
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 October 28, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38026

J.Jill, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
4 Batterymarch Park,
Quincy, MA 02169
(Address of principal executive offices)

45-1459825
(I.R.S. Employer
Identification No.)

02169
(Zip Code)

Registrant's telephone number, including area code: (617) 376-4300

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒ (Do not check if a small reporting company)	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 December 12, 2017, the registrant had 43,747,944 shares of common stock, \$0.01 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

**J.Jill, Inc.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in thousands, except common unit and common share data)

	October 28, 2017	January 28, 2017
Assets		
Current assets:		
Cash	\$ 25,806	\$ 13,468
Accounts receivable	9,062	3,851
Inventories, net	85,406	66,641
Prepaid expenses and other current assets	16,385	18,559
Receivable from related party	—	1,922
Total current assets	<u>136,659</u>	<u>104,441</u>
Property and equipment, net	113,126	102,322
Intangible assets, net	152,591	163,483
Goodwill	197,026	197,026
Other assets	743	1,033
Total assets	<u>\$ 600,145</u>	<u>\$ 568,305</u>
Liabilities and Shareholders' / Members' Equity		
Current liabilities:		
Accounts payable	\$ 56,524	\$ 38,438
Accrued expenses and other current liabilities	48,324	46,121
Current portion of long-term debt	2,799	2,799
Total current liabilities	<u>107,647</u>	<u>87,358</u>
Long-term debt, net of discount and current portion	244,078	264,440
Deferred income taxes	71,169	73,511
Other liabilities	27,526	20,132
Total liabilities	<u>450,420</u>	<u>445,441</u>
Commitments and contingencies (see Note 9)		
Shareholders' / Members' Equity		
Common stock, par value \$0.01 per share; 250,000,000 shares authorized; 43,747,944 shares issued and outstanding at October 28, 2017	437	—
Common units, zero par value, 1,000,000 units authorized, issued and outstanding at January 28, 2017	—	—
Contributed capital	—	116,743
Additional paid-in capital	117,150	—
Accumulated earnings	32,138	6,121
Total shareholders' / members' equity	<u>149,725</u>	<u>122,864</u>
Total liabilities and shareholders' / members' equity	<u>\$ 600,145</u>	<u>\$ 568,305</u>

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

J.Jill, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except share and per share data)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net sales	\$ 161,975	\$ 159,439	\$ 509,473	\$ 472,139
Costs of goods sold	53,479	51,334	162,721	149,673
Gross profit	108,496	108,105	346,752	322,466
Selling, general and administrative expenses	95,240	92,638	289,284	273,882
Operating income	13,256	15,467	57,468	48,584
Interest expense	4,496	4,844	14,525	13,630
Income before provision for income taxes	8,760	10,623	42,943	34,954
Provision for income taxes	2,766	2,815	16,926	12,924
Net income and total comprehensive income	<u>\$ 5,994</u>	<u>\$ 7,808</u>	<u>\$ 26,017</u>	<u>\$ 22,030</u>
Net income per common share attributable to common shareholders:				
Basic	\$ 0.14	\$ 0.18	\$ 0.62	\$ 0.50
Diluted	\$ 0.14	\$ 0.18	\$ 0.60	\$ 0.50
Weighted average number of common shares outstanding:				
Basic	41,731,765	43,747,944	41,933,244	43,747,944
Diluted	43,554,000	43,747,944	43,468,846	43,747,944

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

J.Jill, Inc.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' / MEMBERS' EQUITY (UNAUDITED)

(in thousands, except common share and common unit data)

	Common Units		Common Stock		Contributed	Additional	Accumulated	Total
	Units	Amount	Shares	Amount	Capital	Paid-in	Earnings	Shareholders' /
						Capital		Members' Equity
Balance, January 28, 2017	1,000,000	\$ —	—	\$ —	\$ 116,743	\$ —	\$ 6,121	\$ 122,864
Other equity transactions	—	—	—	—	305	—	—	305
Corporate conversion	(1,000,000)	—	—	—	(117,048)	117,048	—	—
Issuance of common stock	—	—	43,747,944	437	—	(437)	—	—
Equity-based compensation	—	—	—	—	—	539	—	539
Net income	—	—	—	—	—	—	26,017	26,017
Balance, October 28, 2017	<u>—</u>	<u>\$ —</u>	<u>43,747,944</u>	<u>\$ 437</u>	<u>\$ —</u>	<u>\$ 117,150</u>	<u>\$ 32,138</u>	<u>\$ 149,725</u>

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

J.Jill, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	For the Thirty-Nine Weeks Ended	
	October 28, 2017	October 29, 2016
Net income	\$ 26,017	\$ 22,030
Operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,759	27,282
Loss on disposal of fixed assets	569	384
Noncash amortization of deferred financing and debt discount costs	2,012	1,139
Equity-based compensation	539	458
Deferred rent liability	978	1,851
Deferred income taxes	(2,342)	(1,495)
Changes in operating assets and liabilities:		
Accounts receivable	(5,211)	(8,174)
Tax receivable	—	2,356
Inventories	(18,764)	(14,634)
Prepaid expenses and other current assets	2,173	(31)
Accounts payable	15,278	(1,984)
Accrued taxes payable	756	—
Accrued expenses	(89)	4,948
Other noncurrent assets and liabilities	6,860	2,950
Net cash provided by operating activities	54,535	37,080
Investing activities:		
Purchases of property and equipment	(22,325)	(25,815)
Net cash used in investing activities	(22,325)	(25,815)
Financing activities:		
Repayments on long-term debt	(22,099)	(2,075)
Proceeds from long-term debt	—	40,000
Payment of debt issuance costs	—	(1,668)
Receivable from related party	2,227	233
Distribution to member	—	(70,000)
Other equity transactions	—	(305)
Net cash used in financing activities	(19,872)	(33,815)
Net change in cash	12,338	(22,550)
Cash:		
Beginning of Period	13,468	27,505
End of Period	\$ 25,806	\$ 4,955

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

J.Jill, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business

J.Jill, Inc., “J.Jill” or the “Company,” is a nationally recognized women’s apparel brand focused on a loyal, engaged and affluent customer in the attractive 40-65 age segment. The J.Jill brand represents an easy, relaxed and inspired style that reflects the confidence and comfort of a woman with a rich, full life. We operate a highly profitable omnichannel platform that is well diversified across our direct and retail channels. We began as a catalog company and have been a pioneer of the omnichannel model with a compelling presence across stores, website and catalog since 1999. We take a data-centric approach, in which we leverage our database and apply our insights to manage our business as well as to acquire and engage customers to drive optimum value and productivity.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our interim consolidated financial statements are unaudited. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted, in accordance with the rules of the Securities and Exchange Commission (the “SEC”). In the opinion of management, these interim consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the financial position and results of operations of the Company. The consolidated balance sheet as of January 28, 2017 is derived from the audited consolidated balance sheet as of that date. The unaudited results of operations for the thirteen and thirty-nine weeks ended October 28, 2017 are not necessarily indicative of future results or results to be expected for the full year ending February 3, 2018. You should read these statements in conjunction with our audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended January 28, 2017.

During the first quarter of 2017, Jill Intermediate LLC completed a corporate conversion from a Delaware limited liability company into a Delaware corporation and changed its name to J.Jill, Inc. Subsequent to this corporate conversion, J.Jill, Inc. completed an initial public offering (“IPO”). Refer to Note 7 *Shareholders’ Equity* for further details of the corporate conversion and IPO.

Recently Adopted Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09, *Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies application of the guidance to a change in the terms or conditions of a share-based payment award under Topic 718. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including early adoption to an interim period. This standard was early adopted in the second quarter of fiscal 2017. The adoption of ASU 2017-09 was done on a prospective basis and did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350) : Simplifying the Accounting for Goodwill Impairment*. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard was early adopted as of January 29, 2017. The adoption of ASU 2017-04 was done on a prospective basis and did not have a material impact on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The amendments in this update involve several aspects of accounting for equity-based payment transactions, including income tax consequences, classification of awards, and classification on the statement of cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of ASU 2016-09 was done on a prospective basis and did not have a material impact on the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The amendments in this update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards, under which an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of ASU 2015-11 was done on a prospective basis and did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra—Entity Transfers of Assets Other Than Inventory*. This update is intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Under the new guidance, an entity would recognize the current and deferred income tax consequences of an intra-entity asset transfer when the transfer occurs. Intra-entity inventory transfers would still be an exception. The provisions of ASU 2016-16 are effective for reporting periods beginning after December 15, 2017. Early adoption is permitted. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is evaluating the impact that adopting ASU 2016-16 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact that adopting ASU 2016-15 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amendments in this update include a new FASB ASC Topic 842, which supersedes Topic 840. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all entities as of the beginning of interim or annual reporting periods. The Company is currently evaluating the impact that adopting ASU 2016-02 will have on its consolidated financial statements and expects to raise significant “Right of Use” assets and significant, offsetting lease liabilities. These amounts have not yet been quantified.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB ASC Topic 605. The new guidance established principles for reporting revenue and cash flows arising from an entity’s contracts with customers. This new revenue recognition standard will replace most of the recognition guidance within GAAP. This guidance was deferred by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) : Deferral of the Effective Date*, issued by the FASB in August 2015, which deferred the effective date of ASU 2014-09 from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*, which further clarifies the implementation guidance in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606) : Identifying Performance Obligations and Licensing*, to expand the guidance on identifying performance obligations and licensing within ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenues from Contracts with Customers: Narrow—Scope Improvements and Practical Expedients*, which amends the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which addresses various technical corrections for the ASUs listed above. These standards are effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Based on the Company’s preliminary assessment of these standards, it has identified certain changes to accounting policies, including the timing of revenue recognition, direct response advertising costs and the gross versus net presentation of merchandise returns. The Company is continuing to assess the impact of the standards through evaluation of customer programs and relevant contracts. The Company plans to adopt these standards beginning in the first quarter of fiscal 2018 using the modified retrospective approach with a cumulative adjustment to retained earnings.

3. Debt

The components of the Company’s outstanding Term Loan were as follows (in thousands):

	October 28, 2017	January 28, 2017
Term Loan	\$ 253,876	\$ 275,975
Discount on debt and debt issuance costs	(6,999)	(8,736)
Less: Current portion	(2,799)	(2,799)
Net long-term debt	<u>\$ 244,078</u>	<u>\$ 264,440</u>

On June 16, 2017, the Company made a voluntary prepayment of \$20.2 million, including accrued interest, on the Term Loan.

The Company was in compliance with all financial covenants as of October 28, 2017.

4. Income Taxes

The Company recorded income tax expense of \$2.8 million and \$16.9 million during the thirteen and thirty-nine weeks ended October 28, 2017, respectively, and \$2.8 million and \$12.9 million during the thirteen and thirty-nine weeks ended October 29, 2016, respectively. The effective tax rates were 31.6% and 39.4% in the thirteen and thirty-nine weeks ended October 28, 2017, respectively, and 26.5% and 37.0% in the thirteen and thirty-nine weeks ended October 29, 2016, respectively.

The effective tax rates for the thirteen weeks ended October 28, 2017 and October 29, 2016 are lower than the federal statutory rate of 35.0% primarily due to federal research and development tax credits, Massachusetts manufacturing tax credits and provision to tax return true-up adjustments. The effective tax rates for the thirty-nine weeks ended October 28, 2017 and October 29, 2016 exceed the federal statutory rate of 35.0% primarily due to state income taxes and non-deductible IPO related expenses.

5. Earnings Per Share

The following table summarizes the computation of basic and diluted net income per share attributable to common shareholders (in thousands, except share and per share data):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
<i>Numerator</i>				
Net income attributable to common shareholders:	\$ 5,994	\$ 7,808	\$ 26,017	\$ 22,030
<i>Denominator</i>				
Weighted average number of common shares outstanding, basic:	41,731,765	43,747,944	41,933,244	43,747,944
Dilutive effect of restricted shares	1,822,235	—	1,535,602	—
Weighted average number of common shares outstanding, diluted:	43,554,000	43,747,944	43,468,846	43,747,944
Net income per common share attributable to common shareholders, basic:	\$ 0.14	\$ 0.18	\$ 0.62	\$ 0.50
Net income per common share attributable to common shareholders, diluted:	\$ 0.14	\$ 0.18	\$ 0.60	\$ 0.50

The weighted average common shares for the diluted earnings per share calculation exclude the impact of outstanding equity awards if the assumed proceeds per share of the award is in excess of the related fiscal period's average price of the Company's common stock. Such awards are excluded because they would have an antidilutive effect. There were 277,006 and 270,090 such awards excluded for the thirteen and thirty-nine weeks ended October 28, 2017. There were no awards excluded for the thirteen and thirty-nine weeks ended October 29, 2016.

6. Equity-Based Compensation

Compensation expense was \$0.3 million and \$0.5 million for the thirteen and thirty-nine weeks ended October 28, 2017, respectively, and \$0.2 million and \$0.5 million for the thirteen and thirty-nine weeks ended October 29, 2016.

7. Shareholders' Equity

On February 24, 2017, the Company completed a corporate conversion from a Delaware limited liability company named Jill Intermediate LLC into a Delaware corporation and changed its name to J.Jill, Inc. In conjunction with the corporate conversion, all of the outstanding equity of Jill Intermediate LLC converted into shares of common stock of J.Jill, Inc. Following the Company's conversion from a limited liability company to a corporation, JJill Holdings, Inc. merged with and into J.Jill, Inc. on February 24, 2017, with J.Jill, Inc. continuing as the surviving entity.

On March 14, 2017, J.Jill, Inc. completed an IPO. An existing shareholder of the Company sold 11,666,667 shares of the Company's common stock at a share price of \$13.00 per share. The underwriters subsequently elected to exercise their over-allotment option to purchase an additional 865,000 shares of common stock from the selling shareholder at the IPO price of \$13.00 per share. All proceeds of the IPO, net of the underwriter's discount, were distributed to the selling shareholder.

Upon the closing of the IPO on March 14, 2017, JJill Topco Holdings, LP (“Topco”) completed a distribution of J.Jill, Inc. common stock to its partners that held vested and unvested common interests in accordance with its limited partnership agreement. The shares of J.Jill, Inc. common stock distributed in respect of unvested common interests became restricted J.Jill, Inc. common stock, subject to the original vesting terms of such common interests. Holders of vested and unvested common interests received a pro-rata distribution of vested and unvested J.Jill, Inc. common stock, equal to their fair value of common interests immediately prior to the distribution, resulting in no incremental fair value.

As a result, 2,385,001 shares of the 43,747,944 shares of J.Jill, Inc. common shares were treated as restricted shares upon closing of the IPO and will vest in accordance with the original vesting terms of the common interests. All restricted shares of J.Jill, Inc. continue to be considered outstanding shares for legal purposes. The restricted shares have been included in diluted earnings per share.

8. Related Party Transactions

For the thirty-nine weeks ended October 28, 2017, the Company incurred an immaterial amount of out-of-pocket expenses in relation to the advisory services agreement with a related party. These expenses are included in operating expenses in the accompanying consolidated statements of operations and comprehensive income.

9. Commitments and Contingencies

Operating Lease Agreements

The Company recorded a deferred lease liability of \$8.9 million and \$6.5 million as of October 28, 2017 and January 28, 2017, respectively. In certain instances, the Company also receives tenant improvement incentives for its store leases, which it accrues and amortizes ratably over the life of the lease. The Company maintained a tenant improvement incentive liability of \$15.4 million and \$9.9 million as of October 28, 2017 and January 28, 2017, respectively.

Total rental and common area maintenance expense was \$15.2 million and \$44.6 million for the thirteen and thirty-nine weeks ended October 28, 2017, respectively, exclusive of contingent rental expense recorded of \$0.4 million and \$1.2 million for the same respective periods.

Total rental and common area maintenance expense was \$13.6 million and \$41.1 million for the thirteen and thirty-nine weeks ended October 29, 2016, respectively, exclusive of contingent rental expense recorded of \$0.5 million and \$1.4 million for the same respective periods.

Legal Proceedings

Shareholder Class Action Lawsuits

On October 13, 2017, a securities lawsuit was filed in the United States District Court for the District of Massachusetts against the Company, several members of our Board of Directors and our Chief Financial Officer, among others. The complaint is brought under the Securities Act of 1933 and seeks certification of a class of plaintiffs comprised of all shareholders that acquired stock issued by the Company in its initial public offering in March 2017. The plaintiffs would seek compensation for losses they incurred since purchasing the stock. Following the filing of this lawsuit, two additional, similar actions were brought in the same court. It is likely that these matters will eventually be consolidated and no material amount has been accrued. The Company has not yet filed responsive pleadings in these matters. The Company believes the claims are without merit and intends to defend the matter vigorously.

We are not presently party to any other legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that reflect our plans, estimates and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Quarterly Report on Form 10-Q titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements".

We operate on a 52- or 53-week fiscal year that ends on the Saturday that is closest to January 31. Each fiscal year generally is comprised of four 13-week fiscal quarters, although in the years with 53 weeks, the fourth quarter represents a 14-week period. The fiscal year ended January 28, 2017 ("Fiscal Year 2016") and the fiscal year ending February 3, 2018 ("Fiscal Year 2017") are comprised of 52 weeks and 53 weeks, respectively.

Overview

J.Jill is a nationally recognized women's apparel brand focused on a loyal, engaged and affluent customer in the attractive 40-65 age segment. The J.Jill brand represents an easy, relaxed and inspired style that reflects the confidence and comfort of a woman with a rich, full life. We operate a highly profitable omnichannel platform that is well diversified across our direct and retail channels. We began as a catalog company and have been a pioneer of the omnichannel model with a compelling presence across stores, website and catalog since 1999. We take a data-centric approach, in which we leverage our database and apply our insights to manage our business as well as to acquire and engage customers to drive optimum value and productivity.

Factors Affecting Our Operating Results

Various factors are expected to continue to affect our results of operations going forward, including the following:

Overall Economic Trends . Consumer purchases of clothing and other merchandise generally decline during recessionary periods and other periods when disposable income is adversely affected, and consequently our results of operations may be affected by general economic conditions. For example, reduced consumer confidence and lower availability and higher cost of consumer credit may reduce demand for our merchandise and may limit our ability to increase or sustain prices. The growth rate of the market could be affected by macroeconomic conditions in the United States.

Consumer Preferences and Fashion Trends . Our ability to maintain our appeal to existing customers and attract new customers depends on our ability to anticipate fashion trends. During periods in which we have successfully anticipated fashion trends, we have generally had more favorable results.

Competition . The retail industry is highly competitive and retailers compete based on a variety of factors, including design, quality, price and customer service. Levels of competition and the ability of our competitors to more accurately predict fashion trends and otherwise attract customers through competitive pricing or other factors may impact our results of operations.

Our Strategic Initiatives . We are in the process of implementing significant business initiatives that have had and will continue to have an impact on our results of operations. Although these initiatives are designed to create growth in our business and continuing improvement in our operating results, the timing of expenditures related to these initiatives, as well as the achievement of returns on our investments, may affect our results of operation in future periods.

Pricing and Changes in Our Merchandise Mix . Our product offering changes from period to period, as do the prices at which goods are sold and the margins we are able to earn from the sales of those goods. The levels at which we are able to price our merchandise are influenced by a variety of factors, including the quality of our products, cost of production, prices at which our competitors are selling similar products and the willingness of our customers to pay for products.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating metrics, including GAAP and non-GAAP measures, including the following:

Net sales consists primarily of revenues, net of merchandise returns and discounts, generated from the sale of apparel and accessory merchandise through our direct channel and retail channel. Net sales also include shipping and handling fees collected from

customers. Revenue from our retail channel is recognized at the time of sale and revenue from our direct channel is recognized upon receipt of merchandise by the customer.

Net sales are impacted by the size of our active customer base, product assortment and availability, marketing and promotional activities and the spending habits of our customers. Net sales are also impacted by the migration of single-channel customers to omnichannel customers who, on average, spend nearly three times more than single-channel customers.

Total company comparable sales includes net sales from our full-price stores that have been open for more than 52 weeks and from our direct channel. This measure highlights the performance of existing stores open during the period, while excluding the impact of new store openings and closures. When a store in the total company comparable store base is temporarily closed for remodeling or other reasons, it is included in total company comparable sales only using the full weeks it was open. Certain of our competitors and other retailers may calculate total company comparable sales differently than we do. As a result, the reporting of our total company comparable sales may not be comparable to sales data made available by other companies.

Number of stores reflects all stores open at the end of a reporting period. In connection with opening new stores, we incur pre-opening costs. Pre-opening costs include expenses incurred prior to opening a new store and primarily consist of payroll, travel, training, marketing, initial opening supplies and costs of transporting initial inventory and fixtures to store locations, as well as occupancy costs incurred from the time of possession of a store site to the opening of that store. These pre-opening costs are included in selling, general and administrative expenses and are generally incurred and expensed within 30 days of opening a new store.

Gross profit is equal to our net sales less costs of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. **Costs of goods sold** includes the direct costs of sold merchandise, inventory shrinkage, and adjustments and reserves for excess, aged and obsolete inventory. We review our inventory levels on an ongoing basis to identify slow-moving merchandise and use product markdowns to efficiently sell these products. Changes in the assortment of our products may also impact our gross profit. The timing and level of markdowns are driven by customer acceptance of our merchandise. Certain of our competitors and other retailers may report costs of goods sold differently than we do. As a result, the reporting of our gross profit and gross margin may not be comparable to other companies.

The primary drivers of the costs of goods sold are raw materials, which fluctuate based on certain factors beyond our control, including labor conditions, transportation or freight costs, energy prices, currency fluctuations and commodity prices. We place orders with merchandise suppliers in United States dollars and, as a result, are not exposed to significant foreign currency exchange risk.

Selling, general and administrative expenses include all operating costs not included in costs of goods sold. These expenses include all payroll and related expenses, occupancy costs and other operating expenses related to our stores and to our operations at our headquarters, including utilities, depreciation and amortization. These expenses also include marketing expense, including catalog production and mailing costs, warehousing, distribution and shipping costs, customer service operations, consulting and software services, professional services and other administrative costs.

Our historical revenue growth has been accompanied by increased selling, general and administrative expenses. The most significant increases were in occupancy costs associated with retail store expansion, and in marketing and payroll investments. While we expect these expenses to increase as we continue to open new stores, increase brand awareness and grow our business, we believe these expenses will decrease as a percentage of net sales over time.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We expect that compliance with the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC, will increase our legal and financial compliance costs and will make some activities more time consuming and costly. In addition, we expect that our management and other personnel will need to devote substantial time to these public company requirements. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act. In that regard, we have hired additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

Adjusted EBITDA and Adjusted EBITDA Margin. Adjusted EBITDA represents net income (loss) plus interest expense, provision (benefit) for income taxes, depreciation and amortization, equity-based compensation expense, write-off of property and equipment, and other non-recurring expenses, primarily consisting of outside legal and professional fees associated with certain non-recurring transactions and events. We present Adjusted EBITDA on a consolidated basis because our management uses it as a supplemental measure in assessing our operating performance, and we believe that it is helpful to investors, securities analysts and other interested parties as a supplemental measure of our comparative operating performance from period to period. We also use

Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance of our business and for evaluating on a quarterly and annual basis actual results against such expectations. Further, we recognize Adjusted EBITDA as a commonly used measure in determining business value and as such, use it internally to report results. Adjusted EBITDA margin represents, for any period, Adjusted EBITDA as a percentage of net sales.

While we believe that Adjusted EBITDA is useful in evaluating our business, Adjusted EBITDA is a non-GAAP financial measure that has limitations as an analytical tool. Adjusted EBITDA should not be considered an alternative to, or substitute for, net income (loss), which is calculated in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate Adjusted EBITDA differently or not at all, which reduces the usefulness of Adjusted EBITDA as a tool for comparison. We recommend that you review the reconciliation and calculation of Adjusted EBITDA and Adjusted EBITDA margin to net income (loss), the most directly comparable GAAP financial measure, below and not rely solely on Adjusted EBITDA or any single financial measure to evaluate our business.

Reconciliation of Net Income to Adjusted EBITDA and Calculation of Adjusted EBITDA Margin

The following table provides a reconciliation of net income to Adjusted EBITDA and the calculation of Adjusted EBITDA margin for the periods presented.

(in thousands)	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Statements of Operations Data:				
Net income	\$ 5,994	\$ 7,808	\$ 26,017	\$ 22,030
Interest expense	4,496	4,844	14,525	13,630
Provision for income taxes	2,766	2,815	16,926	12,924
Depreciation and amortization	8,628	8,688	25,768	27,289
Equity-based compensation expense (a)	278	173	539	458
Write-off of property and equipment (b)	229	—	569	384
Other non-recurring expenses (c)	658	2,261	4,964	6,824
Adjusted EBITDA	<u>\$ 23,049</u>	<u>\$ 26,589</u>	<u>\$ 89,308</u>	<u>\$ 83,539</u>
Net sales	\$ 161,975	\$ 159,439	\$ 509,473	\$ 472,139
Adjusted EBITDA margin	14.2%	16.7%	17.5%	17.7%

- (a) Represents expenses associated with equity incentive instruments granted to our management and board of directors. Incentive instruments are accounted for as equity-classified awards with the related compensation expense recognized based on fair value at the date of the grants.
- (b) Represents net gain or loss on the disposal of fixed assets.
- (c) Represents items management believes are not indicative of ongoing operating performance. These expenses are primarily composed of legal and professional fees associated with the initial public offering completed March 14, 2017 and subsequent transition to a public company.

Factors Affecting the Comparability of our Results of Operations

On February 24, 2017, we completed a conversion from a Delaware limited liability company named Jill Intermediate LLC into a Delaware corporation and changed our name to J.Jill, Inc. In conjunction with the conversion, all of our outstanding equity interests converted into shares of common stock. Accordingly, all historical earnings per share amounts presented in the accompanying consolidated statements of operations and comprehensive income and the related notes to the consolidated financial statements have been retroactively adjusted to reflect our conversion from a limited liability company to a corporation.

Following our conversion from a limited liability company to a corporation, J.Jill, Inc. merged with and into its direct parent company, JJill Holdings, Inc., on February 24, 2017, with J.Jill, Inc. continuing as the surviving entity. JJill Holdings, Inc. did not have operations of its own, except for buyer transaction costs of \$8.6 million incurred in the second quarter of 2015 to execute the acquisition of Jill Intermediate LLC.

Results of Operations

Thirteen weeks ended October 28, 2017 Compared to Thirteen weeks ended October 29, 2016

The following table summarizes our consolidated results of operations for the periods indicated:

(in thousands)	For the Thirteen Weeks Ended				Change from the Thirteen Weeks Ended October 29, 2016 to the Thirteen Weeks Ended October 28, 2017	
	October 28, 2017		October 29, 2016		\$ Change	% Change
	Dollars	% of Net Sales	Dollars	% of Net Sales		
Net sales	\$ 161,975	100.0%	\$ 159,439	100.0%	\$ 2,536	1.6%
Costs of goods sold	53,479	33.0%	51,334	32.2%	2,145	4.2%
Gross profit	108,496	67.0%	108,105	67.8%	391	0.4%
Selling, general and administrative expenses	95,240	58.8%	92,638	58.1%	2,602	2.8%
Operating income	13,256	8.2%	15,467	9.7%	(2,211)	(14.3)%
Interest expense	4,496	2.8%	4,844	3.0%	(348)	(7.2)%
Income before provision for income taxes	8,760	5.4%	10,623	6.7%	(1,863)	(17.5)%
Provision for income taxes	2,766	1.7%	2,815	1.8%	(49)	(1.7)%
Net income	\$ 5,994	3.7%	\$ 7,808	4.9%	\$ (1,814)	(23.2)%

Net Sales

Net sales for the thirteen weeks ended October 28, 2017 increased \$2.5 million, or 1.6%, to \$162.0 from \$159.4 million for the thirteen weeks ended October 29, 2016. At the end of those same periods, we operated 275 and 271 retail stores, respectively. The increase in net sales was due to an increase in our active customer base and store count.

Our direct channel contributed 39.5% of our net sales in the thirteen weeks ended October 28, 2017 and 40.4% in the thirteen weeks ended October 29, 2016. Our retail channel contributed 60.5% of our net sales in the thirteen weeks ended October 28, 2017 and 59.6% in the thirteen weeks ended October 29, 2016.

Gross Profit and Costs of Goods Sold

Gross profit for the thirteen weeks ended October 28, 2017 increased \$0.4 million, or 0.4%, to \$108.5 from \$108.1 million for the thirteen weeks ended October 29, 2016. The increase was primarily due to increased sales. The gross margin for the thirteen weeks ended October 28, 2017 was 67.0% compared to 67.8% for the thirteen weeks ended October 29, 2016, largely driven by added promotions and markdowns to clear certain goods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the thirteen weeks ended October 28, 2017 increased \$2.6 million, or 2.8%, to \$95.2 from \$92.6 million for the thirteen weeks ended October 29, 2016. The increase is related to higher sales related expenses of \$2.7 million, including retail payroll, occupancy and direct fulfillment and increased marketing costs of \$1.0 million. These increases were offset by a decrease in employee related incentive expense of \$1.2 million.

As a percentage of net sales, selling, general and administrative expenses were 58.8% for the thirteen weeks ended October 28, 2017 compared to 58.1% for the thirteen weeks ended October 29, 2016.

Interest Expense

Interest expense for the thirteen weeks ended October 28, 2017 decreased \$0.3 million, or 7.2%, to \$4.5 from \$4.8 million for the thirteen weeks ended October 29, 2016. The decrease was primarily due to voluntary principal prepayments on the Term Loan in January 2017 and June 2017, partially offset by an increase of approximately 40 basis points to the average interest rate on the Term Loan.

Provision for Income Taxes

The provision for income taxes was \$2.8 million for both the thirteen weeks ended October 28, 2017 and the thirteen weeks ended October 29, 2016. Our effective tax rates for the same periods were 31.6% and 26.5%, respectively. The increase in the effective tax rate is primarily due to a tax credit taken in the thirteen weeks ended October 29, 2016, which reduced the rate for that period.

Thirty-nine weeks ended October 28, 2017 Compared to Thirty-nine weeks ended October 29, 2016

The following table summarizes our consolidated results of operations for the periods indicated:

(in thousands)	For the Thirty-Nine Weeks Ended				Change from the Thirty-Nine Weeks Ended October 29, 2016 to the Thirty-Nine Weeks Ended October 28, 2017	
	October 28, 2017		October 29, 2016		\$ Change	% Change
	Dollars	% of Net Sales	Dollars	% of Net Sales		
Net sales	\$ 509,473	100.0%	\$ 472,139	100.0%	\$ 37,334	7.9%
Costs of goods sold	162,721	31.9%	149,673	31.7%	13,048	8.7%
Gross profit	346,752	68.1%	322,466	68.3%	24,286	7.5%
Selling, general and administrative expenses	289,284	56.8%	273,882	58.0%	15,402	5.6%
Operating income	57,468	11.3%	48,584	10.3%	8,884	18.3%
Interest expense	14,525	2.9%	13,630	2.9%	895	6.6%
Income before provision for income taxes	42,943	8.4%	34,954	7.4%	7,989	22.9%
Provision for income taxes	16,926	3.3%	12,924	2.7%	4,002	31.0%
Net income	\$ 26,017	5.1%	\$ 22,030	4.7%	\$ 3,987	18.1%

Net Sales

Net sales for the thirty-nine weeks ended October 28, 2017 increased \$37.3 million, or 7.9%, to \$509.5 from \$472.1 million for the thirty-nine weeks ended October 29, 2016. At the end of those same periods, we operated 275 and 271 retail stores, respectively. The increase in net sales was due to a 5.6% increase in total comparable company sales driven by an increase in our active customer base, and an increase in store count.

Our direct channel contributed 41.8% of our net sales in the thirty-nine weeks ended October 28, 2017 and 41.2% in the thirty-nine weeks ended October 29, 2016. Our retail channel contributed 58.2% of our net sales in the thirty-nine weeks ended October 28, 2017 and 58.8% in the thirty-nine weeks ended October 29, 2016.

Gross Profit and Costs of Goods Sold

Gross profit for the thirty-nine weeks ended October 28, 2017 increased \$24.3 million, or 7.5%, to \$346.8 from \$322.5 million for the thirty-nine weeks ended October 29, 2016. The increase was driven by increased sales. The gross margin rate was 68.1% for the thirty-nine weeks ended October 28, 2017 and 68.3% for the thirty-nine weeks ended October 29, 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the thirty-nine weeks ended October 28, 2017 increased \$15.4 million, or 5.6%, to \$289.3 from \$273.9 million for the thirty-nine weeks ended October 29, 2016. The increase is related to higher sales related expenses of \$10.7 million, including retail payroll, occupancy and direct fulfillment, increased marketing costs of \$3.6 million and increased corporate payroll and other expenses of \$4.0 million to support business growth. This increase was offset by decreases related to depreciation and amortization expense of \$2.4 million.

As a percentage of net sales, selling, general and administrative expenses were 56.8% for the thirty-nine weeks ended October 28, 2017 compared to 58.0% for the thirty-nine weeks ended October 29, 2016.

Interest Expense

Interest expense for the thirty-nine weeks ended October 28, 2017 increased \$0.9 million, or 6.6%, to \$14.5 from \$13.6 million for the thirty-nine weeks ended October 29, 2016. The increase was primarily due to an increase in deferred financing amortization.

costs associated with a voluntary principal prepayment on the Term Loan of \$20.0 million made in June 2017 and an increase of approximately 20 basis points to the average interest rate on the Term Loan.

Provision for Income Taxes

The provision for income taxes for the thirty-nine weeks ended October 28, 2017 increased \$4.0 million, or 31.0%, to \$16.9 from \$12.9 million for the thirty-nine weeks ended October 29, 2016. Our effective tax rates for the same periods were 39.4% and 37.0%, respectively. The increase in the effective tax rate was primarily due to non-deductible IPO related costs in the thirty-nine weeks ended October 28, 2017.

Liquidity and Capital Resources

General

Our primary sources of liquidity and capital resources are cash generated from operating activities and availability under our ABL credit agreement, dated as of May 8, 2015, by and among Jill Holdings LLC, Jill Acquisition LLC, certain subsidiaries from time to time party thereto, the lenders party thereto and CIT Finance LLC as the administrative agent and collateral agent, as amended on May 27, 2016 by Amendment No. 1 thereto (the “ABL Facility”). Our primary requirements for liquidity and capital are working capital and general corporate needs, including merchandise inventories, marketing, including catalog production and distribution, payroll, store occupancy costs and capital expenditures associated with opening new stores, remodeling existing stores, upgrading information systems and costs of operating as a public company. We believe that our current sources of liquidity and capital will be sufficient to finance our continued operations, growth strategy and additional expenses we expect to incur as a public company for at least the next 12 months. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our ABL Facility or otherwise to enable us to service our indebtedness, or to make capital expenditures in the future. Our future operating performance and our ability to service or extend our indebtedness will be subject to future economic conditions and to financial, business, and other factors, many of which are beyond our control.

Purchases of property and equipment were \$22.3 million during the thirty-nine weeks ended October 28, 2017, primarily representing investments in stores and information systems. Purchases of property and equipment in 2017 are planned to be approximately \$38.0 million and reflects our investments in stores and information systems.

Cash Flow Analysis

The following table shows our cash flows information for the periods presented:

(in thousands)	For the Thirty-Nine Weeks Ended	
	October 28, 2017	October 29, 2016
Net cash provided by operating activities	\$ 54,535	\$ 37,080
Net cash used in investing activities	(22,325)	(25,815)
Net cash used in financing activities	(19,872)	(33,815)

Net Cash provided by Operating Activities

Net cash provided by operating activities during the thirty-nine weeks ended October 28, 2017 was \$54.5 million. Key elements of cash provided by operating activities were (i) net income of \$26.0 million, (ii) adjustments to reconcile net income to net cash provided by operating activities of \$27.5 million, primarily driven by depreciation and amortization and noncash amortization of deferred financing and debt discount costs, and (iii) a decrease in net operating assets and liabilities of \$1.0 million, primarily driven by cash provided by prepaid expenses and other current assets, accounts payable, and other noncurrent assets and liabilities, offset by cash uses in accounts receivable and inventory.

Net cash provided by operating activities during the thirty-nine weeks ended October 29, 2016 was \$37.1 million. Key elements of cash provided by operating activities were (i) net income of \$22.0 million, and (ii) adjustments to reconcile net income to net cash provided by operating activities of \$29.6 million, primarily driven by depreciation and amortization, offset by (iii) an increase in net operating assets and liabilities and other activities of \$14.5 million, primarily driven by cash uses in accounts receivable, inventory, and accounts payable, offset with cash provided by tax receivables, accrued expenses and other noncurrent assets and liabilities.

Net Cash used in Investing Activities

Net cash used in investing activities during the thirty-nine weeks ended October 28, 2017 was \$22.3 million, representing purchases of property and equipment related investments in stores and information systems.

Net cash used in investing activities during the thirty-nine weeks ended October 29, 2016 was \$25.8 million, representing purchases of property and equipment related investments in stores and information systems.

Net Cash used in Financing Activities

Net cash used in financing activities during the thirty-nine weeks ended October 28, 2017 was \$19.9 million, which was primarily due to a voluntary principal prepayment on the Term Loan of \$20.0 million made in June 2017.

Net cash used in financing activities during the thirty-nine weeks ended October 29, 2016 was \$33.8 million, including \$38.3 million of proceeds received on long-term debt, net of \$1.7 million debt issuance costs paid. The proceeds from the long-term debt, along with cash on hand, were used to fund a \$70.0 million dividend to the partners of Topco. Financing activities also included \$2.1 million of scheduled repayments on our Term Loan.

Dividends

We intend to retain any future earnings for use in the operation and growth of our business, and therefore we do not anticipate paying any cash dividends in the foreseeable future.

Credit Facilities

At October 28, 2017 and January 28, 2017 there were no loan amounts outstanding under the ABL Facility. At those same dates, we had outstanding letters of credit in the amounts of \$1.6 million and \$2.1 million, respectively, and our maximum additional borrowing capacity was \$38.4 million and \$37.9 million, respectively.

Contractual Obligations

The Company's contractual obligations consist primarily of long-term debt obligations, interest payments, operating leases and purchase orders for merchandise inventory. These contractual obligations impact the Company's short-term and long-term liquidity and capital resource needs. During the thirty-nine weeks ended October 28, 2017, there were no material changes in the contractual obligations as of January 28, 2017.

Contingencies

Shareholder Class Action Lawsuits

On October 13, 2017, a securities lawsuit was filed in the United States District Court for the District of Massachusetts against the Company, several members of our Board of Directors and our Chief Financial Officer, among others. The complaint is brought under the Securities Act of 1933 and seeks certification of a class of plaintiffs comprised of all shareholders that acquired stock issued by the Company in its initial public offering in March 2017. The plaintiffs would seek compensation for losses they incurred since purchasing the stock. Following the filing of this lawsuit, two additional, similar actions were brought in the same court. It is likely that these matters will eventually be consolidated. The Company has not yet filed responsive pleadings in these matters. The Company believes the claims are without merit and intends to defend the matter vigorously.

Off - Balance Sheet Arrangements

We are not a party to any off - balance sheet arrangements.

Critical Accounting Policies and Significant Estimates

The most significant accounting estimates involve a high degree of judgment or complexity. Management believes the estimates and judgments most critical to the preparation of our consolidated financial statements and to the understanding of our reported financial results include those made in connection with revenue recognition, including accounting for gift card breakage and estimated merchandise returns; accounting for business combinations; estimating the value of inventory; impairment assessments for goodwill and other indefinite-lived intangible assets, and long-lived assets; and estimating equity-based compensation expense. Management evaluates its policies and assumptions on an ongoing basis.

Our significant accounting policies related to these accounts in the preparation of our consolidated financial statements are described under the heading "Management Discussion and Analysis of Financial Condition and Results of Operations – Critical

Accounting Policies and Significant Estimates” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017. As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates previously described in our Annual Report on Form 10-K.

Recent Accounting Pronouncements

Refer to Note 1 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, for recently adopted accounting standards, including the dates of adoption and estimated effects on our results of operations, financial position or cash flows.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. All written and oral forward-looking statements made in connection with this Quarterly Report on Form 10-Q that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Risk Factors set forth in our Annual Report on Form 10-K for the year ended January 28, 2017 and other cautionary statements included therein and herein.

These forward-looking statements reflect our views with respect to future events as of the date of this Quarterly Report on Form 10-Q and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. We qualify all of our forward-looking statements by these cautionary statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under the Term Loan and ABL Facility, which bear interest at variable rates equal to LIBOR plus a margin as defined in the respective agreements described above. As of October 28, 2017, there was no outstanding balance under the ABL Facility, and \$1.6 million letters of credit outstanding. The undrawn borrowing availability under the ABL Facility was \$38.4 million and the amount outstanding under the Term Loan had decreased to \$253.9 million as a result of the scheduled repayment and voluntary prepayment of \$20.0 million of our Term Loan. We currently do not engage in any interest rate hedging activity. Based on the interest rate on the ABL Facility at October 28, 2017, and the schedule of outstanding borrowings under our Term Loan, a 10% change in our current interest rate would affect net income by \$1.1 million during Fiscal Year 2017.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial. We cannot assure you our business will not be affected in the future by inflation.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, under the supervision 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 Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form-10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Quarterly Report on Form-10-Q, our disclosure controls and procedures were effective to provide such reasonable assurance.

There were no changes in our internal control over financial reporting, (as defined in Rules 13a-15(e) and 15d-15(e) under the Act) during the fiscal quarter ended October 28, 2017 identified in connection with the evaluation by our management, including our Chief Executive Officer and Chief Financial Officer, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and our management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Shareholder Class Action Lawsuits

On October 13, 2017, a securities lawsuit was filed in the United States District Court for the District of Massachusetts against the Company, several members of our Board of Directors and our Chief Financial Officer, among others. The complaint is brought under the Securities Act of 1933 and seeks certification of a class of plaintiffs comprised of all shareholders that acquired stock issued by the Company in its initial public offering in March 2017. The plaintiffs would seek compensation for losses they incurred since purchasing the stock. Following the filing of this lawsuit, two additional, similar actions were brought in the same court. It is likely that these matters will eventually be consolidated and no material amount has been accrued. The Company has not yet filed responsive pleadings in these matters. The Company believes the claims are without merit and intends to defend the matter vigorously.

We are not presently party to any other legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this report are described under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K. However, additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations and we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the Exhibit Index are filed or furnished as part of this Quarterly Report on Form 10-Q.

Exhibit Index

Exhibit Number	Description
31.1	<u>Certification of Principal Executive Officer required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Principal Financial Officer required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J.Jill, Inc.

Date: December 12, 2017

By: /s/ Paula Bennett
Paula Bennett
Chief Executive Officer

Date: December 12, 2017

By: /s/ David Biese
David Biese
Chief Financial Officer

1. I have reviewed this Quarterly Report of J.Jill, Inc. (the "Company") on Form 10-Q for the period ended October 28, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Paula Bennett
Paula Bennett
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Biese, certify that:

1. I have reviewed this Quarterly Report of J.Jill, Inc. (the "Company") on Form 10-Q for the period ended October 28, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2017

By: /s/ David Biese
David Biese
Chief Financial Officer

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Paula Bennett
Paula Bennett
Chief Executive Officer

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David Biese
David Biese
Chief Financial Officer