

J.Jill, Inc. NYSE:JILL

FQ2 2026 Earnings Call Transcripts

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Call Participants

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the J.Jill, Inc. Second Quarter 2026 Earnings Call. Before we begin, I need to remind you that certain comments made during these remarks may constitute forward-looking statements and are made pursuant to and within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from such statements.

Those risks and uncertainties are described in the press release and J.Jill's SEC filings. The forward-looking statements made on this recording are as of September 9, 2026, and J.Jill does not undertake any obligation to update these forward-looking statements. Finally, J.Jill may refer to certain adjusted or non-GAAP financial measures during these remarks. A reconciliation schedule showing the GAAP versus non-GAAP financial measures is available in the press release issued September 9, 2026. If you do not have a copy of today's press release, you may obtain one by visiting the Investor Relations page of the website at jjill.com. That's jjill.com.

I will now hand the conference over to Mary Ellen Coyne, CEO and President. Please go ahead.

Mary Ellen Coyne *CEO, President & Director*

Good morning, and thank you for joining us. Our second quarter results indicate a meaningful step forward and reflect the progress we are making across each of our 3 strategic priorities: evolving the product assortment, enhancing the customer journey and advancing the way we work. We are thrilled to have delivered results that exceeded our expectations and represented a significant improvement in trend from the first quarter. This momentum has carried over into the start of the third quarter and gives us confidence to raise our guidance for the year while strategically deploying tariff refunds to invest in the business.

Before we discuss our outlook, let me provide highlights from our second quarter results. Net sales for the second quarter increased compared to last year, supported by an improving trend in our full-price business across both stores and direct. In the direct channel, we continued to enhance the product detail page experience with improved fabric and fit information as well as richer item-level storytelling. This channel also benefited from increased markdowns given the seasonal sale period. In stores, we saw positive traffic for the quarter where our teams are effectively engaging existing, returning and new customers with the energy and expertise that differentiate the J.Jill in-store experience.

In terms of profitability, we delivered adjusted EBITDA of \$20.1 million, excluding the benefit of tariff refunds and the actions we initiated in the quarter to strategically invest in the business. My confidence in the quarter's results goes deeper than the numbers, to the source of the progress, from meaningful improvement in customer acquisition and more effective marketing to stronger product execution. The customer file is stabilizing, and new-to-brand acquisition is accelerating, exactly the combination we have been working towards. Huge thanks to our teams who are aligned and delivering with speed and precision.

With that said, I want to put our progress in context. While we are encouraged by both the direction and momentum, we are still in the early stages of this evolution. Each quarter, we learn more about our customer, sharpen our assortment strategy and continue to strengthen and build the capabilities that will drive sustainable long-term growth. Let me walk you through our 3 areas of strategic focus. I'll start with evolving the product assortment. Our Q2 assortment represented continued progress and reinforced important learnings that will directly inform the second half.

We saw meaningful strength in a number of categories, particularly outerwear and accessories. Accessories has been a standout as it scales, which we expect to continue into Q3. We are also very encouraged by the introduction of our Luxe Lounge collection and the relaunch of our denim assortment, which are seeing great early results. In terms of opportunity, customer purchasing behavior and direct feedback point to an appetite for more color and more breadth. We heard this in Q1, and we are taking action that will begin to be seen in our fall and holiday assortments.

We anticipate these kinds of learning cycles as we move forward, and I am proud of how the team is incorporating feedback and reacting in real time. We are constantly evaluating the assortment to make sure we are serving both our most loyal existing customers and the newer customers we are attracting into the brand. We are also modernizing our sub-brand portfolio. We are consolidating the best-selling pieces of the Wearever sub-brand into the core J.Jill assortment in a way that preserves what customers love about it. This is a deliberate decision to simplify our lineup and reallocate investment into areas where we see the most growth potential.

For example, Luxe Lounge, which include our travel capsules, and denim, an important lifestyle component of the brand, are now building into meaningful categories. Pure Jill, our most iconic sub-brand, known for quality and craftsmanship, remains a priority. Looking ahead to the second half, we are entering it with a stronger and more strategically aligned product framework. Our design and merchandising teams are fully in sync. The early reads on our fall assortments are encouraging, and we expect gradual sequential improvement to continue.

Turning to enhancing the customer journey. This was a standout area in Q2, thanks to the significant progress made by our teams. Our total customer file saw improvement from the start of the year and is showing signs of stabilization from which we have a foundation to grow. That improvement was driven by strong new-to-brand acquisition and continued success reactivating lapsed customers. The profile of our new-to-brand customer is also improving with a slightly younger customer coming into the file. These are early indicators that our approach to broadening the appeal of the brand is resonating with the evolving J.Jill customer without disrupting the deep relationship we have with our highly loyal base.

We are also seeing these new-to-brand customers spend more with us than in recent history, driven by higher average order value and more trips, both of which are encouraging. Supporting this success is our marketing engine, which is performing well across channels, driving new customer acquisition and generating stronger returns on our investment. SMS continued its growth trajectory with our subscriber file scaling nicely, and our catalog is delivering improved profitability with disciplined optimization, driving better returns on a more focused circulation base. Our loyalty program is also showing encouraging early signs with members retaining at a meaningfully higher rate than nonmembers.

Behind that, our marketing team is bringing together JJCC and our loyalty program, J.Jill Collective, into a more unified view of the customer organized around 2 clear areas of focus: acquisition and retention. Historically, the vast majority of our marketing investment has gone toward existing customers and capturing demand we know is there. We are actively rebalancing this mix toward prospective and reactive customers while building broader brand awareness to drive demand generation. Looking ahead, we are investing even more into these efforts, deploying tariff refunds into the second half marketing, including at the top and middle of the funnel, an investment this year that we believe will have a continued impact as we move into next year and beyond.

On our third pillar, advancing how we work, we continue to strengthen and build the capabilities that will support our business at a higher level over time. We are increasingly leveraging AI-enabled tools to drive efficiencies across the organization, and our teams are utilizing these new tools to increase capacity, improve decision-making and unlock new ways of working. Our new AI-enabled merchandise planning and allocation system is on track to begin launching later this year and will be an important new tool to support full price selling, which will drive top and bottom line growth.

In addition to this work, we are also progressing on several investments to enhance our digital platform and personalization technology, both of which will modernize our digital business. Additionally, we are utilizing a portion of the tariff refunds to pull forward the kickoff of exciting technology initiatives into fiscal 2026 that should deliver benefits earlier in 2027. It is important to note that we have made the intentional decision to invest most of the refunds into these strategic initiatives, which we believe improves the customer experience, strengthens the business and positions us for a more productive 2027.

We are also moving forward with a strong team fully in place. The energy across the organization is palpable. This was highlighted in our recent denim launch. The product team tested new shapes and moved quickly once we saw which resonated most strongly. Our marketing team developed an integrated influencer campaign that drove exceptional early engagement with nearly 1 million impressions in the campaign's first 3 days alone. Our stores brought the launch to life with dedicated fit events and activations, and our website team built dedicated content to support it. This is a great proof point of what we can achieve when our product, marketing, stores and direct teams are fully and seamlessly aligned.

With that, I'll turn it over to Mark to speak to the details of our financials and our updated outlook.

Mark W. Webb

Executive VP, Chief Financial & Operating Officer and Interim Principal Accounting Officer,

Thank you, Mary Ellen, and good morning, everyone. We are very pleased with our second quarter performance, as Mary Ellen reviewed. We delivered sales growth above our guidance and underlying adjusted EBITDA of \$20.1 million. This underlying performance excludes the \$13.3 million in net tariff refunds received in the quarter as well as the deliberate decision to begin to invest in strategic initiatives and, to a lesser extent, cover emerging cost pressures from fuel surcharges on shipping. In the second quarter, about \$600,000 of the refund was absorbed by these investments and costs. The receipt of the tariff refunds presents an opportunity, and we have made a deliberate decision to invest most into strategic priorities we believe strengthens the business, supports our

momentum and sets us up well for 2027. Both our third quarter and full year outlooks, which I'll discuss in a moment, reflect this decision.

But first, I'll review second quarter results. Total company sales for the second quarter were \$154.8 million, up 0.5% compared to Q2 2025. Total company comparable sales for the quarter were up 0.5%. Non-comp sales from new stores were offset by timing associated with reserves. Looking ahead, we expect non-comp spread will normalize between 1 and 2 percentage points. Store sales for Q2 were down 0.7% compared to Q2 2025 as strength in full-price sales was more than offset by a decline in markdown selling in stores during the quarter. Direct sales, which represented about 47% of total sales in the quarter, were up 1.9% compared to the second quarter of fiscal 2025, driven by higher markdown sales during the quarter. As Mary Ellen mentioned, we did see a meaningful improvement in full-price sales performance versus prior year in the second quarter compared to first quarter full-price year-over-year results.

Q2 total company gross profit, including the impact of net refunds, was about \$119 million, up \$13.6 million compared to Q2 2025. Q2 gross margin was 76.8%, up about 840 basis points versus Q2 2025. Excluding net tariff refunds, gross profit was \$105.7 million and gross margin was 68.3%, about flat versus Q2 last year as a higher full-price gross margin rate offset a greater mix of markdown sales compared to last year. SG&A expenses for the quarter were about \$94.6 million compared to approximately \$88.6 million last year. The increase was driven by store expenses due to 8 net new stores compared to the second quarter last year, increased occupancy costs on lease renewals, marketing expense, including strategic investments mentioned, shipping expenses due in part to fuel surcharges and higher management incentive accruals.

Adjusted EBITDA for the second quarter was \$32.8 million compared to \$25.6 million in Q2 2025. Excluding the tariff refunds and the approximately \$600,000 related to the strategic investments and costs I mentioned, adjusted EBITDA for the second quarter was \$20.1 million. All forward guidance we are providing today include net tariff refunds as well as our strategic investments and cost coverage assumptions. Total interest expense was \$1.9 million in the second quarter compared to \$2.7 million last year. Adjusted net income per diluted share was \$1.24 compared to \$0.81 last year, which reflected an average weighted diluted share count of 15.1 million shares this year versus 15.3 million shares last year. We repurchased about 100,000 shares for approximately \$1.5 million in the second quarter, bringing year-to-date repurchases to 168,000 shares for \$2.3 million, resulting in approximately \$0.01 of benefit to reported second quarter adjusted diluted EPS.

As of the end of the second quarter, we had approximately \$11.8 million remaining on the \$25 million share repurchase authorization. We also paid our quarterly dividend of \$0.09 per share on July 8. And as announced on September 2, our Board approved payment of the Q3 dividend on October 7 to shareholders of record as of September 23. Please refer to today's press release for reconciliations of non-GAAP financial measures to their most comparable GAAP financial measures.

Turning now to the balance sheet. For the quarter, cash from operations was about \$46 million, including approximately \$19 million related to gross tariff refunds. Ending cash, including these refunds, was about \$77 million with funded debt on the balance sheet of approximately \$72 million. Excluding the impact of refunds, cash from operations was approximately \$27 million, and free cash flow was approximately \$25 million in the quarter. Looking at inventory, we ended the second quarter with inventories in good shape, down about 5% compared to the end of the second quarter last year. We are now anniversary incremental tariff expenses that previously impacted year-over-year comparisons. So reported inventory growth is now on a like-for-like basis.

Capital expenditures for the quarter were about \$2 million compared to \$3 million last year. Spend was focused primarily on store projects, including anticipated openings and the merch planning and allocation project expected to launch later this year. With respect to store count, we did not open or close any stores during the second quarter, resulting in an end-of-quarter store count of 255 stores compared to 247 stores at the end of Q2 last year.

Now turning to our outlook. As mentioned, we made the deliberate decision to strategically invest the majority of the net tariff refunds. These investments are primarily focused on marketing to build the brand and accelerate file growth, which will in part support second half 2026 sales growth while also benefiting 2027 and beyond. The outlook we are providing today takes into consideration the refunds as well as these investments, which we expect will be fairly evenly split between the third and fourth quarters. This will result in a bigger impact to Q4 given the relative size of EBITDA historically in this quarter. In addition, given the evolving tariff regulations, we now are estimating tariff rates will land at 10% to 12.5% for goods landed in the second half.

For our third quarter outlook, we expect adjusted EBITDA to be in the range of \$20 million to \$22 million. This range assumes sales will be up 3% to 5% for the quarter, and comps will be up 1% to 3%. Gross margins are assumed to be about flat compared to last year. Second half tariff costs at current rates are expected to be down approximately \$1 million compared to our prior expectations and down versus last year beginning in the fourth quarter.

With respect to the full year, we are updating our full year outlook as follows: adjusted EBITDA now expected to be in the range of \$75 million to \$80 million, which reflects tariff refunds received, partially offset by the investments and costs I mentioned. Sales are now expected to be flat to up 2% versus last year. Comp sales are expected to be between down 1% to up 1%. And gross margin, reflecting in part the benefit of tariff refunds, is expected to be up 100 to 150 basis points versus prior year. With respect to full year capital expenditures, we continue to expect spend of between \$20 million and \$25 million. Regarding store count, we now expect to open between 1 and 3 net new stores this year with 2 planned to open in the third quarter. The slight reduction versus prior guide is due to landlord delivery delays on 2 stores that will most likely push those openings into early 2027. And finally, with respect to free cash flow, we now expect free cash flow of approximately \$40 million.

As previously mentioned, we announced our quarterly dividend of \$0.09 per share payable on October 7 to shareholders of record on September 23. We have repurchased approximately 168,000 shares year-to-date for about \$2.3 million, including the repurchase of 100,000 shares in Q2. Since launching our repurchase program in Q4 2024, we have repurchased about 826,000 shares for \$13.2 million, leaving approximately \$11.8 million of the original \$25 million authorization available.

Thank you. I will now turn it back over to Mary Ellen for some closing remarks.

Mary Ellen Coyne
CEO, President & Director

Thanks, Mark. Before we take your questions, let me leave you with a few key takeaways. First, we beat our expectations on both sales and profitability and showed meaningful sequential improvement in virtually every metric that matters. Second, our customer file is stabilizing. New-to-brand acquisition continues to grow. The profile of our incoming customer is younger, and reactivation is building momentum. The most important indicators of customer health are all pointing in the right direction. Third, we know exactly where to focus in the second half and how to scale what is working with discipline and intention.

Finally, the work ahead is rooted in the same priorities I described today: evolving the product assortment, enhancing the customer journey and advancing the way we work. These 3 priorities will continue to drive our progress in the business. While we are still early in this evolution, we are confident we are making the right decisions today to position this brand for sustainable long-term growth, and we appreciate your ongoing interest in our future. And now we'll take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Jonna Kim with TD Cowen.

Jungwon Kim

TD Cowen, Research Division

My first question is around marketing. Obviously, you've seen a lot of success, and you talked about the details of where you're deploying additional marketing. Is -- the guide that you're giving currently reflect the potential benefit from higher investment? And how would that sort of look like as you look at the second half in terms of just, as you noted, middle to upper funnel and influencer, but sort of what are key strategic areas you're looking to spend more on?

And then the second question is just around the holiday. How are you thinking about this holiday differently than last year? What are key learnings that you're implementing this year versus last year?

Mary Ellen Coyne

CEO, President & Director

Jonna, thank you for the question. So for half 2, when we think about marketing as we're moving forward, we are investing across the board, really taking the learnings that we've had in Q1 and Q2, especially. In Q2, our strategy under the new leadership in place with Kimberly here was really a refinement in execution, really sharpening our messaging and moving into segmentation strategies within our owned channels. And yes, we have invested some of that money. As Mark said in his remarks, \$600,000 went to marketing efforts, which we believe we'll see in Q2, and we will release some in the back half that will return for us.

But the more important investment for us is really when we think about demand generation and the awareness play that will impact '27 and beyond, right? So the way we're thinking through marketing in the second half is really looking at demand generation leading to awareness, which then leads to consideration, which then leads to intent to purchase. So as we go through that journey through the second half, we believe our investments will return really second half and beyond, we're looking to '27 and future to really build that customer file.

With respect to holiday, what I would say is we've taken the learnings from Q1 and Q2, and we are looking to drive -- keep this momentum in our full-price business as we head into holiday, that we know that it will be an exceptionally promotional time across the board. But as much full-price momentum as we can continue to drive will allow us to really limit the promotions that we need or at least be less dramatic than we've been in the past. I will say that some -- the team has done a great job in reading and reacting to some things that have worked and on the periphery are able to chase into best-selling items.

So we're encouraged about Q4 again because the learnings will allow us to build product assortments and marketing strategies, and really being able to connect those 2 is where we see the win, right? When marketing is able to drive what the product teams are putting out there is where we will be successful. And I think, as you know, we're very excited to really have a year under our belt with the design and merchandising teams working together, and now having that fully supported by marketing is what's giving us confidence as we move forward.

Operator

Your next question comes from the line of Janine Stichter with U.S. Bancorp BTIG.

Janine Marie Hoffman Stichter

BTIG, LLC, Research Division

Congrats on the progress. I guess to start, I'd love if you could share a bit more about the new-to-brand customer that you're seeing. You mentioned it's a younger customer. Maybe elaborate more on who that customer is and then what you're seeing in terms of retention, how you're balancing a new customer that you're attracting versus the existing customer? And then would love your insights on the bottoms category. It sounds like denim has been really strong. I think last quarter, you had talked about some challenges in that category. Maybe weigh in on what you think is industry-wide versus -- it sounds like a lot of your own execution is really coming in here with the denim relaunch.

Mary Ellen Coyne

CEO, President & Director

Thanks, Janine. I'll start with new-to-brand. And yes, our new-to-brand customer is coming in younger than our existing, which we are very excited about. She also is retaining at a higher rate, and she is spending more than we have seen her spend historically. So really successful across all fronts there. At the same time, we are seeing a reactivation customer come back also with the same metrics, which is exciting.

And in terms of retention, right now, the team is really thinking about personalization and segmentation and how they are messaging the new-to-brand journey, how they are keeping that customer engaged versus a react versus an existing customer. And that is a lot of the work that is ahead of us as we move forward into half 2, both from the marketing side, but also from the experience in store and the experience on the direct channel, which we're spending a tremendous amount of time working on personalization there.

With respect to bottoms, what we see is very encouraging. As we move through the back half -- or sorry, as we move through Q2, bottoms stabilized. And what we saw was success in some of our core items, which we have historically run, our pull-on linen and pants, but we also saw success in new leg shapes. And that's what's really encouraging for us as we move forward and has happened through the denim launch. We're seeing that where we have credibility in a fit, if we are taking that same fit and then offering new leg shapes, the wide leg happens to be a standout right now in denim, the customer is absolutely responding to that newness. She's responding to a barrel silhouette. So we're excited to see that bottoms is now working on both the basic side and the fashion side.

Operator

[Operator Instructions] Your next question comes from the line of Marni Shapiro with Retail Tracker.

Marni Shapiro
The Retail Tracker

Congratulations. I mean you know I think the stores have looked amazing. I felt like visually watched that turn happen. And I had stumbled into that denim event, and it was packed, and your sales associates were unbelievable. It was a party in there. So a couple of quick questions. Just historically, what did denim look like for J.Jill? And I guess, what could it be for J.Jill? And then I have 1 or 2 other quick ones. I'm curious about what denim could look like there.

Mary Ellen Coyne
CEO, President & Director

Great. So what I would say, Marni, in the past is our denim was very one note. The customer liked the fit of our authentic jeans, but it tended to always be a slim silhouette, and we ran it on repeat, and it was very much fulfilling a piece of her lifestyle that was very casual. What we're seeing now is the expansion of the denim assortment from, again, staying with that trusted fit in terms of the upper, but giving her new fashion leg shapes and then advancing denim to go to the other 2 fits that we have, a modern wide leg and then some fashion denim trousers. It's allowing for denim to become something that is important to every aspect of her lifestyle instead of just when she's super casual. So we're really seeing the end use of it expand as we're giving her new leg shapes and new silhouettes.

Marni Shapiro
The Retail Tracker

Okay. That makes so much sense because you already have a lot of that in your non-denim bottoms like in your pants and stuff like that. Could we also just talk a little bit about the difference between your online consumer versus your in-store consumer? Because I think you mentioned that you're selling more at full price, but that I think online, there was more sale. So are the metrics similar? Does the consumer -- are they buying as much same UPTs in-store as online, same AUR in store as online? Or does the in-store consumer tend to be more fully outfitted, more UPTs, higher AUR because it's full price and online is a little more picky/choosy? Can you just talk a little bit about the difference there?

Mary Ellen Coyne
CEO, President & Director

What we're super excited about, Marni, is that both stores and the direct channel have seen significant improvement in full-price selling. So we're very optimistic about that as we move forward. As you know, and as we said in our remarks, the direct channel will always be a source of selling through markdown product in a very profitable way. They just -- they always are. But we see AUR and ATV all significantly -- all improving in both channels. So -- and that's what we're most excited about, is the momentum across the business.

Marni Shapiro

The Retail Tracker

Congratulations to you guys.

Operator

Your next question comes from the line of Dana Telsey with Telsey Group.

Dana Lauren Telsey
Telsey Advisory Group LLC

Nice to see the progress. Given the product enhancements that are resonating, can you talk a little bit about tops also? I think in the first quarter, I think some of them were too short or more tunics were wanted and dresses improved to offset the bottoms. So what are you seeing in tops and dresses and color versus neutral?

Mary Ellen Coyne
CEO, President & Director

Dana, thanks for the question. I will say the good news for us is that, again, tops really stabilized for us in Q2, given the learnings that we saw in Q1 and what we were able to respond to. We absolutely believe we were not balanced enough in Q1 and have course-corrected that as we move forward. The other thing I will say with tops particularly, and it ties to your third question, which is around color, we really need to have color extensions in our top programs.

And so where we were -- where the miss was in tops, and I'll say in dresses, so this is a perfect way to tie in all of your questions, was a lack of color and print. Where we had color and print, it was very successful. We learned in Q1 that we did not have enough, we were too neutral, and Q2 was obviously too soon to impact. So what we've done for Q3 and Q4 is add color to programs wherever possible, particularly in tops and print in tops and dresses wherever we could because that's where we're seeing tremendous success. So we've rebalanced the silhouettes, and we've added color and print back in specifically to the top and dress categories as we're moving forward. Q3 and Q4 are certainly an improvement from where we were Q1 and Q2. When we get to Q1 of '27, we are back in an ideal position.

Dana Lauren Telsey
Telsey Advisory Group LLC

Got it. And then the tariff refund investments, Mark, how would you characterize them? Or is there buckets where tariff refunds are going most to? Is it marketing? And just any shaping of Q3 and Q4 reminders that we should be aware of?

Mark W. Webb
Executive VP, Chief Financial & Operating Officer and Interim Principal Accounting Officer,

Sure, Dana. Yes, we mentioned that the receipt of the refund in Q2 really just presents an opportunity for us. And so we're leaning into that momentum and taking advantage of the opportunity to invest primarily in marketing. Mary Ellen spoke a little bit about it, but that Q3 and Q4 sales guide range is a little bit of the momentum we've seen, a little bit of the expected return from new marketing investments, but really, the investment is a down payment on the file and on delivering 2027 and beyond, more upper funnel, more mid-funnel awareness driving brand building, et cetera.

We're also -- we mentioned in my remarks, there are some emerging costs. It's not the majority by far, but some emerging costs out there around fuel surcharges, et cetera. And then we have some exciting initiatives underway that we're looking to launch this year that may have not launched until next year, just again, taking advantage of the opportunity that the tariff refunds represent. So the guidance that we provided for the full year now forward includes the refund, and it includes the impact of those investments.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Mary Ellen for closing remarks.

Mary Ellen Coyne
CEO, President & Director

Thank you all for joining us this morning and for your continued interest in J.Jill. We look forward to speaking with you again next quarter. Have a great day.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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