UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JULY 29, 2023

OR

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

Commission file number 000-51300

ZUMIEZ INC.
(Exact name of registrant as specified in its charter)

Washington	**91-1040022**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4001 204th Street SW, Lynnwood, WA 98036
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(425) 551-1500**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition 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	☐	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
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ZUMZ	Nasdaq Global Select

At August 31, 2023, there were 19,808,346 shares outstanding of common stock.

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ZUMIEZ INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 29, 2023 (Unaudited)	January 28, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 57,854	$ 81,503
Marketable securities	82,128	91,986
Receivables	23,910	20,613
Inventories	156,654	134,824
Prepaid expenses and other current assets	14,523	11,252
Total current assets	335,069	340,178
Fixed assets, net	94,193	93,746
Operating lease right-of-use assets	221,538	222,240
Goodwill	56,889	56,566
Intangible assets, net	14,409	14,443
Deferred tax assets, net	12,161	8,205
Other long-term assets	11,575	12,525
Total long-term assets	410,765	407,725
Total assets	$ 745,834	$ 747,903
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	$ 69,773	$ 40,379
Accrued payroll and payroll taxes	14,608	16,321
Operating lease liabilities	66,087	65,460
Other liabilities	19,312	23,649
Total current liabilities	169,780	145,809
Long-term operating lease liabilities	184,439	188,835
Other long-term liabilities	6,191	5,931
Total long-term liabilities	190,630	194,766
Total liabilities	360,410	340,575
Commitments and contingencies (Note 5)		
Shareholders' equity		
Preferred stock, no par value, 20,000 shares authorized; none issued and outstanding	—	—
Common stock, no par value, 50,000 shares authorized; 19,809 shares issued and outstanding at July 29, 2023 and 19,489 shares issued and outstanding at January 28, 2023	192,169	188,418
Accumulated other comprehensive loss	(18,557)	(19,793)
Retained earnings	211,812	238,703
Total shareholders' equity	385,424	407,328
Total liabilities and shareholders' equity	$ 745,834	$ 747,903

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	$ 194,438	$ 219,993	$ 377,325	$ 440,679
Cost of goods sold	132,760	144,929	266,290	293,242
Gross profit	61,678	75,064	111,035	147,437
Selling, general and administrative expenses	72,171	70,109	142,881	141,985
Operating (loss) profit	(10,493)	4,955	(31,846)	5,452
Interest income, net	775	358	1,632	850
Other income (expense), net	423	233	(118)	405
(Loss) earnings before income taxes	(9,295)	5,546	(30,332)	6,707
(Benefit from) provision for income taxes	(786)	2,479	(3,441)	4,037
Net (loss) income	$ (8,509)	$ 3,067	$ (26,891)	$ 2,670
Basic (loss) earnings per share	$ (0.44)	$ 0.16	$ (1.40)	$ 0.14
Diluted (loss) earnings per share	$ (0.44)	$ 0.16	$ (1.40)	$ 0.14
Weighted average shares used in computation of (loss) earnings per share:				
Basic	19,311	19,084	19,254	19,308
Diluted	19,311	19,262	19,254	19,592

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 29, 2023	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**
Net (loss) income	$ (8,509)	$ 3,067	$ (26,891)	$ 2,670
Other comprehensive income (loss), net of tax and reclassification adjustments:				
Foreign currency translation	385	(3,774)	771	(10,146)
Net change in unrealized gain (loss) on available-for-sale debt securities	135	386	465	(3,053)
Other comprehensive income (loss), net	520	(3,388)	1,236	(13,199)
Comprehensive loss	**$ (7,989)**	**$ (321)**	**$ (25,655)**	**$ (10,529)**

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at April 29, 2023	19,782	$ 190,599	$ (19,077)	$ 220,321	$ 391,843
Net loss	—	—	—	(8,509)	(8,509)
Other comprehensive income, net	—	—	520	—	520
Issuance and exercise of stock-based awards	27	—	—	—	—
Stock-based compensation expense	—	1,570	—	—	1,570
Balance at July 29, 2023	19,809	$ 192,169	$ (18,557)	$ 211,812	$ 385,424

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at April 30, 2022	19,459	$ 182,899	$ (23,274)	$ 217,272	$ 376,897
Net income	—	—	—	3,067	3,067
Other comprehensive loss, net	—	—	(3,388)	—	(3,388)
Issuance and exercise of stock-based awards	15	(93)	—	—	(93)
Stock-based compensation expense	—	1,813	—	—	1,813
Balance at July 30, 2022	19,474	$ 184,619	$ (26,662)	$ 220,339	$ 378,296

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at January 28, 2023	19,489	$ 188,418	$ (19,793)	$ 238,703	$ 407,328
Net loss	—	—	—	(26,891)	(26,891)
Other comprehensive income, net	—	—	1,236	—	1,236
Issuance and exercise of stock-based awards	320	275	—	—	275
Stock-based compensation expense	—	3,476	—	—	3,476
Balance at July 29, 2023	19,809	$ 192,169	$ (18,557)	$ 211,812	$ 385,424

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at January 29, 2022	21,215	$ 180,824	$ (13,463)	$ 300,957	$ 468,318
Net income	—	—	—	2,670	2,670
Other comprehensive loss, net	—	—	(13,199)	—	(13,199)
Issuance and exercise of stock-based awards	173	282	—	—	282
Stock-based compensation expense	—	3,513	—	—	3,513
Repurchase of common stock	(1,914)	—	—	(83,288)	(83,288)
Balance at July 30, 2022	19,474	$ 184,619	$ (26,662)	$ 220,339	$ 378,296

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	July 29, 2023	July 30, 2022
Cash flows from operating activities:		
Net (loss) income	$ (26,891)	$ 2,670
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation, amortization and accretion	10,881	10,598
Noncash lease expense	34,380	33,040
Deferred taxes	(4,060)	3,035
Stock-based compensation expense	3,476	3,513
Impairment of long-lived assets	338	65
Other	84	(115)
Changes in operating assets and liabilities:		
Receivables	(1,113)	(5,496)
Inventories	(21,721)	(24,671)
Prepaid expenses and other assets	(3,807)	(3,946)
Trade accounts payable	30,150	17,084
Accrued payroll and payroll taxes	(1,676)	(13,958)
Income taxes payable	(1,044)	(4,128)
Operating lease liabilities	(38,783)	(37,239)
Other liabilities	(4,480)	(4,611)
Net cash used in operating activities	(24,266)	(24,159)
Cash flows from investing activities:		
Additions to fixed assets	(11,879)	(10,253)
Purchases of marketable securities and other investments	(1,850)	(1,914)
Sales and maturities of marketable securities and other investments	12,284	67,890
Net cash (used in) provided by investing activities	(1,445)	55,723
Cash flows from financing activities:		
Proceeds from revolving credit facilities	25,682	19,844
Payments on revolving credit facilities	(25,682)	(19,844)
Proceeds from issuance and exercise of stock-based awards	460	781
Payments for tax withholdings on equity awards	(185)	(499)
Common stock repurchased	—	(87,860)
Net cash provided by (used in) financing activities	275	(87,578)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	179	(2,367)
Net decrease in cash, cash equivalents, and restricted cash	(25,257)	(58,381)
Cash, cash equivalents, and restricted cash, beginning of period	88,453	124,052
Cash, cash equivalents, and restricted cash, end of period	$ 63,196	$ 65,671
Supplemental disclosure on cash flow information:		
Cash paid during the period for income taxes	$ 1,520	$ 5,027
Accrual for purchases of fixed assets	1,784	2,466

See accompanying notes to condensed consolidated financial statements

1. Nature of Business and Basis of Presentation

Nature of Business—Zumiez Inc., including its wholly owned subsidiaries, (the "Company," "we," "us," "its" and "our") is a leading specialty retailer of apparel, footwear, accessories and hardgoods for young men and women who want to express their individuality through the fashion, music, art and culture of action sports, streetwear, and other unique lifestyles. We operate under the names Zumiez, Blue Tomato and Fast Times. We operate ecommerce websites at zumiez.com, zumiez.ca, blue-tomato.com and fasttimes.com.au. At July 29, 2023, we operated 761 stores; 609 in the United States ("U.S."), 81 in Europe, 49 in Canada, and 22 in Australia.

COVID-19— In December 2019, a novel strain of coronavirus ("COVID-19") was first identified, and in March 2020, the World Health Organization categorized COVID-19 as a pandemic. Changes in our operations due to COVID-19 resulted in material fluctuations to our results of operations during fiscal 2020 and in certain geographies during fiscal 2021. On April 1, 2022, we received 3.2 million Euro ($3.6 million) as a taxable subsidy from the German government related to our European business for costs incurred during fiscal 2020 and fiscal 2021 related to the COVID-19 pandemic. The subsidy received was granted free of future obligations to repay and was recorded as a reduction to selling, general and administrative expenses on the condensed consolidated statement of operations in the first quarter of fiscal 2022.

Fiscal Year—We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. The three months ended July 29, 2023 and July 30, 2022 were 13-week periods. The six months ended July 29, 2023 and July 30, 2022 were 26-week periods.

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of Zumiez Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

In our opinion, the unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the condensed consolidated balance sheets, operating results and cash flows for the periods presented.

The financial data at January 28, 2023 is derived from audited consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended January 28, 2023, and should be read in conjunction with the audited consolidated financial statements and notes thereto. Interim results are not necessarily indicative of results for the full fiscal year due to seasonality and other factors.

Reclassifications—Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the consolidated statements of operations.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. Actual results could differ from these estimates and assumptions.

Restricted Cash—Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded as restricted cash in other long-term assets on our condensed consolidated balance sheets. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statement of cash flows (in thousands):

	July 29, 2023	January 28, 2023
Cash and cash equivalents	$ 57,854	$ 81,503
Restricted cash included in other long-term assets	5,342	6,950
Total cash, cash equivalents, and restricted cash as shown in the statement of cash flows	$ 63,196	$ 88,453

Restricted cash included in other long-term assets represents amounts held as insurance collateral and collateral for bank guarantees on certain store operating leases.

Recent Accounting Standards—We review recent account pronouncements on a quarterly basis and have excluded discussion of those that are not applicable and those that we determined did not have, or are not expected to have, a material impact on the condensed consolidated financial statements.

2. Revenue

The following table disaggregates net sales by geographic region (in thousands):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
United States	$ 149,991	$ 178,265	$ 285,541	$ 354,694
Canada	9,682	11,637	18,116	21,543
Europe	29,488	24,709	62,999	54,211
Australia	5,277	5,382	10,669	10,231
Net sales	$ 194,438	$ 219,993	$ 377,325	$ 440,679

Net sales for the three months ended July 29, 2023 included a $0.8 million increase due to the change in foreign exchange rates, which consisted of a $1.3 million increase in Europe partially offset by a $0.3 million decrease in Canada and a $0.2 million decrease in Australia. Net sales for the six months ended July 29, 2023 included a $1.2 million decrease due to the change in foreign exchange rates, which consisted of a $1.0 million decrease in Canada and a $0.7 million decrease in Australia, partially offset by a $0.5 million increase in Europe.

Our contract liabilities include deferred revenue related to our customer loyalty program and gift cards. The current liability for gift cards was $3.5 million at July 29, 2023 and $4.9 million at January 28, 2023, respectively. Deferred revenue related to our STASH loyalty program was $1.2 million at July 29, 2023 and January 28, 2023.

3. Cash, Cash Equivalents and Marketable Securities

The following tables summarize the estimated fair value of our cash, cash equivalents and marketable securities and the gross unrealized holding gains and losses (in thousands):

	July 29, 2023			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$ 23,711	$ —	$ —	$ 23,711
Money market funds	28,079	—	—	28,079
Corporate debt securities	6,064	—	—	6,064
Total cash and cash equivalents	57,854	—	—	57,854
Marketable securities:				
U.S. treasury and government agency securities	19,204	—	(3,198)	16,006
Corporate debt securities	54,638	—	(2,127)	52,511
State and local government securities	13,975	—	(364)	13,611
Total marketable securities	$ 87,817	$ —	$ (5,689)	$ 82,128

	January 28, 2023			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$ 30,587	$ —	$ —	$ 30,587
Money market funds	22,121	—	—	22,121
Corporate debt securities	28,802	—	(7)	28,795
Total cash and cash equivalents	81,510	—	(7)	81,503
Marketable securities:				
U.S. treasury and government agency securities	20,973	—	(2,891)	18,082
Corporate debt securities	60,832	—	(2,848)	57,984
State and local government securities	16,490	—	(570)	15,920
Total marketable securities	$ 98,295	$ —	$ (6,309)	$ 91,986

All of our marketable securities have an effective maturity date or weighted average life of five years or less at the time of purchase and may be liquidated, at our discretion, prior to maturity.

The following tables summarize the gross unrealized holding losses and fair value for investments in an unrealized loss position, and the length of time that individual securities have been in a continuous loss position (in thousands):

	July 29, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
U.S. treasury and government agency securities	$ 34	$ (1)	$ 15,972	$ (3,197)	$ 16,006	$ (3,198)
Corporate debt securities	1,595	(5)	50,916	(2,122)	52,511	(2,127)
State and local government securities	—	—	13,611	(364)	13,611	(364)
Total marketable securities	$ 1,629	$ (6)	$ 80,499	$ (5,683)	$ 82,128	$ (5,689)

	January 28, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Cash and cash equivalents:						
Corporate debt securities	$ 27,099	$ (7)	$ —	$ —	$ 27,099	$ (7)
Total cash and cash equivalents	27,099	(7)	-	-	27,099	(7)
Marketable securities:						
U.S. treasury and government agency securities	3,682	(229)	14,399	(2,662)	18,081	(2,891)
Corporate debt securities	12,044	(604)	45,940	(2,244)	57,984	(2,848)
State and local government securities	2,434	(50)	13,487	(520)	15,921	(570)
Total marketable securities	$ 18,160	$ (883)	$ 73,826	$ (5,426)	$ 91,986	$ (6,309)

4. Leases

At July 29, 2023, we had operating leases for our retail stores, certain distribution and fulfillment facilities, vehicles and equipment. Our remaining lease terms vary from under one month to eleven years, with varying renewal and termination options.

The following table presents components of lease expense (in thousands):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Operating lease expense	$ 19,864	$ 18,480	$ 37,630	$ 36,758
Variable lease expense	728	1,641	3,780	3,775
Total lease expense (1)	$ 20,592	$ 20,121	$ 41,410	$ 40,533

(1) Total lease expense includes short-term lease expense and sublease income which is immaterial to the Company. Total lease expense does not include right-of-use asset impairment charges, common area maintenance charges and other non-lease components.

Supplemental cash flow information related to leases is as follows (in thousands):

	Six Months Ended	
	July 29, 2023	July 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ (38,783)	$ (37,239)
Right-of-use assets obtained in exchange for new operating lease liabilities	32,900	36,700

Weighted-average remaining lease term and discount rate were as follows:

	July 29, 2023	July 30, 2022
Weighted-average remaining lease term	4.9	4.9
Weighted-average discount rate	2.9 %	2.5 %

At July 29, 2023, the maturities of our operating leases liabilities are as follows (in thousands):

Fiscal 2023	$ 36,235
Fiscal 2024	70,590
Fiscal 2025	52,382
Fiscal 2026	34,335
Fiscal 2027	26,197
Thereafter	47,008
Total minimum lease payments	266,747
Less: interest	(16,221)
Present value of lease obligations	250,526
Less: current portion	(66,087)
Long-term lease obligations (1)	$ 184,439

(1) Amounts in the table do not include contingent rent, common area maintenance charges and other non-lease components.

At July 29, 2023, we have excluded from the table above $2.4 million of operating leases that were contractually executed, but had not yet commenced. These operating leases are expected to commence by the end of fiscal 2024.

5. Commitments and Contingencies

Purchase Commitments—At July 29, 2023, we had outstanding purchase orders to acquire merchandise from vendors of $151.2 million. We have an option to cancel these commitments with no notice prior to shipment, except for certain private label and international purchase orders in which we are obligated to repay contractual amounts upon cancellation.

Litigation—We are involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. We have made accruals with respect to these matters, where appropriate, which are reflected in our condensed consolidated financial statements. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. We may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if we believe settlement is in the best interest of our shareholders.

On October 14, 2022, former employee Seana Neihart filed a representative action under California's Private Attorneys General Act, California Labor Code section 2698 et seq ("PAGA"), against us. An answer to the complaint was filed on December 8, 2022. A first amended complaint was filed on February 8, 2023 adding Jessica King as a plaintiff. The lawsuit alleges a series of wage and hour violations under California's Labor Code. An answer was filed on March 14, 2023. Zumiez intends to enforce individual arbitrations of the plaintiffs' claims. We continue to investigate the claims and we intend to vigorously defend ourselves.

Insurance Reserves—We use a combination of third-party insurance and self-insurance for a number of risk management activities including workers' compensation, general liability and employee-related health care benefits. We maintain reserves for our self-insured losses, which are estimated based on historical claims experience and actuarial and other assumptions. The self-insurance reserve at July 29, 2023 and January 28, 2023 was $2.2 million and $2.8 million, respectively.

6. Revolving Credit Facilities and Debt

On October 14, 2021, we amended our credit agreement with Wells Fargo Bank, N.A. (previously entered into December 7, 2018), which provided us with a senior secured credit facility ("credit facility") of up to $25.0 million through December 1, 2023, and up to $35.0 million after December 1, 2023 and through December 1, 2024. A second amendment was made on July 27, 2023 which provided revised financial maintenance covenants through the duration of the facility. The secured revolving credit facility is available for working capital and other general corporate purposes. The senior secured credit facility provides for the issuance of standby letters of credit in an amount not to exceed $17.5 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of commercial letters of credit in an amount not to exceed $10.0 million and with terms not to exceed 120 days. The amount of borrowings available at any time under our credit facility is reduced by the amount of standby and commercial letters of credit outstanding at that time. The credit facility will mature on December 1, 2024. All obligations under the credit facility are joint and several with Zumiez Services and guaranteed by certain of our subsidiaries. The credit facility is secured by a first-priority security interest in substantially all of the personal property (but not the real property) of the borrowers and guarantors. Amounts borrowed under the credit facility bear interest at a daily simple SOFR rate plus a margin of 1.35% per annum.

The credit facility contains various representations, warranties and restrictive covenants that, among other things and subject to specified circumstances and exceptions, restrict our ability to incur indebtedness (including guarantees), grant liens, make investments, pay dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers, dispose of certain assets or change the nature of their business. The credit facility contains certain financial maintenance covenants that generally require we/us to have a quick ratio of 1.25:1.0 at the end of each fiscal quarter, and EBITDA not less than $12.0 million as of the fiscal quarters ending July 29, 2023 and October 28, 2023, and not less than $20.0 million as of the fiscal quarter ending February 3, 2024 and each fiscal quarter thereafter. EBITDA is defined as net profit before tax, depreciation and amortization expense, goodwill and other intangible impairment, leased right-of-use asset impairment, and store fixed asset impairment (up to an aggregate of $5.0 million), plus interest expense (net of capitalized interest expense). The credit facility contains certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance, and providing additional guarantees and collateral in certain circumstances. The credit facility includes customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross-default to other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of guarantees or security interests, material judgments and change of control.

There were no borrowings outstanding under the credit facility at July 29, 2023 or January 28, 2023. We had open commercial letters of credit outstanding of less than $0.1 million under our secured revolving credit facility at July 29, 2023 and no open commercial letters of credit outstanding at January 28, 2023. We had $3.5 million and $0.6 million in issued, but undrawn, standby letters of credit at July 29, 2023 and January 28, 2023, respectively.

Additionally, on October 12, 2020, we entered into a credit facility with UBS Switzerland AG of up to 15.0 million Euro. The credit facility bore interest at 1.25%. This credit facility was closed on December 30, 2022.

7. Fair Value Measurements

We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1— Quoted prices in active markets for identical assets or liabilities;
- Level 2— Quoted prices for similar assets or liabilities in active markets or inputs that are observable; and
- Level 3— Inputs that are unobservable.

The following tables summarize assets measured at fair value on a recurring basis (in thousands):

	July 29, 2023		
	Level 1	Level 2	Level 3
Cash equivalents:			
Money market funds	$ 28,079	$ —	$ —
Corporate debt securities	—	6,064	—
Marketable securities:			
U.S. treasury and government agency securities	—	16,006	—
Corporate debt securities	—	52,511	—
State and local government securities	—	13,611	—
Other long-term assets:			
Money market funds	5,342	—	—
Total	$ 33,421	$ 88,192	$ —

	January 28, 2023		
	Level 1	Level 2	Level 3
Cash equivalents:			
Money market funds	$ 22,121	$ —	$ —
Corporate debt securities	—	28,795	—
Marketable securities:			
U.S. treasury and government agency securities	—	18,082	—
Corporate debt securities	—	57,984	—
State and local government securities	—	15,920	—
Other long-term assets:			
Money market funds	6,950	—	—
Total	$ 29,071	$ 120,781	$ —

The Level 2 marketable securities include U.S treasury and government agency securities, corporate debt securities, state and local municipal securities and variable-rate demand notes. Fair values are based on quoted market prices for similar assets or liabilities or determined using inputs that use readily observable market data that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. We review the pricing techniques and methodologies of the independent pricing service for Level 2 investments and believe that its policies adequately consider market activity, either based on specific transactions for the security valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. We monitor security-specific valuation trends and we make inquiries with the pricing service about material changes or the absence of expected changes to understand the underlying factors and inputs and to validate the reasonableness of the pricing.

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as fixed assets, operating lease right-of-use-assets, goodwill, other intangible assets and other assets. These assets are measured at fair value if determined to be impaired. During the three months ended July 29, 2023 we recognized no material impairment losses related to fixed assets or operating lease right-of-use assets. During the six months ended July 29, 2023, we recognized $0.3 million in impairment losses related to fixed assets and $0.1 million in impairment losses related to operating lease right-of-use assets. During the three and six months ended July 30, 2022, we recognized less than $0.1 million in impairment losses related to operating lease right-of-use assets and fixed assets.

8. Stockholders' Equity

Accumulated Other Comprehensive Loss —The components of accumulated other comprehensive loss and the adjustments to other comprehensive income (loss) for amounts reclassified from accumulated other comprehensive loss into net loss are as follows (in thousands):

	Foreign currency translation adjustments (3)	Net unrealized losses on available-for-sale debt securities	Accumulated other comprehensive loss
Three months ended July 29, 2023:			
Balance at April 29, 2023	$ (14,715)	$ (4,362)	$ (19,077)
Other comprehensive income, net (1)	385	135	520
Balance at July 29, 2023	$ (14,330)	$ (4,227)	$ (18,557)
Three months ended July 30, 2022:			
Balance at April 30, 2022	$ (18,877)	$ (4,397)	$ (23,274)
Other comprehensive loss, net (1)	(3,774)	386	(3,388)
Balance at July 30, 2022	$ (22,651)	$ (4,011)	$ (26,662)

	Foreign currency translation adjustments (3)	Net unrealized losses on available-for-sale investments	Accumulated other comprehensive loss
Six months ended July 29, 2023:			
Balance at January 28, 2023	$ (15,101)	$ (4,692)	$ (19,793)
Other comprehensive income, net (2)	771	465	1,236
Balance at July 29, 2023	$ (14,330)	$ (4,227)	$ (18,557)
Six months ended July 30, 2022:			
Balance at January 29, 2022	$ (12,505)	$ (958)	$ (13,463)
Other comprehensive loss, net (2)	(10,146)	(3,053)	(13,199)
Balance at July 30, 2022	$ (22,651)	$ (4,011)	$ (26,662)

(1) Other comprehensive income before reclassifications was $0.1 million, net of taxes for net unrealized losses on available-for-sale investments for the three months ended July 29, 2023. Other comprehensive income before reclassifications was $0.4 million, net of taxes for net unrealized gains on available-for-sale investments for the three months ended July 30, 2022. There were no net unrealized losses, net of taxes, reclassified from accumulated other comprehensive loss for the three months ended July 29, 2023 and July 30, 2022, respectively.

(2) Other comprehensive income before reclassifications was $0.5 million, net of taxes for net unrealized losses on available-for-sale investments for the six months ended July 29, 2023. Other comprehensive loss before reclassifications was $3.1 million, net of taxes for net unrealized losses on available-for-sale investments for the six months ended July 30, 2022. There were no net unrealized losses, net of taxes, reclassified from accumulated other comprehensive loss for the six months ended July 29, 2023 and July 30, 2022, respectively.

(3) Foreign currency translation adjustments are not adjusted for income taxes as they relate to permanent investments in our international subsidiaries.

9. Equity Awards

We maintain several equity incentive plans under which we may grant incentive stock options, nonqualified stock options, stock bonuses, restricted stock awards, restricted stock units and stock appreciation rights to employees (including officers), non-employee directors and consultants.

We account for stock-based compensation by recording the estimated fair value of stock-based awards granted as compensation expense over the vesting period, net of estimated forfeitures. Stock-based compensation expense is attributed to earnings using a straight-line method. We estimate forfeitures of stock-based awards based on historical experience and expected future activity.

The fair value of restricted stock awards and units is measured based on the closing price of our common stock on the date of grant. The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model.

Total stock-based compensation expense is recognized on our condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Cost of goods sold	$ 382	$ 391	$ 774	$ 735
Selling, general and administrative expenses	1,188	1,422	2,702	2,778
Total stock-based compensation expense	$ 1,570	$ 1,813	$ 3,476	$ 3,513

At July 29, 2023, there was $11.9 million of total unrecognized compensation cost related to unvested stock options, restricted stock awards and restricted stock units. This cost has a weighted-average remaining recognition period of 1.3 years.

The following table summarizes restricted stock awards and restricted stock units, collectively defined as “restricted equity awards” (in thousands, except grant date weighted-average fair value):

	Restricted Stock Awards/Units	Grant Date Weighted-Average Fair Value	Intrinsic Value
Outstanding at January 28, 2023	397	$ 33.34	
Granted	330	$ 20.08	
Vested	(190)	$ 29.49	
Forfeited	(25)	$ 32.97	
Outstanding at July 29, 2023	512	$ 26.24	$ 9,684

We had 0.4 million stock options outstanding at July 29, 2023 with a grant date weighted average exercise price of $26.51 and 0.3 million stock options outstanding at January 28, 2023 with a grant date weighted average exercise price of $29.30.

10. (Loss) Earnings per Share, Basic and Diluted

The following table sets forth the computation of basic and diluted (loss) earnings per share (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net (loss) earnings	$ (8,509)	$ 3,067	$ (26,891)	$ 2,670
Weighted average common shares for basic (loss) earnings per share:	19,311	19,084	19,254	19,308
Dilutive effect of stock options and restricted stock	—	178	—	284
Weighted average common shares for diluted (loss) earnings per share:	19,311	19,262	19,254	19,592
Basic (loss) earnings per share	$ (0.44)	$ 0.16	$ (1.40)	$ 0.14
Diluted (loss) earnings per share	$ (0.44)	$ 0.16	$ (1.40)	$ 0.14

There were 0.4 million and 0.1 million anti-dilutive common shares related to stock-based awards for the three months ended July 29, 2023 and July 30, 2022, respectively. There were 0.5 million and 0.1 million anti-dilutive common shares related to stock-based awards for the six months ended July 29, 2023 and July 30, 2022, respectively.

Item 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in “Item 1A Risk Factors” in our Form 10-K filed with the SEC on March 20, 2023 and in this Form 10-Q.

Forward-looking statements relate to our expectations for future events and future financial performance. Generally, the words “anticipates,” “expects,” “intends,” “may,” “should,” “plans,” “believes,” “predicts,” “potential,” “continue” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described below under the heading “Risk Factors” and in “Item 1A Risk Factors” of our Form 10-K referred to in the preceding paragraph. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Fiscal 2023 is the 53-week period ending February 3, 2024. Fiscal 2022 was the 52-week period ending January 28, 2023. The first six months of fiscal 2023 was the 26-week period ended July 29, 2023. The first six months of fiscal 2022 was the 26-week period ended July 30, 2022.

“Zumiez,” the “Company,” “we,” “us,” “its,” “our” and similar references refer to Zumiez Inc. and its wholly-owned subsidiaries.

General

Net sales constitute gross sales (net of actual and estimated returns and deductions for promotions) and shipping revenue. Net sales include our store sales and our ecommerce sales. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, the portion of gift cards that will not be redeemed (“gift card breakage”) is recognized based on our historical redemption rate in proportion to the pattern of rights exercised by the customer.

We report “comparable sales” based on net sales beginning on the first anniversary of the first day of operation of a new store or ecommerce business. We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Therefore, our comparable sales also include our ecommerce sales. Changes in our comparable sales between two periods are based on net sales of store or ecommerce businesses which were in operation during both of the two periods being compared and, if a store or ecommerce business is included in the calculation of comparable sales for only a portion of one of the two periods being compared, then that store or ecommerce business is included in the calculation for only the comparable portion of the other period. Any increase or decrease less than 25% in square footage of an existing comparable store, including remodels and relocations within the same mall, or temporary closures less than seven days does not eliminate that store from inclusion in the calculation of comparable sales. Any store or ecommerce business that we acquire will be included in the calculation of comparable sales after the first anniversary of the acquisition date. Current year foreign exchange rates are applied to both current year and prior year comparable sales to achieve a consistent basis for comparison. There may be variations in the way in which some of our competitors and other apparel retailers calculate comparable sales. As a result, data herein regarding our comparable sales may not be comparable to similar data made available by our competitors or other retailers.

Cost of goods sold consists of branded merchandise costs and our private label merchandise costs including design, sourcing, importing and inbound freight costs. Our cost of goods sold also includes shrinkage, buying, occupancy, distribution and warehousing costs (including associated depreciation) and freight costs for store merchandise transfers. This may not be comparable to the way in which our competitors or other retailers compute their cost of goods sold. Cash consideration received from vendors is reported as a reduction of cost of goods sold if the inventory has sold, a reduction of the carrying value of the inventory if the inventory is still on hand, or a reduction of selling, general and administrative expense if the amounts are reimbursements of specific, incremental and identifiable costs of selling the vendors’ products.

With respect to the freight component of our ecommerce sales, amounts billed to our customers are included in net sales and the related freight cost is charged to cost of goods sold.

Selling, general and administrative expenses consist primarily of store personnel wages and benefits, administrative staff and infrastructure expenses, freight costs for merchandise shipments from the distribution centers to the stores, store supplies, depreciation on fixed assets at our home office and stores, facility expenses, training expenses and advertising and marketing costs. Credit card fees, insurance, public company expenses, legal expenses, incentive compensation, stock-based compensation and other miscellaneous operating costs are also included in selling, general and administrative expenses. This may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Key Performance Indicators

Our management evaluates the following items, which we consider key performance indicators, in assessing our performance:

Net sales. Net sales constitute gross sales, net of sales returns and deductions for promotions, and shipping revenue. Net sales includes comparable sales and new store sales for all our store and ecommerce businesses. We consider net sales to be an important indicator of our current performance. Net sales results are important to achieve leveraging of our costs, including store payroll and store occupancy. Net sales also have a direct impact on our operating profit, cash and working capital.

Gross profit. Gross profit measures whether we are optimizing the price and inventory levels of our merchandise. Gross profit is the difference between net sales and cost of goods sold. Any inability to obtain acceptable levels of initial markups or any significant increase in our use of markdowns could have an adverse effect on our gross profit and results of operations.

Operating profit. We view operating profit as a key indicator of our success. Operating profit is the difference between gross profit and selling, general and administrative expenses. The key drivers of operating profit are net sales, gross profit, our ability to control selling, general and administrative expenses and our level of capital expenditures affecting depreciation expense.

Diluted earnings per share. Diluted earnings per share is based on the weighted average number of common shares and common share equivalents outstanding during the period. We view diluted earnings per share as a key indicator of our success in increasing shareholder value.

Trends and Uncertainties Affecting Our Results and Comparability

We have been, and we expect to continue to be affected by a number of factors that may cause actual results to differ from our historical results or current expectations. These factors include the impact of foreign currency rates; changes in laws, including U.S. tax law changes; fluctuations in variable costs, and changes in general economic conditions in the markets in which we operate. Additionally, we have experienced increased costs during 2022 and 2023. Our ability to raise our selling prices depends on market conditions and there may be periods during which we are unable to fully recover increases in our costs or experience an adverse impact on demand due to pricing actions. We believe higher consumer price inflation has resulted in reduced consumer confidence and consumer spending which negatively impacted our sales during fiscal 2022 and the first six months of fiscal 2023.

Results of Operations

The following table presents selected items on the condensed consolidated statements of operations as a percent of net sales:

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	68.3	65.9	70.6	66.5
Gross profit	31.7	34.1	29.4	33.5
Selling, general and administrative expenses	37.1	31.8	37.8	32.3
Operating (loss) profit	(5.4)	2.3	(8.4)	1.2
Interest and other income, net	0.6	0.2	0.4	0.3
(Loss) earnings before income taxes	(4.8)	2.5	(8.0)	1.5
(Benefit from) provision for income taxes	(0.4)	1.1	(0.9)	0.9
Net (loss) income	(4.4) %	1.4 %	(7.1) %	0.6 %

Three Months (13 weeks) Ended July 29, 2023 Compared With Three Months (13 weeks) Ended July 30, 2022

Net Sales

Net sales were $194.4 million for the three months ended July 29, 2023 compared to $220.0 million for the three months ended July 30, 2022, a decrease of $25.6 million or 11.6%. The decrease in sales was driven by our North America and Australia business offset by more favorable results in Europe. During the quarter, the business continued to see softer sales primarily driven by continued inflationary pressures on the consumer, a shift in spending to travel and experiences, and softer demands for full price key styles and trends in the North America business. By region, North America sales decreased $30.2 million or 15.9% and other international sales (which consists of Europe and Australia sales) increased $4.7 million or 15.5% for the three months ended July 29, 2023 compared to the three months ended July 30, 2022. Excluding the impact of changes in foreign exchange rates, North America sales decreased $29.9 million or 15.7% and other international sales increased $3.6 million or 11.8% for the three months ended July 29, 2023 compared to the three months ended July 30, 2022.

Net sales included a decrease in transactions and an increase in dollars per transaction. Dollars per transaction increased due to an increase in average unit retail, partially offset by a decrease in units per transaction. By category, net sales were primarily driven by a decrease in hardgoods followed by footwear, women's clothing, accessories, and men's clothing.

Gross Profit

Gross profit was $61.7 million for the three months ended July 29, 2023 compared to $75.1 million for the three months ended July 30, 2022, a decrease of $13.4 million, or 17.8%. As a percent of net sales, gross profit decreased 240 basis points for the three months ended July 29, 2023 to 31.7% as we saw significant deleverage on lower sales across our fixed costs as well as rate increases in numerous areas. The decrease was primarily driven by a 210 basis point deleverage in store occupancy costs, a 70 basis point decrease in product margin (defined as net sales minus cost of goods sold excluding shrinkage, buying, occupancy, distribution and warehousing costs and freight costs for store merchandise transfers), and a 20 basis point increase in buying and private label costs. These decreases were partially offset by 30 basis point decreases in inventory shrinkage and web shipping costs.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses were $72.2 million for the three months ended July 29, 2023 compared to $70.1 million for the three months ended July 30, 2022, an increase of $2.1 million, or 2.9%. SG&A expenses as a percent of net sales increased 530 basis points for the three months ended July 29, 2023 to 37.1%. The increase was primarily driven by 210 basis points due to store wages tied to both deleverage on lower sales as well as rate increase that we could not offset by reduction of hours, 160 basis points due to store costs not tied to store wages primarily impacted by deleverage on lower sales, 80 basis points in non-store wages, and 60 basis points in events.

Net Loss

Net loss for the three months ended July 29, 2023 was $8.5 million, or $0.44 loss per diluted share, compared with net income of $3.1 million, or $0.16 earnings per diluted share, for the three months ended July 30, 2022. Our effective income tax rate for the three months ended July 29, 2023 was a 8.5% benefit from income taxes compared to a 44.7% provision for income taxes for the three months ended July 30, 2022. The decrease in effective income tax rate was primarily due to an increase in net losses and the allocation of those losses across the jurisdictions that we operate.

Six Months (26 weeks) Ended July 29, 2023 Compared With Six Months (26 weeks) Ended July 30, 2022

Net Sales

Net sales were $377.3 million for the six months ended July 29, 2023 compared to $440.7 million for the six months ended July 30, 2022, a decrease of $63.4 or 14.4%. The decrease in sales was driven by our North America business offset by more favorable results for Europe and Australia. During the first half of the year the business continued to see softer sales primarily driven by continued inflationary pressures on the consumer, a shift in spending to travel and experiences, and softer demands for full price key styles and trends in the North America business. By region, North America sales decreased $72.6 million or 19.3% and other international sales (which consists of Europe and Australia sales) increased $9.2 or 14.3% for the six months ended July 29, 2023 compared to the six months ended July 30, 2022. Excluding the impact of changes in foreign exchange rates, North America sales decreased $71.6 million or 19.0% and other international sales increased $9.5 million or 14.7% for the six months ended July 29, 2023 compared to the six months ended July 30, 2022.

Net sales included a decrease in transactions and an increase in dollars per transaction. Dollars per transaction increased due to an increase in average unit retail, partially offset by a decrease in units per transaction. By category, net sales were primarily driven by a decrease in footwear followed by hardgoods, men's clothing, accessories, and women's clothing.

Gross Profit

Gross profit was $111.0 million for the six months ended July 29, 2023 compared to $147.4 million for the six months ended July 30, 2022, a decrease of $36.4 million, or 24.7%. As a percent of net sales, gross profit decreased 410 basis points for the six months ended July 29, 2023 to 29.4% as we saw significant deleverage on lower sales across our fixed costs as well as rate increases in numerous areas. The decrease was primarily driven by a 250 basis point deleverage in store occupancy costs, a 70 basis point decrease in product margin (defined as net sales minus cost of goods sold excluding shrinkage, buying, occupancy, distribution and warehousing costs and freight costs for store merchandise transfers), a 30 basis point increase in buying and private label costs, a 20 basis point increase in web shipping costs, and a 20 basis point deleverage in distribution center costs.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses were $142.9 million for the six months ended July 29, 2023 compared to $142.0 million for the six months ended July 30, 2022, an increase of $0.9 million, or 0.6%. SG&A expenses as a percent of net sales increased 550 basis points for the six months ended July 29, 2023 to 37.8%. The increase was primarily driven by 240 basis points due to store wages tied to both deleverage on lower sales as well as rate increase that we could not offset by reduction of hours, 160 basis points due to store costs not tied to store wages primarily impacted by deleverage on lower sales, 80 basis points due to a decrease in government subsidies related to a one-time German government subsidy received in the first quarter of fiscal 2022, and 80 basis points in non-store wages. These increases were partially offset by a 40 basis point decrease in events.

Net Loss

Net loss for the six months ended July 29, 2023 was $26.9 million, or $1.40 loss per diluted share, compared with net income of $2.7 million, or $0.14 earnings per diluted share, for the six months ended July 30, 2022. Our effective income tax rate for the six months ended July 29, 2023 was a 11.3% benefit from income taxes compared to a 60.2% provision for income taxes for the six months ended July 30, 2022. The decrease in effective income tax rate was primarily due to an increase in net losses and the allocation of those losses across the jurisdictions that we operate.

Liquidity and Capital Resources

Our primary uses of cash are for operational expenditures, inventory purchases and capital investments, including new stores, store remodels, store relocations, store fixtures and ongoing infrastructure improvements. Additionally, we may use cash for the repurchase of our common stock. Historically, our main source of liquidity has been cash flows from operations.

The significant components of our working capital are inventories and liquid assets such as cash, cash equivalents, current marketable securities and receivables, reduced by accounts payable, accrued payroll and accrued expenses. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day or within several days of the related sale, while we typically have longer payment terms with our vendors.

Our capital requirements include construction and fixture costs related to the opening of new stores and remodel and relocation expenditures for existing stores. Future capital requirements will depend on many factors, including the pace of new store openings, the availability of suitable locations for new stores and the nature of arrangements negotiated with landlords. Our net investment to open a new store has varied significantly in the past due to a number of factors, including the geographic location and size of the new store, and is likely to vary significantly in the future.

During fiscal 2023, we expect to spend approximately $19 million to $21 million on capital expenditures, a majority of which will relate to leasehold improvements and fixtures for the approximately 19 new stores we remain on track to open in fiscal 2023 and remodels or relocations of existing stores. There can be no assurance that the number of stores that we open in fiscal 2023 will not be different from the number of stores we plan to open, or that actual fiscal 2023 capital expenditures will not differ from our expectations.

Operating Activities

Net cash used in operating activities increased by $0.1 million to $24.3 million used in operating activities for the six months ended July 29, 2023 from $24.2 million used in operating activities for the six months ended July 30, 2022. Net cash used in operating activities was $24.3 million for the six months ended July 29, 2023 related to $42.5 million in unfavorable changes in our operating assets and liabilities and a $26.9 million net loss, excluding $45.1 million of noncash charges included within net loss for the period. Net cash used in operating activities was $24.2 million for the six months ended July 29, 2022 related to $77.0 million in unfavorable changes in our operating assets and liabilities and $2.7 million net income, excluding $50.1 million of noncash charges included within net income for the period. Our operating cash flows generally result primarily from cash received from our customers, offset by cash payments we make for inventory, employee compensation, store occupancy expenses and other operational expenditures. Cash received from our customers generally corresponds to our net sales. Because our customers primarily use credit cards or cash to buy from us, our receivables from customers settle quickly. Historically, changes to our operating cash flows have been driven primarily by changes in operating income, which is impacted by changes to non-cash items such as depreciation, amortization and accretion, deferred taxes, and changes to the components of working capital.

Investing Activities

Net cash used in investing activities was $1.4 million for the six months ended July 29, 2023 related to $11.9 million of capital expenditures primarily for new store openings and existing store remodels or relocations, partially offset by $10.4 million in net sales of marketable securities. Net cash provided by investing activities was $55.7 million for the six months ended July 30, 2022, related to $66.0 million in net sales of marketable securities, partially offset by $10.3 million of capital expenditures primarily for new store openings and existing store remodels or relocations.

Financing Activities

Net cash provided by financing activities for the six months ended July 29, 2023 was $0.3 million, related to $0.5 million in proceeds from the issuance and exercise of stock-based awards, partially offset by $0.2 million in payments for tax withholding obligations upon vesting of restricted stock. Net cash used in financing activities for the six months ended July 30, 2022 was $87.6 million, related to $87.9 million used in the repurchase of common stock and $0.5 million in payments for tax withholding obligations upon vesting of restricted stock, partially offset by $0.8 million in proceeds from the issuance and exercise of stock-based awards.

Sources of Liquidity

Our most significant sources of liquidity continue to be funds generated by operating activities and available cash, cash equivalents and current marketable securities. We expect these sources of liquidity and available borrowings under our revolving credit facility will be sufficient to meet our foreseeable cash requirements for operations and planned capital expenditures for at least the next twelve months. Beyond this time frame, if cash flows from operations are not sufficient to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. However, there can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current shareholders.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provided us with a senior secured credit facility (“credit facility”) of up to $25.0 million through December 1, 2023, and up to $35.0 million after December 1, 2023 and through December 1, 2024. The credit facility is available for working capital and other general corporate purposes. The credit facility provides for the issuance of standby letters of credit in an amount not to exceed $17.5 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of commercial letters of credit in an amount not to exceed $10.0 million and with terms not to exceed 120 days. The credit facility will mature on December 1, 2024. The credit facility is secured by a first-priority security interest in substantially all of the personal property (but not the real property) of the borrowers and guarantors. Amounts borrowed under the credit facility bear interest at a daily simple SOFR rate plus a margin of 1.35% per annum.

We had open commercial letters of credit outstanding of less than $0.1 million at July 29, 2023 and no open commercial letters of credit outstanding at January 28, 2023. We had $3.5 million and $0.6 million in issued, but undrawn, standby letters of credit at July 29, 2023 and January 28, 2023, respectively.

At July 29, 2023 , we did not have any “off-balance sheet arrangements” as defined in relevant SEC regulations that are reasonably likely to have a current or future effect on our financial condition, results of operation, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our condensed consolidated financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

There have been no significant changes to our critical accounting estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Risk Factors

Investing in our securities involves a high degree of risk. The following risk factors, issues and uncertainties should be considered in evaluating our future prospects. In particular, keep these risk factors in mind when you read "forward-looking" statements elsewhere in this report. Forward-looking statements relate to our expectations for future events and time periods. Generally, the words "anticipates," "expects," "intends," "may," "should," "plans," "believes," "predicts," "potential," "continue" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Any of the following risks could harm our business, operating results or financial condition and could result in a complete loss of your investment. Additional risks and uncertainties that are not yet identified or that we currently think are immaterial may also harm our business and financial condition in the future.

U.S. and global economic and political uncertainty, coupled with cyclical economic trends in retailing, could have a material adverse effect on our results of operations.

Our retail market historically has been subject to substantial cyclicality. As the U.S. and global economic and political conditions change, the trends in discretionary consumer spending become unpredictable and discretionary consumer spending could be reduced due to uncertainties about the future. Economic and consumer confidence can also be affected by a variety of factors, including housing prices, unemployment rates and inflation. Sustained levels of inflation, rising interest rates, significant U.S. dollar and foreign currency fluctuations, lower consumer confidence, depressed consumer spending, higher levels of consumer debt, geopolitical instability, economic uncertainty, slower growth or a recession, volatility in the stock market, and other disruptions impacting the retail industry could adversely impact demand for our services. When disposable income decreases or discretionary consumer spending is reduced due to a decline in consumer confidence, purchases of apparel and related products may decline. A deterioration in macroeconomic conditions or consumer confidence or uncertainty in the U.S. and global economies and political environment could have a material adverse impact on our results of operations and financial position.

In times when there is a decline in disposable income and consumer confidence, there could be a trend to consumers seeking more inexpensive or value-oriented merchandise. As a retailer that sells a substantial majority of branded merchandise, this could disproportionately impact us more than vertically integrated private label retailers or we may be forced to rely on promotional sales to compete in our market which could have a material adverse effect on our financial position.

Failure to anticipate, identify and respond to changing fashion trends, customer preferences and other fashion-related factors could have a material adverse effect on us.

Customer tastes and fashion trends in our market are volatile and tend to change rapidly. Our success depends on our ability to effectively anticipate, identify and respond to changing fashion tastes and consumer preferences, and to translate market trends into appropriate, saleable product offerings in a timely manner. If we are unable to successfully anticipate, identify or respond to changing styles or trends and misjudge the market for our products or any new product lines, including adequately anticipating the correct mix and trends of our private label merchandise, our sales may be lower than predicted and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response to such a situation, we may be forced to rely on markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our results of operations.

We may be unable to compete favorably in the highly competitive retail industry, and if we lose customers to our competitors, our sales could decrease.

The teenage and young adult retail apparel, footwear, accessories and hardgoods industry is highly competitive. We compete with other retailers for vendors, teenage and young adult customers, suitable store locations, qualified store associates, management personnel, online marketing content, social media engagement and ecommerce traffic. Some of our competitors are larger than we are and have substantially greater financial and marketing resources, including advanced ecommerce market capabilities. Additionally, some of our competitors may offer more options for free and/or expedited shipping for ecommerce sales. Direct competition with these and other retailers may increase significantly in the future, which could require us, among other things, to lower our prices and could result in the loss of our customers. Current and increased competition could have a material adverse effect on our business, results of operations and financial condition.

The novel coronavirus (COVID-19) global pandemic could continue to have a material impact on our business.

Since being declared a pandemic by the World Health Organization in March 2020, COVID-19 has negatively impacted global economies, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The COVID-19 global pandemic could continue to have a material impact on our business, including our results of operations, financial condition and liquidity. The duration and severity of the COVID-19 pandemic will determine its ongoing impact on our business, including our ability to execute business strategies and initiatives in their expected time frame, the effect on our suppliers and disruptions to the global supply chain, and the ability of our customers to pay for our services and products.

A resurgence in the spread of COVID-19, or its variants, could force the closure of our retail stores globally, as we saw in the first quarter of 2020. We could also experience store closures on a regional basis, like we have seen in 2020 and 2021. We may face long term store closure requirements and other operational restrictions with respect to some or all of our physical locations for prolonged periods of time due to, among other factors, evolving and increasingly stringent governmental restrictions, public health directives, quarantine policies, or social distancing measures, resulting in a materially adverse impact to our financial results.

With store closures withstanding, consumer fears about becoming ill with the virus may persist, adversely affecting traffic to our stores. Consumer spending may also be negatively impacted by general economic downturn and decreased consumer confidence resulting from the COVID-19 global pandemic. This may negatively impact sales in our stores and our ecommerce channel. The potential reduction in consumer visits to our stores, caused by COVID-19, and any decreased spending at retail stores or online caused by a lack of consumer confidence and spending following the pandemic, could result in a loss of sales and profits.

A rise in the spread of COVID-19 also has the potential to significantly impact our supply chain if manufacturers of our products, distribution centers where we manage our inventory, or operations of our logistics and other service providers are disrupted, temporarily closed or experience worker shortages.

Due to the seasonality of our business, widespread closures during peak shopping periods could disproportionally impact financial results. The inability to effectively adapt to changes in consumer behavior could result in excess inventory and adversely impact financial results. We may experience adverse effects of prolonged operating restrictions related to in-person marketing and training events.

The COVID-19 pandemic’s impact on macroeconomic conditions could alter the functioning of financial and capital markets, foreign currency exchange rates, commodity prices, and interest rates. After the COVID-19 global pandemic has settled, we may continue to experience adverse impacts to our business as a result of evolving macroeconomic factors, including general economic uncertainty, unemployment rates, high inflation, recessionary pressures and any actual economic recession that has occurred or may occur in the future.

The extent of the impact of the COVID-19 global pandemic on our business remains uncertain and difficult to predict, given the innumerable unknowns regarding the duration and severity of the pandemic.

Most of our merchandise is produced by foreign manufacturers; therefore, the availability, quality and costs of our merchandise may be negatively affected by risks associated with international trade and other international conditions.

Most of our merchandise is produced by manufacturers around the world. Some of these facilities are located in regions that may be affected by natural disasters, public health concerns, or emergencies, such as COVID-19 and other communicable diseases or viruses, political instability or other conditions that could cause a disruption in trade. Trade restrictions such as increased tariffs or quotas, or both, could also increase the cost and reduce the supply of merchandise available to us. Any reduction in merchandise available to us or any increase in its cost due to tariffs, quotas or local issues that disrupt trade could have a material adverse effect on our results of operations. This includes costs to comply with regulatory developments regarding the use of “conflict minerals,” certain minerals originating from the Democratic Republic of Congo and adjoining countries, which may affect the sourcing and availability of raw materials used by manufacturers and subject us to increased costs associated with our products, processes or sources of our inputs. Our business could be adversely affected by disruptions in the supply chain, such as strikes, work stoppages, or port closures.

A decrease in consumer traffic could cause our sales to be less than expected.

We depend heavily on generating customer traffic to our stores and websites. This includes locating many of our stores in prominent locations within successful shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Our stores benefit from the ability of a mall's "anchor" tenants, generally large department stores and other area attractions, to generate consumer traffic in the vicinity of our stores and the continuing popularity of malls as shopping destinations. In addition, some malls that were in prominent locations when we opened our stores may cease to be viewed as prominent. If this trend continues or if the popularity of mall shopping continues to decline generally among our customers, our sales may decline, which would impact our results of operations. Additionally, we may experience other risks associated with operating leases, such as lease termination or impairment of operating lease right-of-use assets. These risks may include circumstances that are not within our control, such as changes in fair market rent. Furthermore, we depend on generating increased traffic to our ecommerce business and converting that traffic into sales. This requires us to achieve expected results from our marketing and social media campaigns, accuracy of data analytics, reliability of our website, network, and transaction processing and a high-quality online customer experience. Our sales volume and customer traffic in our stores and on our websites generally could be adversely affected by, among other things, economic downturns, competition from other ecommerce retailers, non-mall retailers and other malls, increases in gasoline prices, fluctuations in exchange rates in border or tourism-oriented locations and the closing or decline in popularity of other stores in the malls in which we are located. Also, geopolitical events, including the threat of terrorism, or widespread health emergencies, such as COVID-19 and other communicable diseases, viruses, or pandemics, could cause people to avoid our stores in shopping malls and alter consumer trends.

An uncertain economic outlook or continued bankruptcies of mall-based retailers could curtail new shopping mall development, decrease shopping mall and ecommerce traffic, reduce the number of hours that shopping mall operators keep their shopping malls open or force them to cease operations entirely. A reduction in consumer traffic to our stores or websites could have a material adverse effect on our business, results of operations and financial condition.

Our growth strategy depends on our ability to grow customer engagement in our current markets and expand into new markets, which could strain our resources and cause the performance of our existing business to suffer.

Our growth largely depends on our ability to optimize our customer engagement in our current trade areas and operate successfully in new geographic markets. However, our ability to open stores in new geographic markets, including international locations, is subject to a variety of risks and uncertainties, and we may be unable to open new stores as planned or have access to desirable lease space, and any failure to successfully open and operate in new markets could have a material adverse effect on our results of operations. We intend to continue to open new stores in future years, while remodeling a portion of our existing store base such that we have the optimum number of stores in any given trade area. The expansion into new markets may present competitive, merchandising, hiring and distribution challenges that are different from those currently encountered in our existing markets. In addition, our proposed expansion will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our business less effectively, which in turn could cause deterioration in the financial performance of our individual stores and our overall business. In addition, successful execution of our growth strategy may require that we obtain additional financing, and we may not be able to obtain that financing on acceptable terms or at all.

Failure to successfully integrate any businesses that we acquire could have an adverse impact on our results of operations and financial performance.

We may, from time to time, acquire businesses, such as our acquisition of Blue Tomato and Fast Times. We may experience difficulties in integrating any businesses we may acquire, including their stores, websites, facilities, personnel, financial systems, distribution, operations and general operating procedures, and any such acquisitions may also result in the diversion of our capital and our management's attention from other business issues and opportunities. If we experience difficulties in integrating acquisitions or if such acquisitions do not provide the benefits that we expect to receive, we could experience increased costs and other operating inefficiencies, which could have an adverse effect on our results of operations and overall financial performance.

Our plans for international expansion include risks that could have a negative impact on our results of operations.

We plan to continue to open new stores in the Canadian, European, and Australian markets. We may continue to expand internationally into other markets, either organically, or through additional acquisitions. International markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing U.S. market. As a result, operations in international markets may be less successful than our operations in the U.S. Additionally, consumers in international markets may not be familiar with us or the brands we sell, and we may need to build brand awareness in the markets. Furthermore, we have limited experience with the legal and regulatory environments and market practices in new international markets and cannot guarantee that we will be able to penetrate or successfully operate in these new international markets. We also expect to incur additional costs in complying with applicable foreign laws and regulations as they pertain to both our products and our operations. Accordingly, for the reasons noted above, our plans for international expansion include risks that could have a negative impact on our results of operations.

Our sales and inventory levels fluctuate on a seasonal basis. Accordingly, our quarterly results of operations are volatile and may fluctuate significantly.

Our quarterly results of operations have fluctuated significantly in the past and can be expected to continue to fluctuate significantly in the future. Our sales and profitability are typically disproportionately higher in the third and fourth fiscal quarters of each fiscal year due to increased sales during the back-to-school and winter holiday shopping seasons. Sales during these periods cannot be used as an accurate indicator of annual results. As a result of this seasonality, any factors negatively affecting us during the last half of the year, including unfavorable economic conditions, adverse weather or our ability to acquire seasonal merchandise inventory, could have a material adverse effect on our financial condition and results of operations for the entire year. In addition, in order to prepare for the back-to-school and winter holiday shopping seasons, we must order and keep in stock significantly more merchandise than we carry during other times of the year. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, results of operations and financial condition.

Our quarterly results of operations are affected by a variety of other factors, including:

- the timing of new store openings and the relative proportion of our new stores to mature stores;
- whether we are able to successfully integrate any new stores that we acquire and the presence of any unanticipated liabilities in connection therewith;
- fashion trends and changes in consumer preferences;
- calendar shifts of holiday or seasonal periods;
- changes in our merchandise mix;
- timing of promotional events;
- general economic conditions and, in particular, the retail sales environment;
- actions by competitors or mall anchor tenants;
- weather conditions;
- the level of pre-opening expenses associated with our new stores; and
- inventory shrinkage beyond our historical average rates.

If our information systems fail to function effectively or do not scale to keep pace with our planned growth, our operations could be disrupted and our financial results could be harmed.

If our information systems, including hardware and software, do not work effectively, this could adversely impact the promptness and accuracy of our transaction processing, financial accounting and reporting and our ability to manage our business and properly forecast operating results and cash requirements. Additionally, we rely on third-party service providers for certain information systems functions. If a service provider fails to provide the data quality, communications capacity or services we require, the failure could interrupt our services and could have a material adverse effect on our business, financial condition and results of operations. To manage the anticipated growth of our operations and personnel, we may need to continue to improve our operational and financial systems, transaction processing, procedures and controls, and in doing so could incur substantial additional expenses that could impact our financial results.

If we fail to meet the requirements to adequately maintain the privacy and security of our personal data and business information, we may be subjected to adverse publicity, litigation and significant expenses.

Information systems are susceptible to an increasing threat of continually evolving cybersecurity risks. If we fail to maintain or adequately maintain security systems, devices and activity monitoring to prevent unauthorized access to our network, systems and databases containing confidential, proprietary, and personally identifiable information, we may be subject to additional risk of adverse publicity, litigation or significant expense. Nevertheless, if unauthorized parties gain access to our networks, systems or databases, they may be able to steal, publish, delete or modify confidential information. In such circumstances, we could be held liable to our customers or other parties or be subject to regulatory or other actions for breaching privacy rules and we may be exposed to reputation damage and loss of customers' trust and business. This could result in costly investigations and litigation, civil or criminal penalties and adverse publicity that could adversely affect our financial condition, results of operations and reputation. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional resources, train employees, and engage third-parties. Further, the regulatory environment surrounding information security, cybersecurity and privacy is increasingly demanding. If we are unable to comply with the new and changing security standards, we may be subject to fines, restrictions and financial exposure, which could adversely affect our retail operations.

Significant fluctuations and volatility in the cost of raw materials, global labor, shipping and other costs related to the production of our merchandise may have a material adverse effect on our business, results of operations and financial conditions.

Increases in the cost of raw materials, global labor costs, freight costs and other shipping costs in the production and transportation of our merchandise can result in higher costs for this merchandise. The costs for these products are affected by weather, consumer demand, government regulation, speculation on the commodities market and other factors that are generally unpredictable and beyond our control. Our gross profit and results of operations could be adversely affected to the extent that the selling prices of our products do not increase proportionately with the increases in the costs of raw materials. Increasing labor costs and oil-related product costs, such as manufacturing and transportation costs, could also adversely impact gross profit. Additionally, significant changes in the relationship between carrier capacity and shipper demand could increase transportation costs, which could also adversely impact gross profit.

Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. As a result, the fluctuation in the value of the U.S. dollar against other currencies could have a material adverse effect on our results of operations, financial condition and cash flows. Upon translation, operating results may differ materially from expectations. As we continue to expand our international operations, our exposure to exchange rate fluctuations will increase. Tourism spending may be affected by changes in currency exchange rates, and as a result, sales at stores with higher tourism traffic may be adversely impacted by fluctuations in currency exchange rates. Further, although the prices charged by vendors for the merchandise we purchase are primarily denominated in U.S. dollars, a decline in the relative value of the U.S. dollar to foreign currencies could lead to increased merchandise costs, which could negatively affect our competitive position and our results of operations.

Our business could be adversely affected by increased labor costs, including costs related to an increase in minimum wage and health care.

Labor is one of the primary components in the cost of operating our business. Increased labor costs, whether due to competition, unionization, increased minimum wage, state unemployment rates, health care, mandated safety protocols, or other employee benefits costs may adversely impact our operating profit. A considerable amount of our store team members are paid at rates related to the federal or state minimum wage and any changes to the minimum wage rate may increase our operating expenses. Furthermore, inconsistent increases in state and or city minimum wage requirements limit our ability to increase prices across all markets and channels. Additionally, we are self-insured with respect to our health care coverage in the U.S. and do not purchase third party insurance for the health insurance benefits provided to employees with the exception of pre-defined stop loss coverage, which helps limit the cost of large claims. There is no assurance that future health care legislation will not adversely impact our results or operations.

Our business could suffer if a manufacturer fails to use acceptable labor and environmental practices.

We do not control our vendors or the manufacturers that produce the products we buy from them, nor do we control the labor and environmental practices of our vendors and these manufacturers. The violation of labor, safety, environmental and/or other laws and standards by any of our vendors or these manufacturers, or the divergence of the labor and environmental practices followed by any of our vendors or these manufacturers from those generally accepted as ethical in the U.S., could interrupt, or otherwise disrupt, the shipment of finished products to us or damage our reputation. Any of these, in turn, could have a material adverse effect on our reputation, financial condition and results of operations. In that regard, most of the products we sell are manufactured internationally, primarily in Asia, Mexico and Central America, which may increase the risk that the labor and environmental practices followed by the manufacturers of these products may differ from those considered acceptable in the U.S.

Additionally, our products are subject to regulation of and regulatory standards set by various governmental authorities with respect to quality and safety. These regulations and standards may change from time to time. Our inability to comply on a timely basis with regulatory requirements could result in significant fines or penalties, which could adversely affect our reputation and sales. Issues with the quality and safety of merchandise we sell, regardless of our culpability, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs.

If we fail to develop and maintain good relationships with vendors or if a vendor is otherwise unable or unwilling to supply us with adequate quantities of their products at acceptable prices, our business and financial performance could suffer.

Our business is dependent on developing and maintaining good relationships with a large number of vendors to provide our customers with an extensive selection of current and relevant brands. In addition to maintaining our large number of current vendor relationships, each year we are identifying, attracting and launching new vendors to provide a diverse and unique product assortment. We believe that we generally are able to obtain attractive pricing and terms from vendors because we are perceived as a desirable customer, and deterioration in our relationship with our vendors could have a material adverse effect on our business.

However, there can be no assurance that our current vendors or new vendors will provide us with an adequate supply or quality of products or acceptable pricing. Our vendors could discontinue selling to us, raise the prices they charge, sell through direct channels or allow their merchandise to be discounted by other retailers. There can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. In addition, certain vendors sell their products directly to the retail market and therefore compete with us directly and other vendors may decide to do so in the future. There can be no assurance that such vendors will not decide to discontinue supplying their products to us, supply us only less popular or lower quality items, raise the prices they charge us or focus on selling their products directly.

In addition, a number of our vendors are smaller, less capitalized companies and are more likely to be impacted by unfavorable general economic and market conditions than larger and better capitalized companies. These smaller vendors may not have sufficient liquidity during economic downturns to properly fund their businesses and their ability to supply their products to us could be negatively impacted. Any inability to acquire suitable merchandise at acceptable prices, or the loss of one or more key vendors, could have a material adverse effect on our business, results of operations and financial condition.

Our business is susceptible to weather conditions that are out of our control, including the potential risks of unpredictable weather patterns and any weather patterns associated with naturally occurring global climate change, and the resultant unseasonable weather could have a negative impact on our results of operations.

Our business is susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season (including any weather patterns associated with global warming and cooling) could render a portion of our inventory incompatible with those unseasonable conditions. These prolonged unseasonable weather conditions could have a material adverse effect on our business and results of operations.

Our omni-channel strategy may not have the return we anticipate, which could have an adverse effect on our results of operations.

We are executing an omni-channel strategy to enable our customers to shop wherever, whenever and however they choose to engage with us. Our omni-channel strategy may not deliver the results we anticipate or may not adequately anticipate changing consumer trends, preferences and expectations. We will continue to develop additional ways to execute our superior omni-channel experience and interact with our customers, which requires significant investments in IT systems and changes in operational strategy, including localization, online and in-store point of sale systems, order management system, and transportation management system. If we fail to effectively integrate our store and ecommerce shopping experiences, effectively scale our IT structure or we do not realize the return on our investments that we anticipate our operating results could be adversely affected. Our competitors are also investing in omni-channel initiatives. If our competitors are able to be more effective in their strategy, it could have an adverse effect on our results of operations. If we our omni-channel strategy fails to meet customer expectations related to functionality, timely delivery, or customer experience, our business and results of operations may be adversely affected. Additionally, to manage the anticipated growth of our operations and personnel, we will need to continue to improve our operational and financial systems, transaction processing, procedures and controls, and in doing so could incur substantial additional expenses that could impact our financial results.

If we lose key executives or are unable to attract and retain the talent required for our business, our financial performance could suffer.

Our performance depends largely on the efforts and abilities of our key executives. If we lose the services of one or more of our key executives, we may not be able to successfully manage our business or achieve our growth objectives. Furthermore, as our business grows, we will need to attract and retain additional qualified personnel in a timely manner and we may not be able to do so.

Failure to meet our staffing needs could adversely affect our ability to implement our growth strategy and could have a material impact on our results of operations.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees who understand and appreciate our culture and brand and are able to adequately represent this culture. Qualified individuals of the requisite caliber, skills and number needed to fill these positions may be in short supply in some areas and the employee turnover rate in the retail industry is high. Our business depends on the ability to hire and retain qualified technical and support roles for procurement, distribution, ecommerce and back office functions. Competition for qualified employees in these areas could require us to pay higher wages to attract a sufficient number of suitable employees.

If we are unable to hire and retain store managers and store associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture and knowledge of our merchandise, our ability to open new stores may be impaired and the performance of our existing and new stores could be materially adversely affected. We are also dependent upon temporary personnel to adequately staff our operations particularly during busy periods such as the back-to-school and winter holiday seasons. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that there will be sufficient sources of temporary personnel. If we are unable to hire qualified temporary personnel, our results of operations could be adversely impacted.

Although none of our employees are currently covered by collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future, which could increase our labor costs and could subject us to the risk of work stoppages and strikes. Any such failure to meet our staffing needs, any material increases in employee turnover rates, any increases in labor costs or any work stoppages, interruptions or strikes could have a material adverse effect on our business or results of operations.

A decline in cash flows from operations could have a material adverse effect on our business and growth plans.

We depend on cash flow from operations to fund our current operations and our growth strategy, including the payment of our operating leases, wages, store operation costs and other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our credit facility or from other sources, we may not be able to pay our operating lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could have a material adverse effect on our business.

The terms of our secured credit agreement impose certain restrictions on us that may impair our ability to respond to changing business and economic conditions, which could have a significant adverse impact on our business. Additionally, our business could suffer if our ability to acquire financing is reduced or eliminated.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a senior secured credit facility ("credit facility") of up to $25.0 million through December 1, 2023, and up to $35.0 million after December 1, 2023 and through December 1, 2024. The credit facility contains various representations, warranties and restrictive covenants that, among other things and subject to specified circumstances and exceptions, restrict our ability to incur indebtedness (including guarantees), grant liens, make investments, pay dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers, dispose of certain assets or change the nature of their business. The credit facility contains certain financial maintenance covenants that generally require us to have a quick ratio of 1.25:1.0 at the end of each fiscal quarter, and EBITDA not less than $12.0 million as of the fiscal quarters ending July 29, 2023 and October 28, 2023, and not less than $20,0 million as of the fiscal quarter ending February 3, 2024 and each fiscal quarter thereafter. EBITDA is defined as net profit before tax, depreciation and amortization expense, goodwill and other intangible impairment, leased right-of-use asset impairment, and store fixed asset impairment (up to an aggregate of $5.0 million), plus interest expense (net of capitalized interest expense). These restrictions could (1) limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and (2) adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest.

The credit facility contains certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance, and providing additional guarantees and collateral in certain circumstances. The credit facility includes customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross-default to other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of guarantees or security interests, material judgments and change of control. Additionally, we cannot be assured that our borrowing relationship with our lenders will continue or that our lenders will remain able to support their commitments to us in the future. Several bank failures have occurred during 2023 and it is possible that other banks will face similar difficulty in the future. Although we do not maintain any direct deposit accounts, credit agreements or letters of credit with any financial institution currently in receivership, we are unable to predict the extent or nature of the impacts of these evolving circumstances at this time. Additionally, U.S. debt ceiling and budget deficit concerns have increased the possibility of credit rating downgrades, or a recession in the U.S. Although U.S. lawmakers have passed legislation to raise the federal debt ceiling on multiple occasions, including in June 2023, ratings agencies have threatened to lower the long-term sovereign credit rating on the United States. The impact of the increased debt ceiling and/or downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. If our lenders fail, then we may not be able to secure alternative financing on commercially reasonable terms, or at all.

Our business could suffer with the closure or disruption of our home office or our distribution centers.

In the U.S., we rely on a single distribution center located in Corona, California to receive, store and distribute the vast majority of our merchandise to our domestic stores. Internationally, we operate a combined distribution and ecommerce fulfillment center located in Graz, Austria that supports our Blue Tomato ecommerce and store operations in Europe. We operate a distribution center located in Delta, British Columbia, Canada to distribute our merchandise to our Canadian stores. We operate a distribution and ecommerce fulfillment center located in Melbourne, Australia to distribute our merchandise to our Australian stores. Additionally, we are headquartered in Lynnwood, Washington. As a result, unforeseen events, including war, terrorism, other political instability or conflicts, riots, public health issues (including widespread/pandemic illnesses such as coronavirus and other communicable diseases or viruses), a natural disaster or other catastrophic event that affects one of the regions where we operate these centers or our home office could significantly disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

The effects of war, acts of terrorism, threat of terrorism, or other types of mall violence, could adversely affect our business.

Most of our stores are located in shopping malls. Any threat of terrorist attacks or actual terrorist events, or other types of mall violence, such as shootings or riots, could lead to lower consumer traffic in shopping malls. In addition, local authorities or mall management could close shopping malls in response to security concerns. Mall closures, as well as lower consumer traffic due to security concerns, could result in decreased sales. Additionally, the threat, escalation or commencement of war or other armed conflict elsewhere, could significantly diminish consumer spending, and result in decreased sales. Decreased sales could have a material adverse effect on our business, financial condition and results of operations.

Our inability or failure to protect our intellectual property or our infringement of other's intellectual property could have a negative impact on our operating results.

We believe that our trademarks and domain names are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our trademarks or domain names could diminish the value of the Zumiez, Blue Tomato, or Fast Times brands, our store concepts, our private label brands or our goodwill and cause a decline in our net sales. Although we have secured or are in the process of securing protection for our trademarks and domain names in a number of countries outside of the U.S., there are certain countries where we do not currently have or where we do not currently intend to apply for protection for certain trademarks. Also, the efforts we have taken to protect our trademarks may not be sufficient or effective. Therefore, we may not be able to prevent other persons from using our trademarks or domain names outside of the U.S., which also could adversely affect our business. We are also subject to the risk that we may infringe on the intellectual property rights of third parties. Any infringement or other intellectual property claim made against us, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays or require us to pay royalties or license fees. As a result, any such claim could have a material adverse effect on our operating results.

Our operations expose us to the risk of litigation, which could lead to significant potential liability and costs that could harm our business, financial condition or results of operations.

We employ a substantial number of full-time and part-time employees, a majority of whom are employed at our store locations. As a result, we are subject to a large number of federal, state and foreign laws and regulations relating to employment. This creates a risk of potential claims that we have violated laws related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury and other claims. We are also subject to other types of claims in the ordinary course of our business. Some or all of these claims may give rise to litigation, which could be time-consuming for our management team, costly and harmful to our business.

In addition, we are exposed to the risk of class action litigation. The costs of defense and the risk of loss in connection with class action suits are greater than in single-party litigation claims. Due to the costs of defending against such litigation, the size of judgments that may be awarded against us, and the loss of significant management time devoted to such litigation, we cannot provide assurance that such litigation will not disrupt our business or impact our financial results.

We are involved, from time to time, in litigation incidental to our business including complaints filed by investors. This litigation could result in substantial costs, and could divert management's attention and resources, which could harm our business. Risks associated with legal liability are often difficult to assess or quantify, and their existence and magnitude can remain unknown for significant periods of time.

Failure to comply with federal, state, local or foreign laws and regulations, or changes in these laws and regulations, could have an adverse impact on our results of operations and financial performance.

Our business is subject to a wide array of laws and regulations including those related to employment, trade, consumer protection, transportation, occupancy laws, health care, wage laws, employee health and safety, taxes, privacy, health information privacy, identify theft, customs, truth-in-advertising, securities laws, unsolicited commercial communication and environmental issues. Our policies, procedures and internal controls are designed to comply with foreign and domestic laws and regulations, such as those required by the Sarbanes-Oxley Act of 2002 and the U.S. Foreign Corrupt Practices Act. Although we have policies and procedures aimed at ensuring legal and regulatory compliance, our employees or vendors could take actions that violate these laws and regulations. Any violations of such laws or regulations could have an adverse effect on our reputation, results of operations, financial condition and cash flows. Furthermore, changes in the regulations, the imposition of additional regulations, or the enactment of any new legislation, particularly in the U.S. and Europe, could adversely affect our results of operations or financial condition.

Fluctuations in our tax obligations and effective tax rate may result in volatility in our operating results.

We are subject to income taxes in many domestic and foreign jurisdictions. In addition, our products are subject to import and excise duties and/or sales, consumption or value-added taxes in many jurisdictions. We record tax expense based on our estimates of future payments, which include reserves for estimates of probable settlements of domestic and foreign tax audits. At any one time, many tax years are subject to audit by various taxing jurisdictions. There can be no assurance as to the outcome of these audits which may have an adverse effect to our business. In addition, our effective tax rate may be materially impacted by changes in tax rates and duties, the mix and level of earnings or losses by taxing jurisdictions, or by changes to existing accounting rules or regulations. Changes to foreign or domestic tax laws could have a material impact on our financial condition, results of operations or cash flows.

We may fail to meet analyst expectations, which could cause the price of our stock to decline.

Our common stock is traded publicly and various securities analysts follow our financial results and issue reports on us. These reports include information about our historical financial results as well as the analysts' estimates of our future performance. The analysts' estimates are based upon their own independent opinions and can be different from our estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline.

The reduction of total outstanding shares through the execution of a share repurchase program of common stock may increase the risk that a group of shareholders could form a group to become a controlling shareholder.

A share repurchase program may be conducted from time to time under authorization made by our Board of Directors. We do not have a controlling shareholder, nor are we aware of any shareholders that have formed a “group” (defined as when two or more persons agree to act together for the purposes of acquiring, holding, voting or otherwise disposing of the equity securities of an issuer). The reduction of total outstanding shares through the execution of a share repurchase program of common stock may increase the risk that a group of shareholders could form a group to become a controlling shareholder.

A controlling shareholder would have significant influence over, and may have the ability to control, matters requiring approval by our shareholders, including the election of directors and approval of mergers, consolidations, sales of assets, recapitalizations and amendments to our articles of incorporation. Furthermore, a controlling shareholder may take actions with which other shareholders do not agree, including actions that delay, defer or prevent a change of control of the company and that could cause the price that investors are willing to pay for the company’s stock to decline.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Our market risk profile at July 29, 2023 has not significantly changed since January 28, 2023. Our market risk profile at January 28, 2023 is disclosed in our Annual Report on Form 10-K.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)). Based on this evaluation, our CEO and CFO concluded that, as of July 29, 2023, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) during the three months ended July 29, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved from time to time in litigation incidental to our business. We are unable to predict the outcome of litigated cases. A court determination in any of litigation actions against us could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

See Note 5 to the Notes to Condensed Consolidated Financial Statements found in Part I Item 1 of this Form 10-Q (listed under “Litigation” under Commitments and Contingencies).

Item 1A. Risk Factors

Please refer to the Risk Factors set forth in Item 2 of Part I of this Form 10-Q as well as the risk factors previously disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended January 28, 2023. There have been no material changes in the risk factors set forth in our Annual Report on Form 10-K for the year ended January 28, 2023.

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

There were no issuer purchases of common stock during the thirteen weeks ended July 29, 2023.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Effective as of July 27, 2023, Zumiez Inc. and Zumiez Services Inc. entered into a Second Amendment to Credit Agreement with Wells Fargo Bank, National Association (the "Credit Agreement Amendment"). The Credit Agreement Amendment provides for certain revised financial maintenance covenants as discussed in further detail in Item 1, Note 6—Revolving Credit Facilities and Debt. The Credit Agreement Amendment is also filed as an exhibit to this report on Form 10-Q.

Item 6. Exhibits

Exhibit No.	Description of Exhibits
10.35	Second Amendment to Credit Agreement dated effective as of July 27, 2023 by and among Zumiez Inc., Zumiez Services Inc. and Wells Fargo Bank, National Association.
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
101	The following materials from Zumiez Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended July 29, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at July 29, 2023 (unaudited) and January 28, 2023; (ii) Unaudited Condensed Consolidated Statements of Operations for the three and six months ended July 29, 2023 and July 30, 2022; (iii) Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended July 29, 2023 and July 30, 2022; (iv) Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended July 29, 2023 and July 30, 2022; (v) Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended July 29, 2023 and July 30, 2022; and (vi) Notes to Condensed Consolidated Financial Statements.
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

SIGNATURE

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

ZUMIEZ INC.

Dated: September 7, 2023

By: /s/ Christopher C. Work
Christopher C. Work
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 10.35

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated effective as of July 27, 2023, is entered into by and between ZUMIEZ INC., a Washington corporation (“Parent”), ZUMIEZ SERVICES INC., a Washington corporation (together with Parent, each individually and collectively, as the context requires, "Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated December 7, 2018, as amended from time to time ("Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 4.9 is hereby deleted in its entirety, and the following substituted therefor:

“SECTION 4.9. FINANCIAL CONDITION. Maintain the financial condition of Parent and its consolidated subsidiaries as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) EBITDA not less than (i) $12,000,000 as of each fiscal quarter ending July 29, 2023 and October 28, 2023 and (ii) $20,000,000 as of the fiscal quarter ending February 3, 2024 and each fiscal quarter ending thereafter, in each case, determined on a rolling 4-quarter basis and with “EBITDA” defined as net profit before tax plus interest expense (net of capitalized interest expense), depreciation expense and amortization expense; provided, that, there shall be added to EBITDA all charges for impairment of goodwill, other intangibles, leased right-to-use assets, and up to an aggregate of
$5,000,000 of store fixed asset impairment, in each case, as shown on the balance sheet.

(b) Quick Ratio not less than 1.25:1.0 determined at fiscal quarter end. The Quick Ratio is the sum of cash plus cash equivalents plus marketable securities plus accounts receivable divided by the aggregate amount of all credit extensions (including the principal amount of all loans and the Stated Amount of all letters of credit under this Agreement.”

2. Section 5.2 is hereby amended and restated in its entirety to read as following:

“SECTION 5.2. CAPITAL EXPENDITURES. During a Springing Event Period (as defined below), make any investment in fixed assets in excess of an aggregate of $30,000,000, measured for Parent and its subsidiaries on a consolidated basis, during the four fiscal quarters of Parent immediately following the fiscal quarter of Parent in which a Springing Event occurs; provided, however, that notwithstanding anything to the contrary herein, no investment in fixed assets shall be made if, on a proforma basis after giving effect to the usage of any cash or cash equivalents to fund such investment, (a) a Springing Event would occur and (b) investments in fixed assets for such period would exceed $30,000,000, with such usage deemed to have occurred in the most recently ended fiscal quarter of Parent prior to the fiscal quarter in which the investment is made.

As used herein:

(a) “Springing Event” means that as of the last day of any fiscal quarter of Parent, Parent and its consolidated subsidiaries have less than $80,000,000 of cash and cash equivalents (including, without limitation, Permitted Investments described in clauses (b) – (g) of Section 5.6) as listed on Parent's balance sheet as included within Parent's 10-Q (or in the case of the last fiscal quarter of any fiscal year of Parent, Parent's 10-K) as filed with the Securities and Exchange Commission;

(b) "Springing Event Cure" means that as of the last day of any fiscal quarter of Parent after the occurrence of a Springing Event, Parent and its consolidated subsidiaries have at least $80,000,000 of cash, cash equivalents (including, without limitation, Permitted Investments described in clauses (b) – (g) of Section 5.6) as listed on Parent's balance sheet as included within Parent's 10-Q (or, in the case of the last fiscal quarter of any fiscal year of Parent, Parent's 10-K) as filed with the Securities and Exchange Commission; and

(c) "Springing Event Period" means the period commencing on the date upon which a Springing Event occurs, and ending on the date of a Springing Event Cure occurs, if any."

3. The effective date of this Amendment shall be the date that all of the following conditions set forth in this Section have been satisfied, as determined by Bank and evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Amendment, Bank shall not be obligated to extend credit under this Amendment or any other Loan Document until all conditions to each extension of credit set forth in the Credit Agreement have been fulfilled to Bank's satisfaction.

(a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Amendment shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:

(i) This Amendment and each promissory note or other instrument or document required hereby.
(ii) Guarantors' Consent and Reaffirmation attached hereto.
(iii) Such other documents as Bank may require under any other Section of this Amendment.

(c) Regulatory and Compliance Requirements. All regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.

4. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

5. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment and as of the date of Borrower's execution of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

6. Borrower hereby covenants that Borrower shall provide to Bank from time to time such other information as Bank may request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes. Borrower hereby represents and warrants to Bank that all information provided from time to time by Borrower or any Third Party Obligor to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct at the time such information was provided and, except as specifically identified to Bank in a subsequent writing, remains complete and correct today, and shall be complete and correct at each time Borrower is required to reaffirm the representations and warranties set forth in the Credit Agreement.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Amendment to be effective as of the effective date set forth herein.

ZUMIEZ SERVICES INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION
By: ______________________________	By: ______________________________
Name: Chris K. Visser	Name: Heather R. Ray
Title: Secretary	Title: Vice President

ZUMIEZ INC.

By: ______________________________
Name: Christopher C. Work
Title: CFO

GUARANTORS' CONSENT AND REAFFIRMATION

Each of the undersigned guarantors of all indebtedness of ZUMIEZ INC. and ZUMIEZ SERVICES INC. to WELLS FARGO BANK, NATIONAL ASSOCIATION hereby: (i) consents to the foregoing Amendment; (ii) reaffirms its obligations under its respective Continuing Guaranty; (iii) reaffirms its waivers of each and every one of the defenses to such obligations as set forth in its respective Continuing Guaranty; and (iv) reaffirms that its obligations under its respective Continuing Guaranty are separate and distinct from the obligations of any other party under said Amendment and the other Loan Documents described therein.

GUARANTORS:

ZUMIEZ PUERTO RICO LLC

By: Zumiez Inc., its sole member and manager

By: ______________________________
Name: Chris K. Visser
Title: Secretary

ZUMIEZ NEVADA, LLC

By: ______________________________
Name: Chris K. Visser
Title: Manager

ZUMIEZ INTERNATIONAL, LLC

By: ______________________________
Name: Chris K. Visser
Title: Manager

ZUMIEZ DISTRIBUTION LLC

By: Zumiez Inc., its sole member and manager

By: ______________________________
Name: Chris K. Visser
Title: Secretary

ZIC, LLC

By: ______________________________
Name: Chris K. Visser
Title: Manager

[SIGNATURE PAGES CONTINUE ON FOLLOWING PAGE]

ZIC II, LLC

By: ______________________________
Name: Chris K. Visser
Title: Manager

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard M. Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zumiez Inc.;
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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) 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
   d) 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 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 registrant's board of directors (or persons performing the equivalent function):
   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.

/s/ Richard M. Brooks

Richard M. Brooks
Chief Executive Officer and Director
(Principal Executive Officer)

Dated: September 7, 2023

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher C. Work, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zumiez Inc.;
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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) 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
   d) 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 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 registrant's board of directors (or persons performing the equivalent function):
   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.

/s/ Christopher C. Work

Christopher C. Work
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Dated: September 7, 2023

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Zumiez Inc., a Washington corporation (the “Company”), on Form 10-Q for the three months ended July 29, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, Richard M. Brooks, Principal Executive Officer of the Company and Christopher C. Work, Principal Financial Officer of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

(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 result of operations of the Company.

/s/ Richard M. Brooks	/s/ Christopher C. Work
Richard M. Brooks	Christopher C. Work
Chief Executive Officer and Director (Principal Executive Officer)	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
September 7, 2023	September 7, 2023