



 **The Tile Shop**

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Forward looking statements and non-GAAP information

Forward Looking Statements

These slides and accompanying oral presentation contain "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate", "believe", "expect", "estimate", "plan", "outlook", and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward looking statements include any statements regarding the Company's strategic and operational plan and expected financial performance (including the financial performance of new stores). Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Factors that could materially affect actual results, levels of activity, performance or achievements include those listed under the caption "Risk Factors" in our 2021 Annual Report and in subsequent filings made by the Company with the SEC. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you see or hear during this presentation reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

Use of Non-GAAP Financial Measures

These slides and accompanying oral presentation also contain non-GAAP measures of financial results. We believe that these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, for purposes of determining management incentive compensation, and for budgeting and planning purposes. These measures are used in monthly financial reports prepared for management and our board of directors. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors. Our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of these non-GAAP financial measures are that they exclude significant expenses and income that are required by GAAP to be recognized in our consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate our business.

Company snapshot

- Founded in 1985
- Dedicated retailer to the home tile market
- Operate 142 stores in 31 states
- Key points of differentiation drive strong operating margins



Key points of differentiation

Broad product assortment

Inspirational store displays and digital content

Exceptional customer service

Broad product assortment

- Carry over 6,000 products in our assortment.
- Partner with premium brands and designers to release high end, exclusive product lines.
- Completed launch of our new luxury vinyl tile line in the fourth quarter of 2022.



LAURA ASHLEY



MORRIS & CO



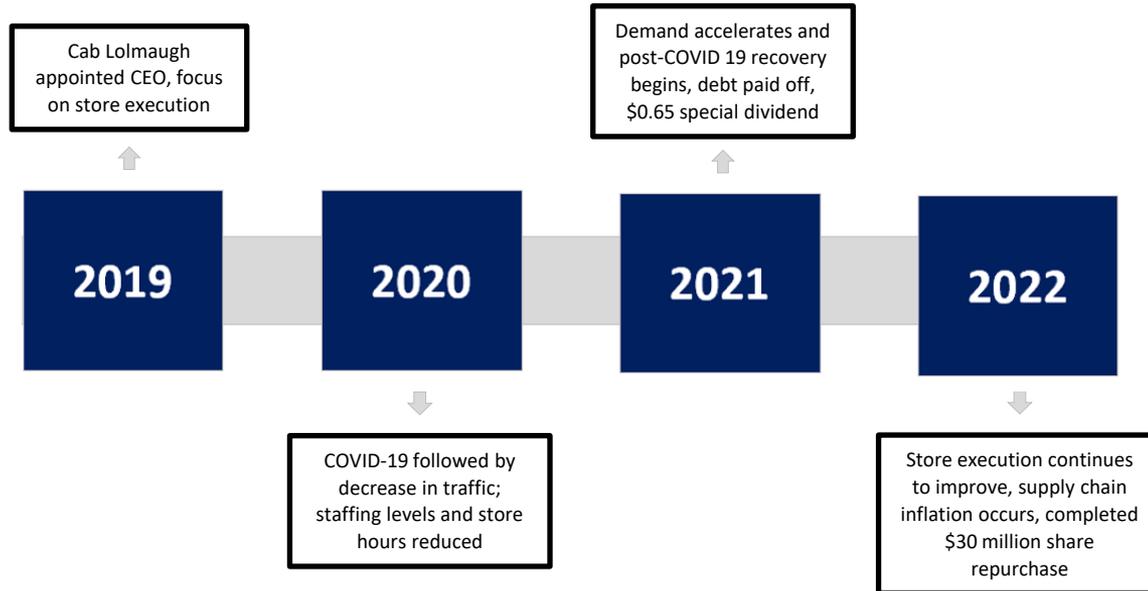
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Inspirational store displays and digital content

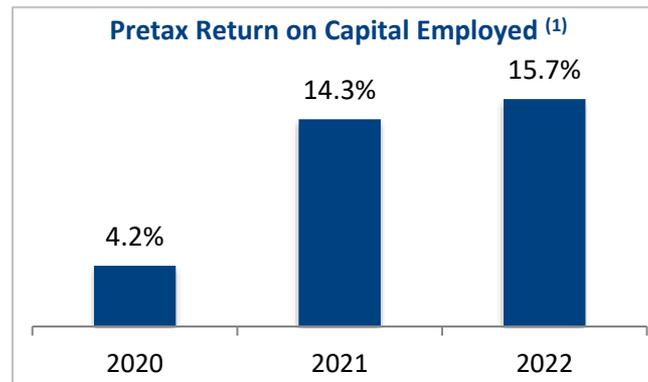
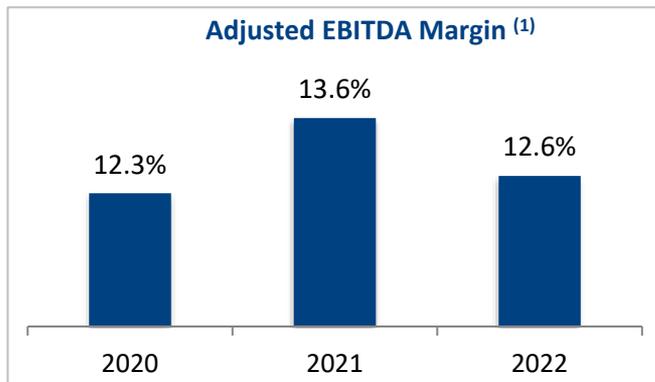
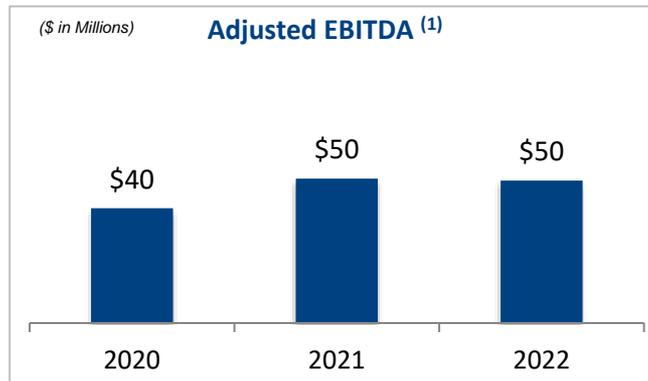
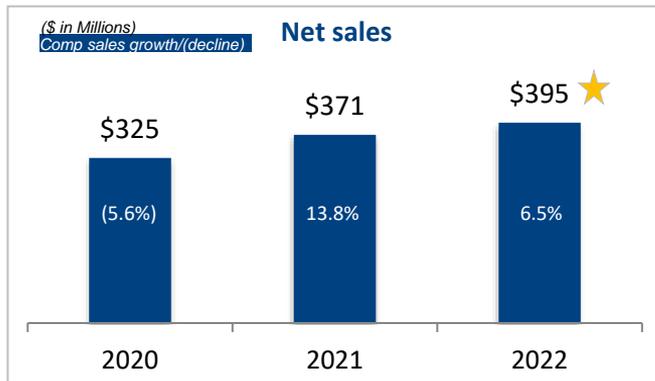
- Showrooms include up to 50 vignettes of bathrooms, kitchens, fireplaces, and other distinct spaces that bring our products to life.
- Website includes an extensive library of customer photos.
- Our Visualizer gives customers the ability create an online rendering of a room using our tile.



Recent History



Historical financial performance

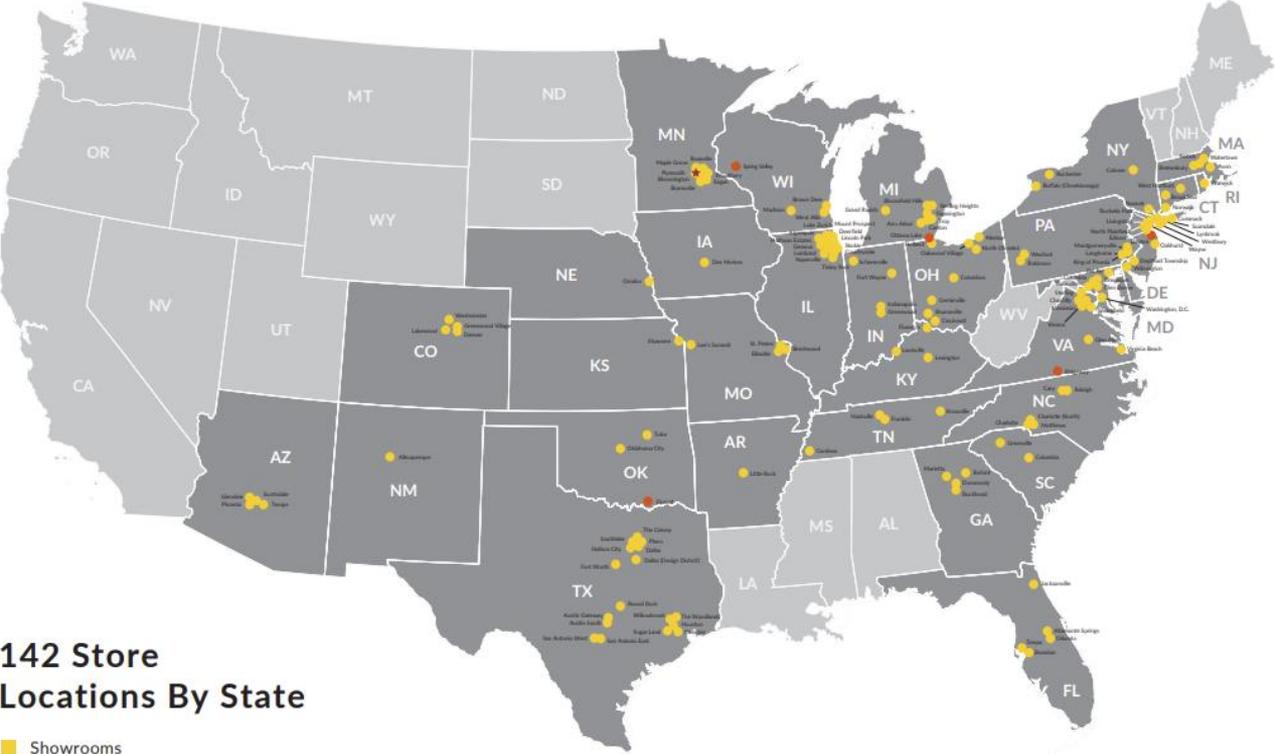


2022 Financial Highlights:

- \$394.7 million in sales; +6.5% increase in comparable store sales
- Highest level of annual sales in Company history
- Completed \$30 million share repurchase program retiring 7.8 million shares
- +140 basis points improvement in pretax return on capital employed while combatting inflationary cost pressure

⁽¹⁾ - Non-GAAP financial measures. See Slides 2 and 12 for additional information.

142 stores in U.S. (as of March 1, 2023)



142 Store Locations By State

- Showrooms
- Distribution Centers
- ★ Corporate Office

Looking ahead

- Our key points of differentiation enable us to provide a unique design experience for our customers.
- We believe we are poised for growth by continuing to focus on execution in our stores, adding new tile and LVT to our assortment, and resuming store growth.
- With a strong balance sheet and history of generating positive cash flow, we're well positioned as we look ahead to 2023 and beyond.



Appendix: non-GAAP reconciliation

The Company calculates Adjusted EBITDA by taking net (loss) income calculated in accordance with GAAP, and adjusting for interest expense, income taxes, depreciation and amortization, and stock-based compensation expense. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net sales. See the table below for a reconciliation of GAAP net (loss) income to Adjusted EBITDA.

(unaudited, \$ in thousands)	Full Year Ended December 31,					
	2022	% of net sales	2021	% of net sales	2020	% of net sales
Net income	\$ 15,703	4.0 %	\$ 14,774	4.0 %	\$ 6,031	1.9 %
Interest expense	1,579	0.4 %	656	0.2 %	1,874	0.6 %
Provision for income taxes	5,327	1.3 %	5,180	1.4 %	(1,529)	(0.5) %
Depreciation & amortization	25,142	6.4 %	27,379	7.4 %	31,336	9.6 %
Stock based compensation	1,832	0.5 %	2,266	0.6 %	2,241	0.7 %
Adjusted EBITDA	<u>\$ 49,583</u>	<u>12.6 %</u>	<u>\$ 50,255</u>	<u>13.6 %</u>	<u>\$ 39,953</u>	<u>12.3 %</u>

The Company calculates Pretax Return on Capital Employed by taking income (loss) from operations divided by capital employed. Capital employed equals total assets less accounts payable, income taxes payable, other accrued liabilities, lease liability and other long-term liabilities. See the Pretax Return on Capital Employed calculation in the table below.

(unaudited, \$ in thousands)	December 31,		
	2022 ⁽¹⁾	2021 ⁽¹⁾	2020 ⁽¹⁾
Income from operations (trailing twelve months)	\$ 22,609	\$ 20,610	\$ 6,376
Total Assets	348,720	353,008	361,099
Less: Accounts payable	(28,752)	(20,785)	(14,905)
Less: Income tax payable	(818)	(297)	(111)
Less: Other accrued liabilities	(39,951)	(41,358)	(38,365)
Less: Lease liability	(130,852)	(141,925)	(153,427)
Less: Other long-term liabilities	(4,618)	(4,865)	(4,137)
Capital Employed	<u>\$ 143,729</u>	<u>\$ 143,778</u>	<u>\$ 150,154</u>
Pretax Return on Capital Employed	15.7 %	14.3 %	4.2 %

⁽¹⁾ – Income statement accounts represent the activity for the trailing twelve months ended as of each of the balance sheet dates. Balance sheet accounts represent the average account balance for the four quarters ended as of each of the balance sheet dates.