

J.Jill, Inc.NYSE:JILL

Earnings Call

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Call Participants

EXECUTIVES

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Presentation

Operator

Thank you for standing by. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to the J.Jill First Quarter 2024 Earnings Conference Call. [Operator Instructions]

I will now turn the conference over to Claire Spofford, Chief Executive Officer and President. Claire?

Claire Spofford

President, CEO & Director

Thank you, operator, and hello, everyone. Thank you for joining us this morning. I'll begin with an overview of highlights from our first quarter and progress on our initiatives, and we'll then turn the call over to Mark to discuss our financial results and outlook in more detail before we open the call for questions.

Before we dive in, I want to emphasize where J.Jill is today and how far we have come in strengthening our foundation and positioning the brand for long-term success. As we have discussed before, J.Jill has incredible brand equity with a very loyal customer base that we delight with our product offerings that generate consistent demand and we serve them through our balanced omnichannel model.

Over the past 3-plus years, through careful planning, disciplined inventory management and a focus on full price selling, we've not only driven strong financial results, but have enabled a stronger foundation to tell our brand and product story, while fostering our loyal customer base and welcoming new customers to the brand. We have refined our product assortment, leveraging a quality, fabric first approach and driven differentiation in our products and sub-brands, positioning them to meet a broad spectrum of end uses for our customer. Our relevant product and engaging customer experience have enabled strong full price selling and driven best-in-class margins and profitability.

In addition, we have modernized our brand and value proposition to be more relevant and inclusive and optimize our marketing mix for efficiency and productivity, yielding strong customer acquisition economics that are scalable. The strength of our results to date gives us further confidence in the future of the J.Jill brand and business. And we are now at a pivotal inflection point where we are leaning in and making strategic investments to realize the brand's full growth potential longer term. We are investing meaningfully in marketing to drive awareness and growth in our customer base. We are undertaking infrastructure projects that will unlock omnichannel capabilities to drive future growth. And we are opening new stores that deliver strong economics and will be meaningful contributors to new customer acquisition over the coming years.

We continue to plan to open 20 to 25 new stores in the next 3 years and believe we have potential to grow further beyond that time horizon. In the next 5 years, we see the opportunity to open 50 new stores inclusive of our medium-term goals. In addition to these investments, we also recently announced that we paid down approximately \$60 million of debt and initiated an ordinary quarterly dividend program. These investments and actions are in line with our capital priorities and reflect the strength of our results to date, our strong cash generation and our confidence for the future.

Now let me turn to review our first quarter highlights. In the first quarter, we outperformed our expectations and delivered net sales growth of 7.5% and adjusted EBITDA of \$35.6 million. For the quarter, comparable sales, which excludes the impact of the calendar shift, grew 3.1%, reflecting significant sequential improvement from the prior year trends. These results were driven by a strong end to the period as customers responded well to our early summer assortment, which was supported by an earlier floor set and marketing given the calendar shift and led up to the heart of our season and Mother's Day.

This strong end to the period, which also saw strength in AOV and conversion, offset lower traffic earlier in the quarter, particularly in our retail channel, which was impacted by the cool and wet start to spring

across the country. Given this dynamic, we saw our direct channel outperform our retail channel during the period, demonstrating the strength of our balanced omnichannel model that enables customers the flexibility to shop at their convenience anytime, anywhere they would like.

Our customer file remained healthy and supportive of the total sales growth we delivered for the period. Our loyal and best customer segment saw a nice growth in the quarter. And we saw improved strength in the file overall as we move through the period, consistent with the cadence of our top-line results. In addition, we saw healthy spend across all segments of the file and delivered strong full price selling and increased full price penetration as evidenced by our gross margin performance.

Underlying these results continues to be the strength of our product assortment. We have a deep connection with customer and a keen understanding of her desire for quality, versatility and novelty in her wardrobe. As we have discussed before, we stayed very close to our customers through primary research and an ongoing dialogue. We solicit her input on satisfaction with the brand, her product purchase intent as she looks forward as well as many other things. Our latest customer insight work informed us that while she remains cautious, she's prioritizing her discretionary spend on items she loves. She also expressed especially strong satisfaction with our recent collection.

The spring and early summer assortments are front and center in the heart of our season and we saw real strength in the bright color palettes and light versatile fabrications we offered, including our core linen and cotton-gauze assortment. We also saw strength in our Pima and Supima knit franchises in seasonal colors and a great response to print and pattern. Novelty tops and embroidery sparked her interest in fresh options to update her spring and summer wardrobes.

As we look ahead, while we are maintaining our disciplined approach to inventory management, we are continuing to lean in more to investments in areas of the assortment that are driving results and gaining traction. We continue to be encouraged by the response to capsule collections such as Pure Jill Elements and Wherever Works that pushed the boundaries of our sub-brands to welcome new customers to the brand, while also testing the upper bound of our pricing architecture.

In addition to supporting our assortment, we are also making significant investments in marketing to drive awareness and customer file growth. As you have heard us say before, we have an exceptionally loyal customer base, but we are a bit of a well-kept secret, which creates a significant opportunity to increase our brand awareness and drive growth. We are excited to launch the One Wardrobe No Limits campaign at the end of the quarter, focused on enhancing our customer engagement and elevating the J.Jill brand. Campaign leverages an integrated marketing mix tailored to meet new and existing customers where they are across social media, web, catalog and in store.

The campaign also features a series of nationwide activations and enhanced capabilities designed to encourage customers to discover pieces that demonstrate the versatility of our offerings and perfectly complement their multi-faceted lives. In addition, we are working with a diverse group of social media influencers who are showcasing the versatility of our product and the ease with which it follows the women through the various facets of her daily life. We're very excited to launch a nationwide customer activation this month that was inspired by our customers who told us that they are not only seeking versatile and high-quality items, but also looking to give new life to their wardrobe.

Our upcoming activation will include a trade-in experience for consumers that will help breathe new life into their closets and show them the possibilities of refreshing their wardrobe with us. We believe this is another opportunity to engage our loyal customer base and introduce J.Jill to new customers in a very compelling way. Through all of these elements, our One Wardrobe No Limits campaign is a step forward toward greater brand awareness and growth and we are extremely excited to launch additional amplifying elements as we move into Q2.

This now leads me to our focus on strengthening our omnichannel model. The new POS system, which we rolled out last year, is delivering an enhanced customer experience in store. And with our OMS project underway, we expect to enable even greater omnichannel capabilities that will drive increased productivity and efficiency across channels. Our store expansion plans for this year continue to include up to 5 net new store openings, balancing our measured approach with growth ambitions.

Retail remains a very important channel for us as both the customer retention and acquisition strategy. About 60% of our new customers come in through our stores. And the high-touch customer service that our associates provide is part of the special sauce that has driven our strong loyal customer base. In addition to our retail channel, we are also benefiting from the work we began last year to enhance our direct channel and create a more seamless experience, helping to drive nice improvements in conversion and return rates.

Our ability to create a seamless experience is integral to creating loyalty, be it through online enhancements that give her greater confidence in her purchase or through positive interactions with J.Jill in-store associates. It's a holistic approach that not only satisfies, but also delights our customer, reinforcing the backbone of our brand ethos.

In summary, we are very pleased with the strong start to the year and we are confident and excited in the growth potential for J.Jill. We're focused on continuing to deliver strong financial results with the ongoing execution of our operating model through careful planning, disciplined inventory management and a focus on full price selling. In addition, we are leaning in and making strategic investments to realize the brand's full growth potential and look forward to building on the momentum we are driving to deliver long-term profitable growth and value to our shareholders. I want to thank all of our teams for their ongoing hard work and dedication to delivering on our objectives and to driving results.

Let me now turn the call over to Mark to discuss our results and outlook in more detail.

Mark W. Webb

Executive VP and Chief Financial & Operating Officer

Thank you, Claire, and good morning, everyone. As Claire discussed, we were very pleased with our first quarter performance with total company comp sales up 3.1%, driven by a strong finish to the quarter, leading into the important Mother's Day holiday period in early May. Our disciplined business model delivered comp sales growth, healthy gross margins, growth in adjusted EBITDA and solid free cash flow during the first quarter.

As previously announced, early in the second quarter, we leveraged the strength and voluntarily paid down \$58 million of debt, which when combined with the scheduled amortization payment made in April, reduced principal outstanding by about \$60 million. And we also announced the initiation of the first ordinary dividend program since the company's IPO in 2017. These actions are a direct result of our operating performance and demonstrate the confidence we have in our business model going forward and our commitment to strengthening the balance sheet and driving total shareholder returns.

Now I'll provide details on results for the first quarter. As previously mentioned, total company comparable sales for the first quarter increased 3.1%, driven by the direct channel. As a reminder, the total company comp calculation shifts last year to align like-for-like weeks in addition to adjusting for other non-comparable events between this year and last. Total company sales for the quarter were about \$162 million, up 7.5% compared to Q1 2023. This performance was driven by approximately \$7 million of benefit due to the calendar shift compared to reported Q1 2023 as well as full price mix and higher average unit retails contributing to the positive comp.

Store sales for Q1 were up about 4% compared to Q1 2023, driven primarily by the calendar shift and improved conversion rates during the quarter. Direct sales as a percentage of total sales were about 47% in the quarter. Compared to the first quarter of fiscal 2023, direct sales were up about 12%, driven in part by the calendar shift and also strong conversion and full price selling. Q1 total company gross profit was about \$118 million, up about \$9 million compared to Q1 2023. Q1 gross margin was 72.9%, up 80 basis points over Q1 2023, driven by a stronger mix of full price sales, a better markdown gross margin and first cost AUC benefit.

SG&A expenses for the quarter were about \$89 million compared to approximately \$83 million last year. The increase was driven primarily by marketing investments as well as variable expenses on higher sales, wage inflation and about \$700,000 in incremental expense associated with the OMS project. Adjusted EBITDA was \$35.6 million in the quarter compared to \$31.9 million in Q1 2023. Please refer to today's

press release for a reconciliation of adjusted EBITDA to net income, the most comparable GAAP financial measure. Please also note that management's presentation of adjusted EBITDA has been updated to treat the amortization of SaaS-related implementation costs for cloud-based software technology projects included in SG&A as an adjustment and added back to adjusted EBITDA.

Turning to cash flow. For the quarter, we generated about \$21 million of cash from operations, resulting in ending cash of about \$77 million with zero borrowings against the ABL. As a reminder, following the end of the first quarter, we used cash on hand to reduce total outstanding debt by approximately \$58 million, which reduced the outstanding term loan balance to approximately \$108 million and cash of about \$28 million as of May 10, 2024.

Looking at inventory. Total reported inventories were down about 1% at the end of the first quarter compared to the end of the first quarter last year. Reported inventory levels this year will be impacted by both the calendar shift and the strategic decision we made to ship early to offset Red Sea disruptions. As a result, we expect end of Q2 reported inventories to be up meaningfully before normalizing later in the year. We continue to manage inventory prudently with overall levels planned about flat for the year inclusive of small investments made to support growth initiatives, which we expect will grow over time as we read the results of these initiatives. Importantly, as we enter the second quarter, we are comfortable with both the amount and complexion of our inventories.

Capital expenditures for the quarter were \$2.3 million compared to \$2.9 million last year. Investments were focused on store and technology projects. With respect to store count, we neither closed nor opened any stores during the first quarter, resulting in end-of-quarter store count of 244 stores.

Turning now to our outlook. As we stated on our fourth quarter 2023 call, timing shifts associated with the prior year 53rd week will impact reported quarterly results in 2024. We expect the shift, which benefited Q1, to negatively impact the second and fourth quarters of 2024 as relatively larger weeks at the beginning of each quarter are replaced by relatively smaller weeks at the end of each quarter, plus the impact of 1 fewer week in Q4 2024 compared to the 14-week quarter in Q4 2023.

Taking this into account, for the second quarter, we expect net sales to be flat to down 3% compared to \$156.6 million in the prior year period. This outlook includes approximately \$7 million of negative impact from the calendar shift. We expect adjusted EBITDA to be in the range of \$27 million and \$30 million. Second quarter guidance reflects expected gross margin pressure related to disruption from the issues in the Red Sea we communicated on our prior call. While these issues are ongoing, they have stabilized, and barring any worsening, the pressure to gross margin should largely be contained to the second quarter. In addition, this guidance reflects approximately \$500,000 in SG&A investments related to the OMS project as well as ongoing investments in marketing to drive increased awareness.

As for full year, we are increasing our outlook slightly. We now expect net sales to grow in the range of 1% to 3%, gross margin to be about flat and adjusted EBITDA to decline in the range of 1% to 3% compared to the 53-week fiscal year 2023. This outlook is compared to prior year revenue of \$608 million and adjusted EBITDA of \$112.8 million and reflects the negative impact from the loss of the 53rd week compared to fiscal year 2023 of about \$8 million in sales and \$2 million in adjusted EBITDA as well as our investments to support profitable sales growth, including approximately \$3 million in operating expenses related to the OMS project.

Excluding the impact of the 53rd week and the operating expense investment in the OMS project, we expect fiscal 2024 revenue to be up in the range of 2% to 4% and adjusted EBITDA to be up in the range of 1% to 3% compared to the prior year. Regarding store count, we still expect to grow net store count by up to 5 stores by the end of fiscal 2024 with both openings and closings now weighted to the back half of the year. And with respect to total capital expenditures, we still expect to spend about \$26 million in fiscal 2024 with investments focused on new stores and the OMS projects.

In closing, we are very pleased with the strong start to fiscal 2024. To reiterate Claire's commentary, we remain confident in our ability to continue to execute our disciplined operating model, which continues to drive results and enable us to effectively navigate today's environment, while positioning us to deliver long-term profitable growth and total shareholder return. Thank you.

I will now hand it back to the operator for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Ryan Meyers with Lake Street Capital Markets.

Ryan Robert Meyers

Lake Street Capital Markets, LLC, Research Division

First one for me, just wondering if you can maybe talk a little bit about what you've seen traffic trends look like? And maybe kind of how you expect that to trend throughout the rest of this year?

Claire Spofford

President, CEO & Director

We -- I think I mentioned in my remarks that we saw traffic just absolutely strengthened over the course of the quarter. Traffic in the retail channel was challenged in the first part of the quarter due to just a wet late spring, but we saw a nice recovery and traffic patterns improving over the course of the quarter and saw some strength coming into this quarter. We haven't commented on traffic expectations for the remainder of the year.

Ryan Robert Meyers

Lake Street Capital Markets, LLC, Research Division

Okay. Got it. But that being said, it seems like your core customer is more, I guess, aware of kind of the demand environment and it seems like demand continues to be, let's say, stronger now than it was at the beginning of the year. Is that kind of a right way to think about it?

Claire Spofford

President, CEO & Director

Yes. And we saw strength from our best customer segments throughout the quarter with really nice full price penetration as you see in the margin performance and real strength in the heart of our season leading up to Mother's Day.

Ryan Robert Meyers

Lake Street Capital Markets, LLC, Research Division

Okay. Got it. And then just one more for me. As you guys have dialed into the marketing a little bit more, have you seen this flow through in any new-to-brand customers or maybe comment on kind of how you guys have seen that trend?

Claire Spofford

President, CEO & Director

Yes. We're -- as we talk about, we're really focused on bringing new customers into the brand. We think relative to some of the other competitors in the marketplace, we have low awareness and we have an opportunity to really introduce the brand to new people and we've had some really nice traction with -- particularly with things like our inclusive sizing initiative, our work wear at it, things like that that are focused on bringing customers in who are at the lower end of our target demographic, which also just feeds the health of the file for the future.

Operator

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

Dana Lauren Telsey

Telsey Advisory Group LLC

As you think about the store sales, which had a significant uptick in the first quarter from the fourth quarter, was it traffic, was it all regions, was it any specific categories? And then on the margins, with the gross margin up certainly more than expected, and Mark, you had mentioned that better margins even on some of the markdowns, any change in process of what you're doing there and driving that better margin even on markdown merchandise? And lastly, with the Red Sea impact on inventory levels, how much of an increase do you see inventory at the end of Q2? And is there any changes you're making going forward given the issues in the Red Sea?

Claire Spofford

President, CEO & Director

Dana, I'll take the first one and then let Mark comment on the other 2. So the first quarter performance was definitely driven by AUR, full price penetration. I think we just spoke to the traffic trends. But again, really heartened to see the response to the product assortment at full price, driving the margin performance, particularly in what we talk about all the time is sort of our holiday, which is Mother's Day, the big heart of the season.

Mark W. Webb

Executive VP and Chief Financial & Operating Officer

And Dana, I would add -- I'll come on to the next 2 questions, but I would add that conversion was also strong in the stores in the first quarter, which is very encouraging and in part driven by some of the benefits we would expect to see from the POS, which is a much greater uptake of the online orders that are available to customers now at a much more seamless and efficient transaction. So really, really good to see that metric in the stores as well and gives us confidence again in the investments in POS and some of the benefits to come.

The next question on the gross margin. Yes, look, it's still really great to be driving the results that we're seeing at full price. The fact that the markdown margin was one of the drivers to the margin is, I would call it, a derivative benefit of our disciplined operating model where the inventory buys bought deliberately with discipline, selling through well at full price, the markdowns present a natural opportunity to yield better as well and you're seeing results of that sort of flow through into the markdown margin in Q1 and that will continue. That's again a derivative benefit of the full price sort of operating model that we've been working hard to instill in the business and are now very confident in.

With respect to the Red Sea, we did call it out, because the issues in the Red Sea first cropped up sort of at the very beginning of the calendar year and the reactions that the global shipping companies took to figure out how to re-route any deliveries that would have been going through that region at a time. And we in expectation of our big important summer floor sets in the Mother's Day period, which we say a lot because it is very important, we took actions to airfreight where we could, expedite shipments in a lot of that product. Those actions were taken during the first quarter, but the cost shows up when you sell those goods through. And a lot of that will hit in the second quarter because it was those floor sets that we adjusted to.

At the same time, we then went and looked at where the shipping timing delays from going around the Cape, where they were settling in and made the decision to strategically move forward where we could the goods to consolidate or the shipment dates from points of origin. And so that adds a week or so to a lot of our fall floor sets, so no more need to expedite as much as we were expediting with respect to airfreight, which is very costly and -- but it does add to her in transit. And that plus the calendar shifts mean that you get just some wonky results related to timing in inventory. So we wanted to flag that for Q2, but also make the statements that we did around the remaining discipline, how we're prudently investing. We're investing about flat. We'll explain where the actuals are at the end of the quarter and be forthright about the drivers of that at that point. But just wanted to flag that as we go forward.

Operator

Your next question comes from the line of Dylan Carden with William Blair.

Dylan Douglas Carden

William Blair & Company L.L.C., Research Division

Just kind of curious, I know it's small, but the new stores that you've kind of targeted, can you speak to how those might compare to your existing fleet regionally sort of target demographic? And then more broadly, this idea that you're sort of the best kept secret, how do you penetrate deeper into your core customer? And how -- maybe even if you have a sense of it, how that's changed as far as sort of awareness of that group through time?

Mark W. Webb

Executive VP and Chief Financial & Operating Officer

I'll start, Dylan, with the stores. The good news is with respect to the stores, in the last several years, we've closed from our peak about 40 stores. And a lot of those decisions were made during the pandemic and they were in response to an uncertain environment and as well as economics underneath the deals. The markets where we were, from a customer perspective, we are still very confident in the customers that are in those markets and the opportunity with respect to revenues when we start to re-enter some of these markets. And a large number of our disclosed 20 to 25 net new store opening target that we've had out there for a while, a lot of those -- and Claire moved forward a little bit today in her remarks, a large percentage of those are re-entry markets. And so of those 20 to 25 or up to 50 and like the 5-year mark, a lot of those are lower-hanging fruit re-entries.

And what we've seen when we re-enter markets is that we do open right back very close to our peak sales in the stores that we had operating previously with a better operating model and economic model underneath it. So that's kind of a big part of the confidence that we have in looking at the sort of national distribution of our fleet and where we see some of the low-hanging fruit opportunities and how we get comfortable with those pro formas that we would be looking at and we have some proof points with some of the stores that we've opened along the way that support that, which is encouraging.

And with that, I think I'll turn it to Claire.

Claire Spofford

President, CEO & Director

So with regard to the brand and brand awareness, we know we have a big opportunity. I think we feel great about where we are right now from a profitability standpoint, from a product standpoint, the teams are doing just a terrific job of putting the right product assortments together and marketing them effectively. And so now we're really kind of shining the spotlight and leaning in on the marketing a little bit at a little bit different level than we have to date.

You'll see the one more drove No Limits campaign that we launched at the end of the quarter really ramped in Q2. And we think that that's just a great -- it's a great campaign that speaks to what our brand is all about, the versatility of our product. And we think that that's going to help move the needle. We have tracking mechanics in place to understand kind of where we are from a brand awareness standpoint and we'll track that over time. But I feel like the time is now to get more energy into that brand awareness effort. And so you'll see it hopefully in a lot of places.

Operator

Your next question comes from the line of Jonna Kim with TD Cowen.

Jungwon Kim

TD Cowen, Research Division

Could you just talk about some initiatives you are doing to drive higher full price selling given the macro still remains volatile in your assumptions for the remainder of the year? And also just on the customer acquisition front, you mentioned new customers being more at the younger end of your target age group. What are some initiatives you are doing to acquire more younger consumers to your base?

Claire Spofford

President, CEO & Director

So full price selling given the macro environment is continuing to manage the business the way we've been managing the business, which is being very disciplined with our inventory purchases, really I think doing a great job of telling our full price story, product story, brand story, supporting that in both channels and then promoting as little as we can. We know we live in the women's apparel space.

And so some level of promotion is inevitable, but we really try to be as narrow and shallow and short-lived as possible with our promotions, which has yielded to date really strong best-in-class maintained margins for this category. And so that's working for us. We're going to continue to do that. Obviously, it depends on continuing to deliver great product and delivering a great experience for our customer, both online and in store. And when we do, she's willing to pay full price for that product and she's very loyal to us. So we're going to keep operating the way we're operating.

And then with regard to the new-to-brand, yes, we talked about our target being sort of 45 to 65. Bringing people in at the younger end of that demo has to do a lot with the way we position our products, the way we segment our marketing efforts, the creative that we put forward and then the marketing channels that we use with an emphasis on social channels, digital and performance marketing being really kind of focused and disciplined with that segmentation and targeting. But also a lot of this brand work we think is exciting and relevant to that younger end of the target demo. So lots of effort and energy behind all of that.

Operator

Your next question comes from the line of Marni Shapiro with Retail Tracker.

Marni Shapiro

The Retail Tracker

Congratulations. The stores have looked really beautiful. It sounds like the business is in a different place right now from listening to you guys that you're very comfortable with bringing customers in with the product, with markdowns. It feels like the base of the business is very solid and this is what's fueling your ability to sort of invest in whether it's technology, marketing and everything. Is -- I'm curious internally, is the team feeling that? Did it suddenly all just gel because it -- even in your stores, it feels like the sales associates is a different, for lack of a better word, a different vibe in there?

And then, Mark, you made a comment just about better online stores. I think you were talking about them in store. And as you rollout new systems and new technologies, is there a greater opportunity there to use your sales associates to sort of like in-store influencers to help build and wardrobe for the people who are coming in stores? If you could just talk a little bit about that.

Claire Spofford

President, CEO & Director

Sure. I'll take the first piece and then hand it over to Mark. The business is in a place, as I just mentioned, where we feel like we're ready to step on the gas a little bit. And that's been trending over time over the past few years. We feel at this level of profitability we can make these investments that they are strategic investments with a nice expected ROI. The vibe is great. So it's great when you've got good business. And the teams -- our teams are terrific. First of all, I can't say enough about the strength of our team and the way our teams work together and that translates through the stores, through the DC, through the home office. And I think it is reflected in the energy that we're feeling. So I appreciate you saying that and recognizing that. And when you're in the stores and you've got great product to sell and your customer is happy, you're going to be happy.

Mark W. Webb

Executive VP and Chief Financial & Operating Officer

And Marni, I would just tack on to that, that the -- it's been a lot of deliberate, very hard work on behalf of the teams to get here. So that does show up I think when it starts to really show reliable results, right, in addition to the investments that you mentioned. It also -- I think it's maybe a testament to where we are in this performance that we haven't had a question on the capital structure or anything today, which

is I think a good thing. But I have to mention, it also -- we mentioned it a couple of times in our remarks, that it also fuels our ability to strengthen the financial foundation of the company, which we demonstrated earlier this month, well actually, last month in May with the paydown of the debt and leaving us with \$108 million of principal outstanding as of that date, the May 10 date and \$28 million still of cash on the books, so call it, \$80 million of net debt.

And I think it's now even more feasible for us to start at an objective to get to net cash in the not too distant future. Not putting a time line on that right now, but feel like that's just going to continue to delever the business, which is an important and we think a strong signal for an apparel retailer to continue to push into. So that is sort of -- and then the dividend, of course, that we initiated is another sign of our confidence and we don't want to give that any short change because that was a really important step for us to take and we think is hopefully a demonstration of our commitment to driving total shareholder returns. And we'll continue as a company to think about that and those are our priorities.

You mentioned and it is exciting to sort of omni capabilities that we're just now -- we've had omni capabilities in our stores and we've been a direct-to-consumer retailer from our onset. So it's in our DNA. But having the systems now catch up to create what has been, in many cases, a challenging, full of friction, to be blunt, sort of transaction in the stores with very patient and great customers that have taken advantage of it. But now to offer that in a much more seamless capability and to provide our store associates who've always been very good at selling this service to our customers, but to offer them tools that they can sell throughout the store instead of at a terminal somewhere, and it's part of the same transaction and really offer that in a seamless -- it's less about the transaction and more about the sale and the service.

So this is the first element of that with POS going in. And then the OMS project and why we're so excited about it is it lights up the rest of the enterprise inventory and allows us to provide that same level of lower friction, better service across the enterprise. So very excited to see those early results in the store.

Marni Shapiro

The Retail Tracker

That's great. And can I ask you guys follow-up also just about some of the younger consumers that you're bringing into the store. I know there are other brands that her first kind of step into the brands through accessories. You guys [dabble] in accessories a little bit more online than in-store. It's usually like on a front table or some place, but there's never -- it's not a big story. Even online is not a big story, but there's a good assortment in certain sub-segments especially. Have you thought about -- I'm curious what your customer -- the younger customer comes in to buy first? And have you thought about magnifying some of the accessories as that kind of entry point into the brand?

Claire Spofford

President, CEO & Director

Marni, it's a great question. Accessories are important to the business in the sense that they help complete the outfit. Our customers love being outfitted with our teams. And we try to make that happen obviously online as well as in store by suggesting the selling and the accessories and things. And we do have a broader assortment of accessories online. We have a broader assortment in general online, but footwear is not available in the stores, things like that.

The accessories aren't an especially important acquisition category for us the way it may be for other brands. Our acquisition categories are the things that we're really known for. And I think recently, some of our novelties and our more fashion forward elements, but also some of our core franchises. So the linen shirt and the cotton-gauze twin-set dressing that we've got now definitely spans kind of the full demographic and is relevant and appealing to that younger end of the target demographic as well.

Operator

That concludes our question and answer session. And with that, that does conclude today's conference call. Thank you for your participation. And you may now disconnect.

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