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Earnings Call

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Call Participants

EXECUTIVES

Claire Spofford
President, CEO & Director

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

ANALYSTS

Corey Tarlowe
Jefferies LLC, Research Division

Dana Lauren Telsey
Telsey Advisory Group LLC

Janine Marie Hoffman Stichter
BTIG, LLC, Research Division

Jungwon Kim
TD Cowen, Research Division

Marni Shapiro
The Retail Tracker

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

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Presentation

Operator

Thank you for standing by. My name is Pam, and I will be your conference operator today. At this time, I would like to welcome everyone to the J.Jill Inc. Q4 2024 Earnings Conference Call. [Operator Instructions] Before we begin, I need to remind you that certain comments made during these remarks may constitute forward-looking statements, and are made pursuant to and within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 as amended. Such forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from such statements. Those risks and uncertainties are described in the press release and J.Jill's SEC filings.

The forward-looking statements made on this recording are as of March 19, 2025, and J.Jill does not undertake any obligation to update these forward-looking statements. Finally, J.Jill may refer to certain adjusted or non-GAAP financial measures during these remarks. A reconciliation schedule showing the GAAP versus non-GAAP financial measures is available in the press release issued March 19, 2025. If you do not have a copy of today's press release, you may obtain one by visiting the Investor Relations page of the website at jjill.com.

I would now like to turn the conference over to Claire Spofford, CEO and President. You may begin.

Claire Spofford
President, CEO & Director

Good morning. Thank you, everyone, for joining us. As many of you know, this will be my final earnings call as CEO before my retirement. And before I dive into our results and progress over the past year, I just want to express my gratitude for the support from our team and all of our stakeholders during my tenure with J.Jill. It has been a privilege to lead this remarkable organization. And with the strengthened foundation and disciplined operating principles in place, I am confident that the team is well positioned to begin to lean into its next chapter of growth under Mary Ellen Coyne's leadership. Mary Ellen will be joining the company on May 1 and brings significant experience in women's apparel retail, most recently serving as CEO of J. McLaughlin. Under her leadership, the company grew its store count, expanded its assortment to include new product categories and enhanced e-commerce capabilities. I believe Mary Ellen will be a great complement to J.Jill's strong leadership team. She shares the same admiration we all have for the brand, the incredible loyal customer base we serve and the balanced omnichannel model we operate.

In addition, I know that she shares our team's strong belief in the opportunities that lie ahead to further scale the business through new store growth, expanding brand awareness and leveraging the systems and capabilities we have invested in over the past 3 years.

While we navigate through today's uncertain environment, my conviction in the team remains unwavering. I look forward to watching with pride as they continue to innovate and achieve new heights of success in the coming years. The foundation we've built together is solid, and I have every confidence in J.Jill's future trajectory.

Now let me walk you through highlights from the fourth quarter and full year, which once again reflect the execution of our disciplined operating principles, ongoing focus on optimizing margin performance and driving cash generation. Our fourth quarter sales performance was in line with our expectations, and we delivered slightly better-than-expected adjusted EBITDA for the period, largely as a result of our ongoing discipline around expense management. As you know, one attribute of our model is that it is relatively balanced across the year from a top line perspective, but the fourth quarter has historically been our smallest quarter from a profitability standpoint. given the holiday promotional landscape and the end-of-year clearance mindset. With that said, given this and a customer who continues to be more discerning with her spend, our teams made a concerted effort to adjust product flows and promotional activity to optimize margin performance as best we could during the period, especially in light of the

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shortened holiday calendar this year. As part of these efforts, we moved up the timing of a winter floor set in December to hit ahead of the holiday week, and we're pleased with the customer reception it drove.

From a category perspective, we saw strength in bottoms, outerwear, knit tops and sleepwear, which were supported by our More Love iconic campaign. And we continue to see solid engagement with Elliot's One Minute. No Limits series on social media, highlighting the versatility of the assortment. In addition, the quarter was supported by ongoing strength from our best customer cohort, which has driven consistent growth this year.

This overall performance in the quarter capped off another solid year for J.Jill. While not without challenges, we delivered our fourth consecutive year of strong adjusted EBITDA margin and significant free cash flow generation, enabling us to invest in growth initiatives. This included investments in new stores and systems, paying down debt and returning value to shareholders through the initiation of a quarterly dividend and a share buyback program. We are proud to end the year with a healthy cash position supporting our recently announced dividend increase.

In addition, we continue to leverage the core strength of the brand, including our loyal customer base and versatile product assortment. For the year, despite traffic headwinds, we were pleased to see strong conversion trends and healthy spend per customer. We are continuing to leverage a diversified mix of marketing channels to drive customer engagement.

As we have discussed, our social channels are seeing nice traction as we lean into the authenticity of our brand, showcasing the versatility of our assortment on real customers and influencers. In addition to social, we've also seen growing engagement with e-mail and with SMS. As we discussed last quarter, we have started to test more geo-targeted marketing efforts. While early in this work, we are pleased with the results we are seeing, especially with new-to-brand customer acquisition. There is still work to be done in testing before we'll roll out these efforts more broadly, but we're already taking key learnings to evolve our approach as we move forward.

As we look for opportunities to efficiently drive brand awareness further, we are also going to continue to test different marketing channels that we believe could drive engagement and broader brand awareness in a much more targeted and efficient way. Along with marketing, new store growth is an important strategy for building brand awareness. Over the past 2 years, we've opened 9 net new stores, including 8 in fiscal 2024. Our teams are supporting new store openings with marketing, and we are very proud of the performance we're seeing across new stores, particularly in reentry markets.

To better support our stores and overall omnichannel experience, we have also made considerable progress with systems upgrades. We rolled out a new POS system in fiscal 2023, which is removing friction in the store experience as well as creating efficiencies for our associates, and we are in the midst of implementing our new OMS system, which we expect to be fully up and running and with our teams trained in the next few months. As we have discussed, this is a significant project, and we are all hands on deck to ensure minimal disruption to the business during this implementation phase and have embedded a greater degree of conservatism in our outlook for the first half given the significance of this project, as Mark will discuss.

We believe the added benefits of capabilities like ship from store that we will begin to introduce in the latter half of the year, will not only create a more robust customer experience but will potentially deliver added margin benefits as well as additional sales opportunities longer term.

Before I turn the call over to Mark, as we have heard from others across the industry, fiscal 2025 has started off more slowly than expected, and our surveys echo the uncertainty we have seen in consumer behavior and sentiment. Given this backdrop, we are being prudent with our outlook for the first quarter and the remainder of the year. With that said, our teams are approaching fiscal 2025 with the same discipline and focus that have continued to deliver healthy margin performance and significant cash generation that we are now deploying to return value to shareholders.

We know that the J.Jill brand is an incredible asset and one that has tremendous opportunity to grow. We've talked about how the brand is somewhat of a well-kept secret despite having an incredibly loyal

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customer base. As the teams continue to invest in brand awareness through new store growth and marketing investments, in addition to the opportunities to continue to enhance the product assortment, I have no doubt in the potential that continues to lie ahead.

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. Q4 and full year 2024 results again demonstrate the benefits and resilience of the J.Jill brand and business model. Our approach to operating the business with tight discipline; generating, investing and distributing meaningful amounts of cash; and beginning to plant the seeds for profitable growth were all evident in 2024.

For the year, we delivered sales of approximately $611 million, full year comp sales growth of positive 1.5%, gross margin of 70.4%, adjusted EBITDA of $107 million, adjusted net income per diluted share of $3.47 and free cash flow of $47 million, all while opening 8 net new stores, initiating the first ordinary dividend program and first share buyback program since the company's 2017 IPO, strengthening the balance sheet by paying down debt, and making significant progress updating foundational technology systems. As we look forward to 2025, our teams remain focused on executing our operating model.

As seen in our press release this morning, our outlook for 2025 takes into account the continuing consumer and macro uncertainty Claire mentioned in her remarks as well as the near-term impact of adverse weather experienced in February and the implementation of the new order management system, which initiated last week and is making great progress. Given these considerations, we are prudently planning the business in 2025 and still expect to continue to generate strong cash flow, further supporting our capital priorities and commitment to total shareholder return strategies as evidenced by the increase in our quarterly dividend announced today.

Regarding the OMS project, last week was the earliest possible date we had identified for implementation, and we were very pleased that our teams were ready to do so. As part of the plan, we brought down the e-commerce site last week for just over 24 hours to allow closeout of all transactions in the old system before cutting over and bringing up the new system. This cutover strategy, which we believe to be best-in-class for managing the risk inherent in such projects will negatively impact Q1 sales by approximately $1.5 million. In addition, we are now able to shift focus to bringing up ship-from-store omni capabilities, which we expect to begin to deliver benefits in the back half of the year. These impacts are factored into the Q1 and full year guidance I will review in a moment.

Before I turn to Q4 and full year results, I want to recognize and thank the OMS project teams. While there is still much work to be done, the successes of the project to date are a direct reflection of their incredible effort over the past year, fueled by their excitement and enthusiasm for the benefits the new system will deliver.

Now more details on results. As a reminder, all results reported today for the fourth quarter and full year 2024 with the exception of total comparable sales growth are compared to 2023 results that included a 53rd week impact. This extra week in the prior year represented approximately $8 million in sales and $2 million in adjusted EBITDA. From a quarterly perspective, the extra week also created timing shifts in the calendar, which impacted reported year-over-year results as we have reviewed throughout 2024. Going forward into 2025, those shifts are behind us and will not impact prior year comparisons.

Regarding the fourth quarter, total company sales for the quarter were $143 million, down approximately 5% compared to the 14-week Q4 2023. Total company comparable sales for the fourth quarter which excludes the extra week and approximately $2 million in sales related to the calendar shift benefit in Q4 2023 increased 1.9%, driven by the retail channel where our store customer responded well to both full price and markdown offerings during the quarter.

Store sales for Q4 were down 3% versus Q4 2023, entirely due to the calendar impacts just mentioned. On a like-for-like basis in the quarter, strong conversion and AUR more than offset somewhat challenging traffic. And new stores, predominantly the 4 stores opened prior to Q4, contributed approximately $1.1

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million in revenue. The 5 stores opened during Q4 opened strong but were weighted to the end of the quarter, so did not contribute meaningfully to Q4 sales.

Direct sales as a percentage of total sales were 50.5% in the quarter. Compared to the fourth quarter of fiscal 2023, direct sales were down 6.8% due to the extra week last year as well as a shift into markdown selling in this channel during the quarter. Q4 total company gross profit was $94.8 million and Q4 gross margin was 66.3%, down 120 basis points versus Q4 2023, driven by the expected impact from higher freight costs we discussed on our last call as well as a higher mix of markdown sales in the quarter.

SG&A expenses for the quarter were $89.3 million compared to $90.8 million last year. The decrease was driven primarily by higher variable expenses last year due to the extra week. OMS project expenses were about flat to prior year and fourth quarter at approximately $600,000 and came in at approximately $2.2 million for full year. We expect OMS implementation-related expenses in 2025 to be approximately $2 million with the majority in first quarter and the remainder tapering down through Q3.

Adjusted EBITDA was $14.5 million in the quarter compared to $17.8 million in Q4 2023. Interest expense was $2.7 million in Q4, down $4.2 million compared to last year, driven by our actions this year to pay down debt and strengthen the balance sheet. This supported a strong improvement in adjusted net income per diluted share in the period. For Q4 2024, adjusted net income per diluted share was $0.32, up 14% compared to the prior year and reflected a diluted share count of 15.6 million taking into account a marginal impact from buyback activity in the period as we had a limited open window in Q4 given timing of the share repurchase authorization.

For the full year, we delivered total net sales of $611 million. Excluding the impact of the 53rd week, total net sales were up 1.8% year-over-year and total company comp sales were up 1.5%, driven by strong conversion and AUR. Adjusted EBITDA was $107.1 million compared to $112.9 million in fiscal full year 2023. Excluding the impact of the 53rd week as well as approximately $2 million in operating expense related to the OMS project, adjusted EBITDA declined approximately 2% compared to the prior year.

Annual interest expense compared to last year declined $11.1 million to $15.7 million this year, driven by the paydown of $94 million of debt during the year. This interest expense reduction supported a 4% increase in adjusted net income per diluted share to $3.47, more than offsetting an increase in SG&A driven primarily by wage and shipping cost inflation and a higher share count due to the 1 million share primary offering in June.

Please refer to today's press release for reconciliations of non-GAAP financial measures to their most comparable GAAP financial measures, adjusted EBITDA, adjusted net income and adjusted net income per diluted share to net income and free cash flow to cash from operations.

Turning to cash flow. For the quarter, we generated $8 million of cash from operations, resulting in ending cash of $35.4 million with 0 borrowings against the ABL. For fiscal 2024, we generated approximately $65 million of cash from operations and $47 million of free cash flow, defined as cash from operations less capital expenditures.

As a reminder, we reduced total outstanding term loan principal by approximately $94 million during fiscal 2024, utilizing $67 million of cash on hand and $27 million raised in the June primary offering. The first three regular quarterly cash dividends totaling $2.9 million and approximately $500,000 of share repurchases in the fourth quarter were funded with cash on hand. As of February 1, 2025, there is $24.5 million of availability remaining under the stock repurchase authorization.

Looking at inventory. As a reminder, we have expected reported inventories to be elevated this year due to the calendar shift timing and the strategy to ship goods approximately 1 week early to offset delays related to the rerouting of shipping lanes away from the Red Sea. As a result, at the end of fourth quarter, total reported inventories were up about 15% compared to end of fourth quarter last year. Excluding the impacts from the calendar shift and strategic actions, however, inventories were up about 3% on a normalized basis to end the quarter, which was driven by higher average unit costs primarily due to a higher mix of bottoms in the assortment.

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Looking forward into 2025, we expect reported inventories to remain elevated through first quarter before normalizing in second quarter at which point shipping times will become comparable on a year-over-year basis as we anniversary the first shipments we were able to affect last year in response to disruption in the Red Sea. While we cannot predict when shipping lanes will return to normal, once they do, we expect to see reductions in our in-transit and overall reported inventory balances.

Capital expenditures for the quarter were $8 million. Total capital expenditures for full year 2024 were $17.8 million compared to $16.9 million last year. Full year 2024 capital spend was focused on new store openings and the OMS project.

With respect to store count, we opened 5 stores in the fourth quarter with no closures. Prior guidance had contemplated up to 5 closures, of which 3 were successfully renegotiated and will remain open and 2 pushed into the first quarter of 2025. We ended the year with 252 stores, a net increase of 8 for the year as 9 new store openings were offset by the temporary closure of our Asheville, North Carolina store due to hurricane damage during Q3. We currently expect the Asheville store to reopen in 2025, though timing is uncertain and dependent on the scope, timing and extent of the recovery of the Biltmore Center in which it is located.

Turning to our expectations for fiscal 2025. 2025 represents an important year as we continue to better position the brand for growth. The OMS project we are currently implementing is a significant foundational system upgrade following the upgrade of our point-of-sale system in 2023. These new systems provide a more current flexible core systemic architecture for the company and will unlock omnichannel capabilities we currently do not have.

As previously mentioned, we are setting prudent objectives for the first half of the year, in part due to the implementation of the new OMS system. We expect by the second half of the year, we will have all core capabilities up to standard should begin to see benefits as we bring up ship from store, the first deployable omni capability post go-live. In addition, our guidance also takes into consideration the adverse weather impact in February and the broader macroeconomic and geopolitical uncertainty that has been discussed by many to date.

Regarding tariffs. As a reminder, we source less than 5% of finished goods from China. Our guidance assumes an immaterial impact from tariffs currently in effect and does not include any other potential tariffs. Even with this cautious stance and included impacts, we believe our guidance reflects the strengths and benefits of our operating model.

For the first quarter of fiscal 2025, we expect sales to be down between 1% and 4% compared to last year. Total company comp sales to be down between 2% and 5% and adjusted EBITDA to be in the range of $25 million to $27 million compared to last year's strong Q1 performance. This outlook reflects that Q1 is our most difficult comparison to last year and includes the negative revenue impact related to the consumer and adverse weather in February, and the $1.5 million impact previously mentioned related to the OMS cutover.

As we move through the year, year-over-year comparisons ease, especially in the second half of the year, and as mentioned, second half to begin to see early benefits from the OMS implementation and new capabilities. For full year fiscal 2025, we expect sales to be up between 1% and 3% compared to last year, total comparable comp sales to be in the range of flat to plus 2% and adjusted EBITDA of $101 million to $106 million. This guidance assumes full year gross margins relatively flat compared to 2024 as we expect headwinds related to markdown pressures and challenging prior period comparisons in the first half of the year, predominantly the first quarter to be offset by OMS benefits, tailwinds from improving ocean freight rates and easier prior year comparisons in the back half of the year.

Regarding inventory, we will continue to take a prudent approach to inventory investments given the relative uncertainty we have discussed and reported inventories should normalize versus last year comparisons as we cycle Red Sea mitigation strategies put in place last year that impacted reported balances from the second quarter on.

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Regarding store count, we expect to grow net store count by 5 to 10 stores by the end of fiscal 2025. We are pleased with the performance of new stores opened to date and remain confident in our stated objectives to open 20 to 25 net new stores by the end of 2026 and up to 50 net new stores by the end of 2029. These new 2025 stores will all be in the second half of the year and weighted to the fourth quarter. And our store count targets include the net 9 stores opened in 2023 and 2024.

With respect to total capital expenditures, we expect to spend about $25 million in fiscal 2025 with investments focused on new stores, the completion of the OMS rollout and enabling ship-from-store capabilities. And finally, regarding free cash flow, we expect free cash flow for fiscal 2025 of about $40 million.

Our expectations for fiscal 2025, while reflecting a prudent view taking into account near-term challenges are in line with the financial model we delivered the past 2 years, reflecting strong adjusted EBITDA margin and cash generation. This outlook, coupled with further opportunities to refinance our debt, will continue to support investments in our capital priorities, including delivering total shareholder returns through the ongoing execution of the share repurchase program, and the payment of the regular quarterly dividend, which we are proud to be in a position to increase today.
Before I close, I want to wish Claire all the best in retirement. It has been an honor to work alongside and partner with you over the past 4 years as we have strengthened and invested in the brand's foundation, positioning the company for the next chapter of growth. We are excited to have Mary Ellen joining us in May to lend her significant experience and leadership to help further our goal of delivering profitable growth. Thank you. I will now hand it back to the operator for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Janine Stichter with BTIG.

Janine Marie Hoffman Stichter
BTIG, LLC, Research Division

Congrats on your retirement. I was hoping you could parse out some of the Q1 headwinds that you're seeing, whether it's weather, consumer sentiment, I think you broke out the OMS implementation. Just help us understand the moving pieces there and maybe where you're trending right now versus how you're thinking about the quarter? And then within that, I would love to hear more about what your survey work is showing around how your consumer is feeling right now.

Claire Spofford
President, CEO & Director

Sure. Thanks, Janine. I appreciate the question. Q1 headwinds, yes, as we sort of delineated in our -- in both of our comments, it was a slower start to the quarter. February was definitely impacted by weather in addition to what we're seeing in terms of consumer sentiment, our most recent survey showed a market level -- increased level of concern versus a year ago at the same time with regard to, I think, just what's going on with the market and the geopolitical situation in general. So we did see that in speaking to our consumers. And then the third piece is really the OMS cutover, which Mark commented, we were able to take advantage of our first sort of viable window to cut over and the teams did just an incredible job on the project to date. We're still in the middle of the implementation, but it's going very well. So that has created a lot of noise in the first half of March as well. So those three elements definitely are all considered in our Q1 guide and are significant headwinds for the Q1 outlook.

Janine Marie Hoffman Stichter
BTIG, LLC, Research Division

Great. And then maybe just one more on the OMS benefits. As you think about the benefits from the omnichannel capabilities, help us parse out what those look like? How they phase beginning in the back half of the year? And if you have any sense of how you've quantified those in your guidance?

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

Janine, it's Mark. The OMS project, as Claire just mentioned and I mentioned in my remarks, we're extremely pleased to be able to execute it this sort of early in the year, in this first window of opportunity. The benefits that a new system like this bring are some operating efficiencies for sure. But really, the kind of more interesting and what we're looking forward to in the back half of the year as we implement and bring up new omni capabilities, the first of which will be shipped from store that should start to yield benefits both on the sales line because it allows you to fulfill orders that were not fulfillable in the past to some extent. And then it also does help provide some margin benefit, given you're able to yield a little bit better what might have been destined for markdown at some point in its life cycle of better either full price margin or a better earlier markdown margin. So those benefits were excited to bring up in the back half of the year. The systems are large and are far reaching. And a large swath of team members have worked on this for a year, and they've done such a great job. They're in the process of still bringing up capabilities and testing and making sure that all the interfaces and the data links are as we expect, and it's all going well. And once we're stabilized and trained on the new system, et cetera, we'll start to bring up those new capabilities in the back half of the year.

Operator

Your next question comes from Ryan Meyers from Lake Street Capital Markets.

Ryan Robert Meyers

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Lake Street Capital Markets, LLC, Research Division

First one for me and Mark, I think you commented on this just a little bit in your prepared remarks, but kind of walk us through the cadence of gross margin for the year? How we should be thinking about that and what we should be calling out there?

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

Good question. So the guidance -- really when we think about our guidance for the year, the last year, Q1 was by far our most difficult comparison. This year will be our most difficult comparison against last year. It was a very strong start to the year. That strength continued into Q2 before experiencing quite a slowdown late in Q2 at that sort of end of June, in the July period where we started to see the consumer soften and price sensitivity become a bigger issue. And that sort of trended forward and as Claire mentioned, trended into Q1 so far this year. And then exacerbated a little bit by weather, which was year-over-year more adverse in February and then obviously, the callout that we had on the OMS implementation. The margin guide on the year assumes about flat, and we called out that the Q1 in particular in first half in general, will experience headwinds in part due to the difficult comparisons to last year and the fact that we're embedded in that is that we're cycling this consumer challenge against a very strong full price driven consumer last year, at least through that sort of middle part or end part of Q2 last year. And then at the back half of the year, when we start to cycle freight, which we experienced freight challenges this year in Q2 through the end of the year, the bigger impacts were in Q2 and Q4 as we reacted to the initial issues in the Red Sea and that impacted Q2. And then in Q4, as we were enacting mitigation strategies for port strikes, there's a bit more freight in Qs 2 and 4, but really, the opportunity as we start to cycle, the expectation that the consumer sort of stays where it is through the end of the year, but we cycle it starting in late Q2 and then we get some of those benefits from freights because ocean freight rates have normalized, I always knock on wood because I say that, and then you never know if something can happen. But right now, we're seeing trends continue to improve. And then we have the OMS benefits that I just mentioned, starting to provide some benefit in the back half as well.

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

Okay. Got it. I think that makes sense. And then the other question for me is that it sounds like you guys are seeing some success kind of with marketing initiatives and digital customers. Just wondering if you can comment on the overall traffic trends and maybe how you can drive some of these digital customers into the stores or if you guys have begun to see any of that.

Claire Spofford
President, CEO & Director

Yes. I think, Ryan, we did point out that traffic was a little challenged Q4 and into Q1. I think that's reflector a reflection of the broader sort of macro environment in the consumer sentiment. That said, we're always testing and learning and identifying channels that are most effective for driving traffic. I did mention, I think, on the last call as well and I referred to it in my remarks that we've been testing some geo-targeted marketing efforts, specifically focused at driving traffic to stores. And we saw some nice results from that in the back half of last year that we're going to continue to test into and plan on expanding in 2025. So it's a constant evolution, a constant testing and learning and monitoring what marketing channels are delivering what for us, both in terms of traffic, new customer acquisition and overall brand awareness. So we will work the full mix and continue to do so.

Operator

Your next question comes from Jonna Kim with TD Cowen.

Jungwon Kim
TD Cowen, Research Division

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On the promotions, what you're embedding in the guide and what you've seen quarter-to-date on that front? And then obviously, you have a pretty strong group of core top customer of who are loyal to you. Have you seen any notable changes within that cohort or any characteristics that need to be highlighted as you continue to observe that core for your business? That will be helpful.

Claire Spofford
President, CEO & Director

Sure. Thanks, Jonna. How far -- best customers tend to be just a hallmark of this business and this brand. We continue to see really strong performance from our best customer cohorts last year, both in terms of transactions and also just spend per customer for the year. So that continues to just be a really strong dynamic in this business and one that we very much appreciate. And then from a promotional, I'll turn it to Mark. But as always, we try to balance delivering our top line goals and our inventory position goal coming out of every period with strategic and surgical and promotional approaches we can.

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

Yes. And we'll continue with that, Jonna. But that said, the consumer and where they're at is we've mentioned is a bit more price sensitive, particularly in our direct channel. And so we will continue and have assumed that sort of the baseline continues or trend line continues forward and with the need to be surgically promotional as we have been as well as decisive and taking action to mark down to keep the inventories where we want them to be going forward.

Operator

Your next question comes from Marni Shapiro with The Retail Tracker.

Marni Shapiro
The Retail Tracker

Claire, congratulations. We're going to miss you. I'm going to miss chatting about product with you. Could we talk about a couple of things. The first is I know price sensitivity, I think you said began in July of last year, which aligned from my notes with when a lot of retailers became more promotional. And I'm curious, as I watched the run of promotions through the mall and online this first quarter. How are you thinking -- you guys are a full-priced retailer. So I guess how are you thinking about the rest of the year promotionally? Is it harder to not participate in that? So how do you plan that, I guess, in this environment?

Claire Spofford
President, CEO & Director

Thanks, Marni. I'm sure you'll have fun talking about product with Mary Ellen as well, take that on. So yes, price sensitivity, the promotional environment. We do -- we are very, very focused, as you know, and we talk about all the time on supporting our full-price business in yielding the best maintained margins that we can. That said, the consumer has been volatile. For quite a period of time, we did see it come on more strongly in July and into August last year and continue somewhat through the back half of the year. We continue to take the same approach to promotions. We are -- we plan them in a balanced way to deliver our objectives. And to some extent, we sometimes have to respond to what's going on with our consumer, things that don't work as well as we anticipated they did, and we never have -- one never has an assortment that all works exactly right. But we take action in season to move through things before the end of the period, before the end of the season, and we'll continue to do that. Just monitoring, trying to be as tight as we can on it, but planning generally a flat and consistent approach to promotional cadence.

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

And Marni, I would just add to that. It's a hallmark, we believe, of the operating model that the teams really do come with that very disciplined approach to managing the promo against the markdown and then the yield opportunity within it. I think in a year like 2024 where things became challenging. As you

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mentioned and we've mentioned, really starting in that July time period to deliver a 70.4% margin for the year despite playing in a very promotional environment. And I think we think is demonstrative of the operating model, and that will continue as we go forward. Targeted category promos, where we can. We do play in the times of the year, sometimes reluctantly at the larger promo sort of beyond categories and offers like in Q4, but we'll continue with the discipline, and that's embedded in the guidance that we've provided.

Operator

Your next question comes from Dana Telsey with Telsey Group.

Dana Lauren Telsey
Telsey Advisory Group LLC

I wanted to touch base on differences between stores and digital, what did you see from the customer there? Is it a different category performance also along with regional trends? And then Mark, I see that you extended the facility anything about how we should think about the cadence of quarters with that? Or just in general, how you're thinking about the shaping of the year?

Claire Spofford
President, CEO & Director

Thanks, Dana. Appreciate it. I will miss you as well. So first of all, for the quarter, the difference between stores and digital, the stores continued to be more full-price oriented than digital. The digital channel continues to be the place where our customer looks for more promotional business and shifted more into markdown than they did in the store channel over the course of the quarter. And that's emblematic of the way those channels typically perform, but under pressure when we see a shift to markdowns, that's more pronounced in the direct-to-consumer channel. And then regional trends really tracked with seasonality a little bit, but more with weather channel challenges as we went through the end of Q4 and into the beginning of Q1. But other than that, no material differences from a regional standpoint.

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

And Dana, with respect to the repurchase authorization, we were pleased to get started in Q4, but really started late in the quarter with the authorization and just the open windows that we had. We'll continue to be opportunistic and prudent as we go forward. But it really did just get started at the end of Q4 and will continue. As of the end of the quarter, we still have $24.5 million or so remaining on the authorization.

Operator

Your last question comes from Corey Tarlowe with Jefferies.

Corey Tarlowe
Jefferies LLC, Research Division

Great. I guess, Claire, could you talk a little bit about product that worked in the quarter? And maybe as the weather improved, more specifically, where you saw some green shoots. So I'd just be interested to hear if you saw any improvement there? And then, Mark, just on inventory, could you maybe walk us through how you're thinking about the shape of that curve throughout the rest of the year as we think about sort of where you finished Q4? And maybe how you're planning for the remainder of the year?

Claire Spofford
President, CEO & Director

Sure. Thanks, Corey. So in Q4, we -- I think, as I mentioned in my script, a strength in bottoms, which is great because that is a category that we're leaning into as we move into '25, and see good potential there. It was supported by our iconic marketing campaign and just a really concerted effort on behalf of the team to really refresh and support our bottoms business. Jackets were also strong in the quarter, and sleep was strong, although it's a relatively small business. We saw a really, really nice bump in sleep, which was kind

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of fun to see as well. We had challenges. We continue to see challenges in dresses over the course of the quarter, that was a year-long issue for us in 2024. Obviously, in Q4, dresses become a lot less important for us. We're not an occasion dress business, but that's something we're watching closely as we move into 2025 and adjusted our point of view on that as we move into spring summer season when dresses do become more important again as a category. And then sweaters were challenged, and we saw a shift into markdowns and sweaters over the course of Q4. We're seeing that continue into Q1. And as the customer kind of responds more to wear now product as opposed to moving early into true spring business. As I said, February was challenged by a few factors in March. The first half has been a little bit clouded by just the OMS cutover and some of the dynamics associated with that, but we are certainly hopeful that the weather will break across the country, and we'll start to see some real energy in those more spring forward categories.

Mark W. Webb
Executive VP and Chief Financial & Operating Officer

And Corey, with respect to inventory. So the reported inventories at the single biggest driver of reported inventories from second quarter of 2024 on, where our actions taken to ship about a week early our goods to mitigate the essentially weak delay that occurred when shipping lanes through the Red Sea essentially where rerouted around Africa. So that's been the single biggest driver. And what we've tried to do is show what the sort of normalized inventory would be through our remarks at the end of Q4, for example, that was up 3% at the end of the quarter versus the reported up 15%. And that 3% was driven in part by the strategy that Claire just mentioned around bottoms, a bit of a higher mix of bottoms in the assortment as we exited the year. And then just given the overall trend that we've been talking about with respect to the consumer and the weather, et cetera, there's clearly the actions that we're taking indicate that we have a bit too much inventory. But again, part of our hallmark is managing that with discipline on the buy and then managing it with discipline through the yield curve. To go forward, if nothing else changes with respect to shipping lanes, then we will start to anniversary that 1-week ownership at the end of Q2, and that's where things should start to normalize versus last year. And I start normalization at flat 2, maybe a little up given that we're adding new stores and ultimately pushing for sales growth in the year. But overall, the discipline maintains and that reported inventory issue will still be at the end of Q1 to similar magnitudes we've seen from Q2 last year cycling through to Q1 of this year, and then it will become apples-to-apples Q2.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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