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J.Jill, Inc. (JILL)

Q1 2022 Earnings Call

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CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

Janet J. Kloppenburg
Analyst, JJK Research

Daniel Lupo
Analyst, Jefferies

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Chris, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the J.Jill First Quarter 2022 Earnings Conference Call. On today's call are Claire Spofford, President and Chief Executive Officer; and Mark Webb, Executive Vice President, Chief Financial Officer and Chief Operating Officer. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session. [Operator Instructions]

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 June 8, 2022 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 June 8, 2022. 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.

I'll now turn the call over to Claire.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

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Thank you, operator, and hello, everyone. Thank you for your interest in J.Jill. For today's call, I'll review highlights of our first quarter performance and provide an update on our strategy focused on driving profitable growth, before turning the call over to Mark to review our financial performance and outlook in more detail.

We anticipated a strong Q1 this year compared to last year. However, our results were better than expected and demonstrated strength throughout the quarter. Net sales were up 22% to $157 million, compared to $129 million for the prior year quarter and adjusted EBITDA for the first quarter of fiscal 2022 was $31 million compared to $17 million in the first quarter of fiscal 2021.

Our performance was a result of our ability to execute against our disciplined operating model, focused on inventory management, full price selling and flowing newness. Our loyal and engaged customer base responded well to our assortment, and our position is more relevant than ever as consumers continue to trend toward a premium casual lifestyle.

While we are encouraged by our results and our customer response, we know inflationary pressures are increasingly driving consumer behavior. However, our customers tend to be more resilient to economic pressures than the average consumer. Our data shows that she has an average household income of $150,000 plus. And for many of our customers, her discretionary dollars are her own to spend with children out of the home.

We, like all retailers, continue to navigate a dynamic and uncertain macro environment. I'm proud of how our teams continue to be nimble and responsive while remaining focused on our commitment to our operating model and our customers. During the quarter, we continue to see a great response from our customers to our product assortments, [ph] which was (00:03:48) extremely receptive [indiscernible] (00:03:49) regularly and continued to purchase at full price. Woven tops and dresses were the two standout categories that she responded best to as she began to travel, attend occasions and shop for work again. These novelty fashion categories also had the highest AUR increases in the quarter, but saw no price resistance. When she saw something she liked, she bought it. Her responsiveness is a testament to the quality of our fabrications and our compelling product mix.

Now let me talk to you about some of the things I mentioned on our last earnings call related to our growth strategy and the early progress we're making. We are focused on driving growth in high potential sub-brands and categories. Our portfolio sub-brands, core, Pure Jill, Wearever and Fit all demonstrate different design ethos and offer her a mix of casual and refined apparel based on her needs. We leverage our portfolio to flex and adapt penetrations based on consumer needs and shift in trend. This allows us to grow organically and meet the evolving needs of our customers all within the premium casual space. Whether she's buying versatile work, comfortable travel or premium casual clothes for attending occasions or meeting with friends, we offer her variety for all her different usage occasions. We have a fabric first approach to design leveraging premium fabrications across our balanced assortment of key franchises.

We also have coverage of extended sizes allowing us to meet the needs of a broad sector of customers. This breadth and diversity of assortment provide a lot of opportunity for organic growth across many usage occasions and needs.

With regard to our customers, we are also encouraged by the health of our customer style and the trends we're seeing in our style growth and value, with a 7% increase over Q1 2021. We've talked in the past about the loyalty of our customer base, per average tenure [indiscernible] (00:05:41) a brand is 10 years. We have segment leading retention rates. The growth we saw in our customers [indiscernible] (00:05:47) was augmented by an increase in spend per customer, reflecting the value [indiscernible] (00:05:51) perceiving in the product and delivering increased profitability per customer.

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As I mentioned on the last call, we see an opportunity to modernize the J.Jill brand and value proposition, to increase relevance for our current customers and position J.Jill for the next cohort of customers with a focus on growing our share of the market for women 45-plus.

This leads me to another growth opportunity we see with focused strategic brand and performance marketing programs. We've conducted a thorough customer insight plan, including primary research, with thousands of existing and prospective customers. The learnings developed from this work are guiding the brand strategy evolution and value proposition refinement. As we move forward, we will enhance brand, social and digital performance marketing efforts. We have an opportunity to tell our story more broadly and strategically to introduce the next generation of customers to our relevant value proposition and our compelling product assortments. We'll build on the success we've seen in video commerce on channels like Facebook Live and Instagram and engage influencers who reflect a variety of consumers to drive deeper engagement. We're also building brand activations that illustrate our brand message and products and generate content that we will share through paid, owned and earned media.

Turning to our channel, we believe we have growth opportunities in both the direct-to-consumer channel and in brick and mortar. Our customer likes the very personal relationship she has with our brand and our welcoming and friendly community is core to her experience with us. Historically, this is most palpably been felt in our stores as customers engage with our associates and with each other. The work we've done to optimize our economics in our stores have yielded opportunities for replacement and new store openings in key markets. The team is already working to identify the top potential locations for new store unit growth over the next three years and we feel there's an opportunity to open stores in 20 to 25 locations in the near to mid-term.

We are also working to optimize our online experience and believe that we have growth potential there. For example, this quarter we launched our Fabric Guide Online to illustrate the quality and features of our fabrics, foundation of our design philosophy. Enhancements like this are proven to deepen engagement with our customers, and we will continue to build on these and other initiatives throughout the year. We are focused on driving our growth strategy while we continue to navigate this variable environment, but we [ph] felt (00:08:21) really good about the results we are delivering.

With that, I'm going to hand it over to Mark to share more detail on our financial results.

Mark Webb

Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

Thank you, Claire, and good morning, everyone. We are very pleased with performance in the first quarter of 2022. Our original guide for Q1 reflected an easier year-over-year comparison, but even so, results came in above expectations on both the top and bottom line, driven by strong customer response to full price product and a better than expected improvement in store traffic. In addition to strong business performance in Q1, we further strengthened the balance sheet and we're pleased to have received a ratings upgrade from Moody's. During the quarter, we extended the maturity of our ABL by one-year to May 2024 and subsequent to quarter end, paid off the maturing $5 million existing term loan, further reducing our funded debt balance. As noted in our release today, we are also planning to explore a refinancing of our outstanding term loan credit facilities with the objective to decrease the total size of our facilities and extend our debt maturities.

Now I will review financial results for the first quarter. Total company sales for the quarter were $157 million, up 22% versus Q1 2021. Total company comp sales were up 24% in first quarter, driven by the stores channel. Store sales for Q1 were up over 53% versus Q1 2021, driven by higher unit sales associated with continued recovery in

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both lifestyle center and mall traffic. And full price average unit retails, resulting primarily from a lower promotional rate in the quarter. Direct sales as a percentage of total sales were 46% in the quarter.

Compared to first quarter last year direct sales were down 2%, driven by lower markdown sales. As a reminder, historically direct was used to clear markdowns for both channels. Our updated operating model resulted in a significant reduction in this clearance activity, which negatively impacts sales comparisons in the channel while improving overall profitability. Looking at the rest of the P&L, gross profit was $109 million, up $22 million compared to Q1 2021. Q1 gross margin was 69.7%, up 170 basis points over Q1 2021, driven by better full price selling and reduced promotions more than offsetting product cost inflation and approximately 250 basis points of incremental freight charges.

SG&A expenses were $86 million compared to $79 million last year, with increases in selling costs from higher store operating hours and shipping costs, investments in marketing and higher management incentive, partially offset by savings in G&A overhead. SG&A as a percentage of sales leveraged significantly down 650 basis points compared to the prior year. Adjusted EBITDA was $31 million or 20% of sales for the first quarter 2022, compared to $17 million or 13% of sales in Q1 2021. Please refer to today's press release for a reconciliation of adjusted EBITDA.

Turning to cash flow, for the quarter, we generated $7 million of cash from operations resulting in end of quarter cash of $41 million and zero borrowings against the ABL. We ended the quarter with inventory levels up 7% compared to the end of first quarter 2021. This increase reflects the impact of average unit cost inflation as well as elevated levels of goods in-transit. The increase in in-transit goods resulted from some delays to planned end of quarter receipts, as well as the strategic decision to ship summer collections one to two weeks earlier than normal to help offset longer transit times.

Average unit cost inflation is expected to persist at least through the end of this year, while second and third quarter reported inventories will also be impacted by in-transit associated with earlier shipping dates. Overall, we remain very comfortable with the level of inventory in the business. Capital expenditures in the quarter were about $700,000 and were primarily related to the completion of our website platform migration, which was successfully completed in March of this year. Capital spend will ramp up each quarter as we progress with our POS project and plan for store investments later in the year.

With regard to store count, we closed four stores in the quarter, ending with 249 stores.

With respect to our future outlook for fiscal 2022, for second quarter of fiscal 2022, we expect sales to be up 1% to 3% versus Q2 2021 and adjusted EBITDA to be between $31 million and $33 million. Included in this outlook is our expectation for gross margin to be relatively flat to last year, given the more challenging year-over-year comparison as we begin to anniversary the significant recovery experienced during Q2 and Q3 last year. For full year, we still expect annual sales to grow modestly compared to prior year. We now expect gross margins to be flat to up slightly compared to 2021.

And with respect to EBITDA, we now expect annual adjusted EBITDA dollars to be up compared to 2021, with growth outpacing the expected modest increase in annual sales. The expected growth in adjusted EBITDA is driven by gains in sales and margin, partially offset by expected pressure from expense inflation and investments we are making in talent, store operations and marketing. Our updated outlook reflects our strong start to the year, as well as increased conservatism for the back half of the year given the current uncertainty related to the macro environment.

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For the second half of fiscal 2022, we expect sales growth to be up slightly and for adjusted EBITDA dollars to be down slightly compared to the prior year period, also taking into account the challenging year-over-year comparison for Q3, as I previously mentioned. Regarding store count, we still plan to close approximately 10 stores in fiscal 2022 and continue to review store opening opportunities with a plan to open up to four new stores, most likely in fourth quarter. And finally, we still expect capital expenditures of about $15 million to $18 million.

Thank you. And I will now hand it back over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question this morning is from Janet Joseph Kloppenburg with JJK Research Associates. Your line is open.

Janet J. Kloppenburg
Analyst, JJK Research

Q

Good morning, everyone. Congratulations on a great quarter.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Thanks, Janet.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Thank you, Janet.

Janet J. Kloppenburg
Analyst, JJK Research

Q

I was wondering on the inventory up 7% if the content was where you wanted it to be, Claire, in other words, was it geared towards the tops and the dresses that – and wovens that were driving, I think are the best momentum categories. And if you felt good about the allocation of your inventory and Mark, if you thought that the inventories would continue to be up as we go through the rest of the year, what we should expect there? And then on the second half, I know you're a little bit more conservative on your outlook, but I was just wondering if you're optimistic that the trends you're seeing in buying related to more social activity, travel, et cetera, would continue and that there is some opportunity there for continued momentum. Thank you.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Sure. I'll start Janet, and then I'll let Mark address the second part of your inventory question. We'll go from there. So yeah, we feel good about the mix in the inventory. I think we feel balanced across the portfolio of core and sub-brands. We feel balanced across the categories, certainly happy to see the strengths in the categories that we mentioned continuing and we feel well positioned for that. So feel like we're in a good place there and also feel good about the allocation. I think we talked in prior quarters about how the team has just done an incredible job navigating what has just been unprecedented in terms of supply chain and challenges. And we feel like we've been able to, for the most part, have the assortments that we wanted in front of our customers in both channels at

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the right time. So, we certainly see some impact from disruption and delays, but feel like we're navigating as well as possible.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.
A

Right. And Janet, I would add that overall ending the quarter with inventories plus 7% with the sales performance and the comp up 24%, we feel really good about the overall level of inventory and believe that it's in the spirit and reflective of our disciplined approach to inventory management and the new operating model and the things that we've been speaking about. The mix of that inventory is much healthier at full-price versus markdown, and that's been a trend now for a couple of quarters and again, reflective of the strategic approach. The driver of the plus 7% was in-transit and I mentioned that some of that was due to a couple of small delays related to end of quarter inventories, cost being in the Q2, so they went into in-transit. And then this strategic decision, which I know many out there are taking to ship earlier due to the extended freight lead times and in some cases, some slight moves to [ph] floor set (00:18:58) dates. But that is, as we look forward, the overall disciplined approach doesn't change that impact of earlier transit times we mentioned would impact likely the end of quarter, Q2 and Q3 inventory levels. And by the end of the year, we expect that that current thinking, expect that to start to normalize against kind of where we were at the end of last year. But right now it's Q2, Q3, we expect that to still be a factor in the report that we put out and overall that the approach to the inventory isn't changing at all as we go forward.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.
A

And then...

Janet J. Kloppenburg
Analyst, JJK Research
Q

Okay. I had a couple...

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.
A

Oh, sorry.

Janet J. Kloppenburg
Analyst, JJK Research
Q

Yeah, go ahead. Yeah, with regard to outlook and then I have a couple follow-ons, sorry, yeah.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.
A

Sure. So, yes, I hope our customer continues to plan on traveling and getting together with friends. I certainly am. And she indicates that she is very – she very much wants to refresh her wardrobe seasonally. And we see those customers coming back. We hear and listen carefully to what they say to us in our stores and that's certainly been a theme. So I would expect that to continue going forward. And – but who knows what the world will throw at us over the course of the remainder of the year. It's certainly been a tumultuous [indiscernible] (00:20:19).

Janet J. Kloppenburg
Analyst, JJK Research
Q

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Okay. And maybe you'll talk to the price increase opportunity, how much you've done, how much the opportunity there is. And also, clearly we've heard from others that the lounge and active categories might be slowing down a little bit, maybe you could talk to that and how you're managing through that and, if those categories could be growth categories again next year.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.
A

Yeah. Yeah, sure. So, I'll take the last one first, if I may, and then I'll go to pricing. So, we've talked about Fit, that's sort of our most obvious, activewear category and that's a very small part of our business and assortment. So we have seen nice growth as we've talked about, but it's on a small base and so we feel like it's managed appropriately within the penetration of the core brand and the sub-brands. Our brands run a little bit of a gamut all within the premium casual space that we're able to drive penetration deeper or it sort of wax and wane the sub-brands based on what we're seeing in trend from a consumer standpoint. So we feel good about the way that's all balanced and so not – it wasn't a huge piece of our business, but we'll certainly be paying attention to it and leaning into it if we see the opportunity for more growth there.

From a pricing standpoint, as we talked about on the last quarter, we took a strategic approach to price increases. So we really sat back and looked at where we thought there was value in the product from a consumer standpoint that we could realize in terms of taking tickets up. And so we did that and mentioned in the script that the two categories where AURs were up, the most in the first quarter were dresses and woven tops, and we didn't see any price resistance there. So that's the approach we've taken for the remainder of the year in terms of being really surgical and trying to be consumer oriented in terms of the way we approached it, not just raising prices across the board and it's so far seems to be working well.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.
A

And Janet, I would just add...

Janet J. Kloppenburg
Analyst, JJK Research
Q

So does that mean – wait, I just have one question for...

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.
A

Sure.

Janet J. Kloppenburg
Analyst, JJK Research
Q

...Claire, I'm sorry, I'm hogging the phone line. But Claire, does that mean that you're done with price increasing for the year or do you think there's some opportunity as we go forward?

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.
A

So our approach for the remainder of the year is very similar to the approach we took in Q1. We haven't seen any reason to need to change that further, but obviously we monitor it. And the other piece is just the promotional lever where we were able to pull back on that even further than we had anticipated in Q1.

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Janet J. Kloppenburg
Analyst, JJK Research

Q

Right.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

We started to come up in Q2 and Q3 against a cleaner promotional cadence...

Janet J. Kloppenburg
Analyst, JJK Research

Q

Okay. Thanks.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

...on year-over-year basis. So, yeah.

Janet J. Kloppenburg
Analyst, JJK Research

Q

Apologies, Mark, for interrupting you.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

No problem, Janet. That was the point I was going to make.

Janet J. Kloppenburg
Analyst, JJK Research

Q

Right. All right. Thanks so much.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Thank you, Janet.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Thank you.

Operator: Our next question is from Dana Telsey with Telsey Group. Your line is open.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Thank you. Good morning and congratulations on the nice results. As you think about freight, it looks like incremental freight was around 250 basis points this quarter compared to 300 basis points last quarter. What are you seeing there and how do you – how are you planning for it going forward? And then, Claire, just following up on what Janet said, anything that we should be watching for with any new categories or pricing or category merchandising assortment initiatives as we go through the balance of the year? And then just a question on

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stores. Also, the traffic seems like it was terrific. What was the difference with traffic and direct versus stores? And it sounds like with the opening in off-mall and in-mall that you're seeing strength in all areas.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Great. I'll let Mark maybe address freight and store traffic and then I'll jump in on the category piece.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Yeah, Dana, the way that we're looking at freight is at this point, we're not anticipating the freight – elevated freight costs to materially improve through the rest of the year. So that's sort of embedded in our forecast. We do start to anniversary that freight into the back-half of the year and the only thing I would state on the basis points is the freight often comes as a rate of units and Q4's revenue relative to Q1's revenue, the basis points equate to a fairly consistent cost if you calculate it out. So I think that's as we think about it, at some point we expect freight costs and lead times, et cetera to improve. Right now, we're seeing it sort of where it improves in one lever, it sort of deteriorates in another and overall, it's kind of stable and we're anticipating that that continues at least through the end of the year.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Great. And with regard to categories, we talk a lot about the portfolio of core and the sub-brands, Dana. And I think that portfolio gives us the opportunity to lean in on things that are trending. And we feel again good about the balance we have there and how we're planning the balance based on seasonal differences and consumer trends. And then we also have good coverage of inclusive sizing on our website and somewhat in our stores. And to the extent that we see shifts in consumer behavior as it relates to sizing, we have the opportunity to flex there too. So we feel good with the portfolio that we have. We're not entering new categories like footwear or anything like that, we don't have any big news on that front, but feel really good about the organic growth opportunities that we have within our business.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Yeah. And lastly, Dana, with respect to store traffic, we are seeing the traffic improve across the footprint. So both lifestyles and malls were better throughout the quarter than we had anticipated and did come back out of Q4 stronger, which was very encouraging to see. There is still opportunity to get those average store footsteps back closer to where they were pre-COVID in 2019, but encouraged to see that continue and also encouraged at the opportunity it presents to continue to drive that back to those pre-COVID levels. The lifestyle centers continue to perform better than malls, though the gap between the two has narrowed a bit and hopeful that that continues to be the case as we move forward.

And then I would say with direct, direct is still being impacted to some extent by the lower markdown volumes in the channel, and that relationship starts to normalize through the rest of this year, but that, historically, the channel was clearing the majority of the markdowns for the business. And with the new operating model, we've sort of moved away from that model and it's a more profitable for the business overall. And it does impact those revenues and to some extent the traffic in that channel as well as we execute on that strategy. But it should start to normalize through the rest of the year.

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Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Got it. And then marketing expense and just marketing in general, what should we be looking for there?

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Yeah. So, I think we have – as I mentioned in my remarks, we have the opportunity to introduce more new customers to this brand and I think amplify the voice of the brand out there a little bit. So watch for that. You'll see a lot more in terms of social engagement, influencers, things that are very much top of funnel, exposing new people to the brand as well as continually leaning in on our performance marketing efforts to continue to drive size and value in the file. So watch for us on social.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Got it. And then just the gross margin expectation for flat in Q2, does that assume – is that the supply chain headwinds and does it assume clearance remains at these low levels or a reduction in clearance?

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

It assumes that the clearance remains at low levels. Dana, if anything, the – we called out in Q1 that the full price, the margin expansion was driven in large part by the lower promotional cadence in the business and the strong response to full price product. That element of our strategy really started to gain traction in – during Q2 and Q3 of last year. So that is sort of the lever that we look at as we start to anniversary the very healthy levels of promo in the business through Q2 and Q3, in particular.

Dana Lauren Telsey
Analyst, Telsey Advisory Group LLC

Q

Thank you.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Thank you.

Operator: [Operator Instructions] Our next question is from Daniel Lupo with Jefferies. Your line is open.

Daniel Lupo
Analyst, Jefferies

Q

Hey, thank you very much for hosting the call today and very nice quarter. Just going back to kind of that G&A investment. You mentioned in your prepared remarks, Mark, how do you kind of think about that kind of an additional investment in talent stores and marketing? Maybe, I guess using kind of the baseball analogy, what kind of – what inning are we in in terms of that investment? Is that kind of the middle of its investment or kind of more in the beginning of its overall investment?

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

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Yeah, Daniel, I always shy away from baseball references, but I understand the question. We are coming through the sort of recovery of the business into 2021. We see the opportunity as the business model strengthened through 2021 and into 2022 to start to build some strategic investments to support profitable future growth. So, much of that we're talking about outside of inflation, right, because inflation is sort of just embedded in the P&L and we're going to live with it for a while. The investments in marketing, some of the talent investments are really meant to seem – as well as some of the capital investments we've talked about, to build foundational strength off of which we can grow profitably. So I would say it's at this point beginning to step into that level of investment profile and really with the expectation that it drives profitable growth as we continue on that path.

Daniel Lupo
Analyst, Jefferies

Q

Okay. That's helpful. And then last question for me. Just going off of the debt refinancing comments, I guess maybe how far along are you in the process? Is that kind of just kicked off or is that something that's been going on for a while? And then just given kind of how volatile the debt markets are right now, how do you kind of think about that refinancing for relative to a more kind of clubby kind of transaction, relative to a more broadly syndicated type of deal?

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Yeah. Daniel, so I would characterize it as, we just want to be ready. And I said in my remarks, opportunistically look to refinance the debt and fully acknowledging the markets and where they're at. But our view is and it's been consistent, post the recovery where we're at now with the cash generation profile of the business, strengthening the balance sheet is an objective and this is key on that on that strategy. So we want to be ready. We're going to be ready and how and what form and all of that is TBD. But we feel like we're sort of moving into a position of strength to be able to tackle what's been an objective and a stated objective for a while. So more to come on that, but I think no more to say at this time.

Daniel Lupo
Analyst, Jefferies

Q

Okay. I appreciate that. That's all I had. So thank you again for the time and very nice quarter.

Mark Webb
Executive Vice President & Chief Financial and Operating Officer, J.Jill, Inc.

A

Thanks, Daniel.

Claire Spofford
President, Chief Executive Officer & Director, J.Jill, Inc.

A

Thanks, Daniel.

Operator: This concludes our Q&A session and also conclude today's conference call. Thank you, everyone for participating. And you may now disconnect.

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