November 1, 2025, 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: December 11, 2025

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.

**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 1, 2025, 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: December 11, 2025

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.
