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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

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(Mark One)

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

For the fiscal year ended February 1, 2025  
OR

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

For transition period from to  
Commission File Number 001-40571

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**TORRID HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**84-3517567**

(I.R.S. Employer  
Identification Number)

**18501 East San Jose Avenue  
City of Industry, California 91748  
(626) 667-1002**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	CURV	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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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 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

As of March 27, 2025, there were approximately 104,928,245 shares of the registrant's common stock outstanding. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 3, 2024 was approximately \$110 million based upon the last reported sales price on the New York Stock Exchange on that date of \$7.72.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the registrant's definitive proxy statement for the 2025 Annual Meeting of Stockholders (the "2024 Proxy Statement"), to be filed with the Securities and Exchange Commission ("SEC") no later than 120 days after the end of the registrant's fiscal year ended February 1, 2025.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical or current fact included in this Annual Report on Form 10-K are forward-looking statements. Forward-looking statements reflect our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely" and other words and terms of similar meaning (including their negative counterparts or other various or comparable terminology). For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- changes in consumer spending and general economic conditions;
  - the interruption of the flow of merchandise from international manufacturers, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports;
  - the negative impact on interest expense as a result of high interest rates;
  - inflationary pressures with respect to labor and raw materials and global supply chain constraints that could increase our expenses;
  - the adverse impact of rulemaking changes implemented by the Consumer Financial Protection Bureau on our income streams, profitability and results of operations;
  - our ability to identify and respond to new and changing product trends, customer preferences and other related factors;
  - our dependence on a strong brand image;
  - increased competition from other brands and retailers;
  - our reliance on third parties to drive traffic to our website;
  - the success of the shopping centers in which our stores are located;
  - our ability to adapt to consumer shopping preferences and develop and maintain a relevant and reliable omni-channel experience for our customers;
  - our dependence upon independent third parties for the manufacture of all of our merchandise;
  - availability constraints and price volatility in the raw materials used to manufacture our products;
  - our sourcing a significant amount of our products from China;
  - shortages of inventory, delayed shipments to our e-Commerce customers and harm to our reputation due to difficulties or shut-down of our distribution facility;
  - our reliance upon independent third-party transportation providers for substantially all of our product shipments;
  - our growth strategy;
  - our failure to attract and retain employees that reflect our brand image, embody our culture and possess the appropriate skill set;
  - damage to our reputation arising from our use of social media, email and text messages;
  - our reliance on third parties for the provision of certain services, including real estate management;
  - our dependence upon key members of our executive management team;
  - our reliance on information systems;
  - system security risk issues that could disrupt our internal operations or information technology services;
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- unauthorized disclosure of sensitive or confidential information, whether through a breach of our computer system, third-party computer systems we rely on, or otherwise;
- our failure to comply with federal and state laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection;
- payment-related risks that could increase our operating costs or subject us to potential liability;
- claims made against us resulting in litigation;
- changes in laws and regulations applicable to our business;
- regulatory actions or recalls arising from issues with product safety;
- our inability to protect our trademarks or other intellectual property rights;
- our substantial indebtedness and lease obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- changes in tax laws or regulations or in our operations that may impact our effective tax rate;
- the possibility that we may recognize impairments of definite-lived assets;
- our failure to maintain adequate internal control over financial reporting; and
- the threat of war, terrorism or other catastrophes, including natural disasters, that could negatively impact our business.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the effect of known factors, and, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, are disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. All forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC and public communications. You should evaluate all forward-looking statements made in this Annual Report on Form 10-K in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not include all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the outcomes or affect us or our operations in the way we expect. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise except to the extent required by law.

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## Part I

### Item 1. Business

#### Overview

Torrid Holdings Inc. ("Torrid," "we," "us," "our," the "Company") is a direct-to-consumer brand in North America dedicated to offering a diverse assortment of stylish apparel, intimates, and accessories skillfully designed for curvy women. Specializing in sizes 10 to 30, our primary focus is on providing fashionable, comfortable, and affordable options that meet the unique needs of our customers. Our extensive collection features high quality merchandise, including tops, bottoms, denim, dresses, intimates, activewear, footwear, and accessories. Our products are exclusive to us, and each product is meticulously crafted to cater to the needs of the curvy woman, empowering her to love the way she looks and feels. Our collections are artfully curated to suit all aspects of our customers' lives, including casual weekends, work, dressy and special occasions. Understanding the importance of affordability, we aim to keep our prices reasonable without compromising on quality. This allows us to build a meaningful connection with our customers, distinguishing us from other brands that often overlook plus- and mid-size consumers. Our brand experience and product offerings establish us as a differentiated and reliable choice for plus- and mid-size customers, which we believe sets us apart in the market. We strive to be everything our customer needs in her closet, consistently delivering products that make her feel confident and stylish.

#### The Torrid Approach

We have developed a proprietary approach to designing stylish, commercially relevant apparel and intimates that resonates with a diverse range of customers and appeals broadly to their sense of style. Our loyal customer base provides us with valuable insights that enable us to refine our products and experience. This creates a self-reinforcing cycle that solidifies our leadership in the plus- and mid-size apparel markets.

Our diverse assortment caters to the curvy woman's unique needs, offering:

- A tailored fit she rarely has access to that meets all of her individual style aspirations;
- A rigorous design process where every single article of clothing is fitted on a real woman, and not simply "grading up" non-plus-size apparel;
- A proprietary sizing process constantly updated through continuous customer feedback and data, until we fit to perfection; and
- An expanded brand that provides a fusion of trendy and on-point style with exceptional tailoring that satisfies the unique needs of the curvy woman.

#### Product

##### *Product Offering*

We offer a comprehensive product line that inspires our customers with new and exciting options for her entire closet. Our assortment spans tops, bottoms, denim, dresses, intimates, activewear, footwear and accessories that we believe embody the attitude and style that enable our customers to comfortably and confidently dress like their non-plus-size friends. Combined with an unparalleled fit, we believe our products make us a destination for our customers to shop for every occasion, from casual to dressy, and everything in between.

While we aim to bring her current styles and trends, we also bring her offerings built on a foundation of timeless year-round styles and colors ("Basics") that are constantly replenished. Our core offerings include products that are on-trend interpretations of our Basics merchandise ("Core") that we update with new fabrics, prints, embellishments or features. For example, the Harper Blouse represents a Basics item with Core iterations that feature different lengths and sleeve designs. Our trend-driven items incorporate fresh styles available in the broader market to excite and engage our customer but are bought narrowly and reordered as demand dictates to minimize inventory risk.

Our focus on bottoms and intimates, both attractive growth categories where technical expertise is critical, drives customer loyalty and serves as an entry point to the Torrid brand. Our intimates line is designed to inspire confidence and allows our customer to move in effortless comfort throughout her day while feeling confident and sexy. We offer a full range of bra frames, sizes and solutions, continually testing new innovations. Over the course of approximately two decades, Torrid has developed the requisite design and engineering expertise for the highly technical bra category through a rigorous in-house research and development process.

### ***Product Design and Development***

We are dedicated to creating youthful, sexy and commercially relevant products that cater specifically to the woman in our size range. Our in-house design, development and merchandising teams work tirelessly to bring our vision to life under our portfolio of brands, including Torrid®, Torrid Curve®, CURV®, and Lovesick®. Our products are exclusive to us and provide a consistent quality and fit that we believe she cannot find elsewhere. Our product development is led by a team of highly skilled designers, artists and product engineers. Our core competency is our differentiated, market-leading fit that we achieve through the following strategies:

- Laser focus on fit across our entire organization;
- Differentiated technical fit created through building and continuously refining a database of fit specifications derived from testing, measuring and cataloging garments on our fit models;
- Proprietary fabrics specifically engineered to enhance the fit;
- Fit all of our products on fit models and our staff, not mannequins; and
- We often test new fabrics, new silhouettes and new product lines on our staff and community of loyal customers before launch.

Additionally, we employ a data-driven approach to design and product development, proactively and quickly incorporating sales and operational performance information alongside customer feedback from thousands of product reviews, and our ongoing dialogue with customers through social media and customer surveys.

### ***Merchandise Planning***

Our strategy is built around a consistent and stable base of Core products that provide our customer with year-round style. At the same time, we introduce new lines of merchandise approximately 16 times per year, thus providing a consistent flow of fresh merchandise to keep our customer engaged, encourage repeat business and attract new customers.

We regularly use the depth and breadth of our data to assess sales, market trends and new product development to inform purchasing decisions. As a result, we have the flexibility to react quickly to product performance, make in-season inventory purchasing adjustments where possible and to respond to the latest sales trends by ordering or re-ordering as appropriate. Further, we utilize a read-and-react testing approach, with small purchase quantities, to introduce our new product offering, minimizing fashion risk. This strategy also allows us to mitigate inventory risk, particularly for new products or styles, while simultaneously providing our customers access to current fashion.

### ***Customers***

Our typical customer is an employed, youthful woman between the ages of approximately 30 and 44 years old with above-average annual household income, and wears sizes 10 to 30 (average of size 18). Approximately half of our customers are under 40 years old and the ethnic composition of our customer base largely parallels that of the U.S. population. She leads a busy life, is short on time and wants a curated presentation of quality apparel, intimates and accessories that are on trend and fit her well.

### **Torrid Loyalty and Torrid Credit Card Programs**

We drive customer loyalty and engagement through our three-tier loyalty program, Torrid Rewards. Members earn one point for every dollar spent and receive a reward for every 250 points collected. The program is tiered by annual customer spend and offers incremental perks with each tier. Torrid Insider members are those who spend up to \$499 annually, while members of Torrid Loyalist spend \$500+ annually and Torrid VIP spend \$1,000+ annually. We inspire loyalty by continuously engaging with our loyalty members through birthday gifts, social media, dedicated customer service lines and exclusive events. Members of the top two tiers of our loyalty program, Torrid VIP and Loyalist, are our most loyal customers who purchase from us more often and spend significantly more than the average customer, accounting for an outsized share of net sales.

Additionally, we provide our customers with access to our Torrid Credit Card Program through which customers receive points, discounts and other perks. Torrid Credit Card holders are among our most loyal and valuable customers. Our credit card program encourages customer loyalty, serves as a valuable source for data and allows us to further invest in marketing efforts while limiting exposure to incremental credit risk as our bank partner substantially manages all administrative processes, including underwriting, and bears a portion of the credit balance risk.

Torrid Rewards and our Torrid Credit Card program provide us with a strong ability to attribute sales and behavioral data to individual customers, which informs our decision-making process.

## **Unified Commerce Platform**

Through our unified commerce platform, which includes our e-Commerce and retail stores, we deliver a seamless brand experience to our customers wherever and whenever she chooses to shop. We are agnostic to the channel where our customers choose to shop, as we are highly profitable across both e-Commerce and store channels. We deliver a consistent brand message by coordinating our strategies across channels, which we believe influences our customers' buying decisions. This customer-centric strategy enhances customer acquisition, retention and customer lifetime value. Our e-Commerce and store channels complement and drive traffic to one another, creating more loyal omni-channel customers.

### ***e-Commerce***

Our e-Commerce channel is central to our unified commerce platform. Our online platform provides customers with a highly engaging shopping experience featuring access to our full product assortment, an aesthetically rich and easily navigable website, and seamless ordering and fulfillment. Additionally, we successfully use our e-Commerce platform to expand our selection of styles, colors and merchandise meaningfully beyond what is available in our stores, making the online shopping experience highly engaging and additive to our in-store experience. Our website and mobile app feature updates on new collections, guidance on how to wear and put together outfits and a selection of web-only exclusives, all of which facilitate customer engagement and interaction.

We aim to be wherever she is and make the transaction process as convenient as possible. As a result, a majority of our e-Commerce orders and a material portion of all orders are placed directly from her phone. The functionality and features of our mobile app enable us to deliver enhanced personalization such as allowing her to find her recommended size while suggesting complementary items to expedite purchase decisions and increase frequency and order size.

### ***Stores***

Our stores are highly valuable strategic assets that remain core to our strategy and continue to play one of the most important roles in our customer acquisition strategy. A majority of our new customer relationships begin in our stores. We believe our stores enhance brand awareness, drive traffic to our e-Commerce platform and encourage customers to shop across multiple channels of our unified commerce platform. We provide a sophisticated presentation of products that has an emphasis on outfits, which presents creative styling ideas to our customer and encourages incremental spend. Our stores include large, comfortable fitting rooms with features, such as cooling fans, that are specifically suited for our customers' needs. Additionally, our stores offer customers the opportunity to connect with a like-minded community, through exclusive in-store events and interactions with our store associates, who act as brand ambassadors and are often customers themselves.

As of February 1, 2025, we operated 634 stores in the U.S., Puerto Rico and Canada. Our stores are located primarily in premium malls, shopping plazas, lifestyle centers and outlet locations. Our stores are designed to deliver an immersive fit discovery experience and serve as desirable customer destinations. As a result, they exhibit resilience to trends in traffic volatility and perform consistently across all formats. Our average store size is approximately 3,100 square feet.

## **People and Culture**

Our management is committed to attracting, developing and retaining talent, and supporting a company culture of belonging where our associates and customers feel valued. Our work environment is open and collaborative with an organizational structure that facilitates efficient decision making. Many of our employees are also customers who believe in our mission to empower curvy women to love the way they look and feel. We strive to promote a welcoming and inclusive culture throughout our Company.

The goal of creating a welcoming and supportive environment spans our full organization from our headquarters and distribution center to our stores. We remain committed to a work environment rooted in mutual respect and inclusion and will continue to encourage different ideas and points of view. We believe that diverse perspectives and experiences are important to help inform management of risks, business strategies and opportunities. We believe that our in-store brand ambassadors are critical to our success and often represent the face of our organization to our customers. We empower our managers and in-store brand ambassadors to deliver a superior shopping experience. We provide thorough product- and fit-oriented training that aims to strengthen our brand experience in the store. We also provide our in-store brand ambassadors with sales and key performance data that help them optimize their store's performance and foster a culture of accountability. Communications with our store associates is a critical channel for valuable product and customer feedback. We believe we have established effective two-way lines of communication throughout our organization, including using technologies to communicate with stores in real time and routinely synthesize store insights and customer feedback from the field to influence decision making.

As of February 1, 2025, we employed approximately 1,810 full-time and 5,780 part-time employees. Of these employees, approximately 490 are assigned to our headquarters in City of Industry, California and approximately 7,100 are employed in our stores and distribution center. Our number of employees, particularly part-time employees, fluctuates depending upon seasonal needs. Our employees are not represented by a labor union and are not party to a collective bargaining agreement.

Our talent strategy is to attract, engage and retain the best and most qualified talent. We offer competitive compensation packages that are based on market-specific data for comparable roles and geographic locations. We believe in rewarding high performance and seek to design plans and programs to support this culture. To further support the advancement of our employees, we invest in a wide range of training and development opportunities at all levels across the organization, including through both online and instructor-led internal programs, as well as third-party programs. We regularly collect feedback from our employees to better understand and improve our learning and development offerings to meet their needs. To ensure we provide a rich and rewarding experience for our employees, we monitor culture and engagement to build on the competencies that are important for our future success. We routinely hold employee engagement events and virtual and on-demand learning sessions for our associates' development.

Employee safety remains a priority. We develop and administer company-wide policies to ensure the safety of each team member and compliance with Occupational Safety and Health Administration standards and local requirements.

An important part of our culture is our focus on giving back to the community, which we do primarily through our Torrid Foundation that we established in 2017. The mission of the Torrid Foundation is to support various nonprofit organizations dedicated to helping women and changing lives for our customers and their communities. The funds utilized in these efforts are raised from customer donations, including whole-dollar sale round-ups and proceeds from a portion of total sales during specific campaign periods.

### **Data Analytics**

We have a significant volume of customer and transaction data, collected from a variety of sources, including e-Commerce and in-store interactions, our loyalty program, social media and customer surveys. For example, we have the ability to track page views, search history, clicks, linger time and purchase route for visitors to our e-Commerce platform. We use our data to drive decision making across the organization. This customer data is largely based on information provided by customers who have opted-in to be part of our loyalty program. Our extensive database contains valuable customer information that helps us better market to our customers.

We have significant visibility into our customers' transaction behavior, including purchases made across our channels. We use our customer database to acquire, develop and retain customers. We can identify customers who purchase products regardless of whether they shop on our e-Commerce platform or in-store. We leverage this customer database to drive data analysis and insights that we use in managing our business. For example, to grow the penetration of intimates sales, we are able to offer a promotion targeted at customers who have bought our apparel but not our intimates, which will encourage shopping across categories.

### **Marketing and Advertising**

We promote a message of inclusivity that empowers all women to love the way they look and feel. Our brand inspires women to feel confident, sexy and youthful like they never have before. We believe our brand messaging built around fashion and fit resonates with the attitudes of younger generations who are frustrated with being ignored by other brands. Our marketing collateral intentionally represents the diversity of our customer base, including curvy women of all sizes from 10 to 30, and communicates the confidence and sexiness our product is intended to deliver.

We use a variety of marketing and advertising mediums to increase brand awareness, acquire new customers, and drive repeat purchases across our channels. These programs include our online marketing, such as paid search and social media, product listing ads and retargeting, combined with direct mail, store marketing and public relations initiatives. Further, we have introduced a multiple brand strategy, including niche concepts like Festi, Nightfall and Retro Chic with more coming in 2025. This will enable us to reach new customers and increase our brand awareness. We strengthen the connection with our most engaged customers through special events, like Casting Call, which feature plus- and mid-size models, celebrities, bloggers and other influencers. We use our customer database to strategically optimize the value of our marketing investments across our customer base and channels. This enables us to efficiently acquire new customers, effectively market to repeat customers and reactivate lapsed customers.

Our investments in digital and physical marketing drive customer acquisition and engagement across all of our channels. We coordinate the introduction of our collections across our e-Commerce platform and stores, allowing a customer to experience a consistent brand message wherever and whenever she chooses to shop. We have a large and growing following on

our social media channels, including Facebook, Instagram, Pinterest, Twitter, YouTube and TikTok. We use these channels to communicate with our customers, disseminate our outbound marketing messages and collect feedback about their lifestyles and product preferences.

### **Sourcing and Production**

We outsource the manufacturing of our products, which eliminates the need to own or operate manufacturing facilities. Thus, our product sourcing is not dependent on any one manufacturing facility, enabling a flexible and agile approach to sourcing. We internally design and develop the vast majority of our products, a model we describe as vertical sourcing, which gives us control to deliver consistent fit, quality and cost across our products.

We have a diversified vendor base. No single supplier accounted for more than 9% of merchandise purchased in fiscal year 2024. Substantially all of our product receipts in fiscal year 2024 were sourced internationally, primarily from Asia. We plan to continue diversifying our vendor bases by both vendor and geography. We continue to reduce our exposure to factories located within China. Though we are working towards decreasing our share of product manufactured in China, our manufacturing partners may source their own raw materials from third party suppliers in other countries, including China. We maintain compliance guidelines for our vendors that dictate various standards including product quality, manufacturing practices, labor compliance and legal compliance. Through third parties, we periodically monitor our factories and suppliers to ensure compliance with these guidelines.

### **Distribution and Fulfillment**

Our unified commerce business model is serviced by our distribution facility located in West Jefferson, Ohio. This 750,000 square foot facility is highly automated and capable of handling our existing and future needs. The West Jefferson facility is equipped with omni-channel capabilities that enable global direct-to-customer e-Commerce, U.S. and Canada retail store order fulfillment, including buy-online-pickup-in-store ("BOPIS") and ship-to-store fulfillment. Our Store omni-channel offerings also include ship-from-store, ship-to-store and BOPIS in the U.S. and Canada. During 2024 we enabled ship-to-store and ship-from-store for our Canadian retail stores to accelerate the growth and retention of our Canadian market through more delivery options for our customers.

The facility also handles customer and store returns to drive efficient online returns processing, allowing us to seamlessly execute our unified commerce strategy. In late 2024 we outsourced our U.S. returns operations to a third-party returns specialist to improve costs and processing cycle times. International returns are processed at the West Jefferson facility.

Our supply chain team including the distribution center, transportation, customs compliance and vendor compliance functions manage the inbound transportation, receipt, quality assurance, storage, sorting, picking, packing and distribution of merchandise for our e-Commerce platform and store channels. Stores are replenished at least once per week from this facility which provides our stores with a steady flow of both new inventory and basics replenishment that helps maintain product freshness and in-stock availability. Distribution for e-Commerce customers and retail stores are facilitated by third-party parcel delivery services that optimize cost and service.

### **Information Systems**

We utilize a full range of third-party management information systems to support our store, e-Commerce, merchandising, customer data, financial and real estate business teams. We utilize these systems to provide us with various functions, including customer relationship management, point-of-sales, inventory management, merchandising support systems, financial reporting, e-Commerce solutions and other systems.

### **Seasonality**

While the apparel industry is generally seasonal in nature, we have not historically experienced significant seasonal fluctuations in our sales. In fiscal year 2024, no single quarter contributed more than 26% of Torrid net sales. We believe this is partly attributable to our broad merchandise offering that encourages purchasing across seasons. We believe our reduced seasonality is also attributable to the behavior of our customer, who is generally purchasing products for herself, not as gifts.

### **Competition**

We face competition across a variety of players within the broader apparel industry. Our competitors range from smaller, growing e-Commerce brands to considerably larger players with substantially greater financial, marketing and other resources. Further, we may face new competitors and increased competition from existing competitors as we expand into new markets and increase our presence in existing markets.

Our competition in the women's plus- and mid-size apparel industry includes:

- ***Plus- and Mid-Size Focused Specialty Retailers.*** We compete with other specialty retailers that, like Torrid, focus on plus- and mid-size customers. We offer a fashion-first focus rooted in a great fit and a broad and stylish product assortment that is differentiated by our vertical sourcing capabilities. We target a younger, more fashion-minded consumer with a wide assortment that has broad appeal. We further differentiate ourselves based on the strength of our brand, industry-leading unified commerce business model and e-Commerce penetration, strong data capabilities, loyal customer base, customer-focused product assortment and highly experienced leadership team.
- ***Plus- and Mid-Size Focused Direct to Consumer Brands.*** We compete with other plus- and mid-size focused direct to consumer brands. We operate on a large scale, which allows us to offer a wide product assortment, high product quality and convenience to provide a better experience and acquire customers more efficiently.
- ***Local, National and International Retail Chains.*** We compete indirectly with department stores, specialty apparel players and mass merchandise retailers who also carry products in our size range and offer similar categories of merchandise to our customer segment. By maintaining a maniacal focus on fashion and fit, our proprietary product offering delivers a superior fit for the curvy woman that makes her love the way she looks and feels. Our sole focus on designing for our specific customer needs differentiate her experience when she shops with us.

Our distinct combination of first at fashion and fit design, service, product quality and value allows us to compete effectively within the women's plus- and mid-size apparel market.

### **Intellectual Property**

Our trademarks are important to our marketing efforts. We own or have the rights to use certain trademarks, service marks and trade names that are registered with the U.S. Patent and Trademark Office or other foreign trademark registration offices or exist under common law in the United States and other jurisdictions. Trademarks that are important in identifying and distinguishing our products and services include, but are not limited to, Torrid®, Torrid Curve®, CURV® and Lovesick®. Our rights to some of these trademarks may be limited to select markets. We also own domain names, including our website, www.torrid.com. Further, we have patents issued, as well as applications pending for our innovative technology featured in our most popular line of bras, the Reduced-Coverage Back Smoothing Brassiere, as well as the Wire-free Push-Up Brassiere with Hinge for Improved Support and Flexibility, and for our Power Mesh Panels for Tummy-Flattening Pants and Tummy-Covering Garments.

### **Regulation and Legislation**

We are required to comply with numerous laws and regulations at the state, federal and international levels. For instance, we are subject to labor and employment, tax, environmental, privacy and anti-bribery laws. We are also subject to regulations, trade laws and customs, truth-in-advertising, consumer protection and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

A substantial portion of our products are manufactured outside the United States. These products are imported and are subject to U.S. customs laws, which impose tariffs as well as import quota restrictions for textiles and apparel. Some of our imported products are eligible for duty-advantaged programs. While importation of goods from foreign countries from which we buy our products may be subject to embargo by U.S. customs authorities if shipments exceed quota limits, we closely monitor import quotas and believe we have the sourcing network to efficiently shift production to factories located in countries with available quotas. The existence of import quotas has, therefore, not had a material adverse effect on our business. For more information, see "Risk Factors—Risks Related to Government Regulation and Litigation—Changes in laws, including employment laws and laws related to our merchandise, could make conducting our business more expensive or otherwise change the way we do business."

### **Data Privacy and Security**

We collect, process, store and use confidential, proprietary and personal information, including information about our customers, our employees and other third parties. Consequently, our business is subject to increasingly complex and rigorous, and sometimes conflicting laws, regulatory standards, industry standards, external and internal privacy and security policies, contracts and other obligations governing data privacy and security in the U.S. and other jurisdictions where we do business, including with respect to the collection, storage, use, transmission, sharing and protection of personal information and other consumer data.

For example, the European Union ("EU") and United Kingdom ("UK"), have adopted strict data privacy and security regulations. The General Data Protection Regulation (EU 2016/679) ("EU GDPR"), effective May 2018, and the EU GDPR as it forms part of the laws of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the European Union Withdrawal Act 2018 ("UK GDPR" and together with the EU GDPR, the "GDPR"), have compliance obligations applicable to businesses without an establishment in the EU, the European Economic Area ("EEA") or the UK, but that either (i) offer their goods or services to individuals located in the EU, EEA or UK, or (ii) monitor the behavior of individuals located in the EU, EEA or UK. As a result, it is possible the GDPR may apply to us.

In addition, various federal and state legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. For example, on January 1, 2023, the California Privacy Rights Act (the "CPRA") amendments to the California Consumer Privacy Act of 2018 (the "CCPA") came into force. Among other operational requirements for covered companies, the CCPA mandates that covered companies provide new disclosures to California consumers and afford such consumers data privacy rights that include, among other things, the right to request a copy from a covered company of the personal information collected about them, the right to request correction or deletion of such personal information, and the right to request to opt-out of certain sales, or disclosures for the purposes of cross-context behavioral advertising, of such personal information. The California Attorney General and a standalone California data privacy agency can enforce the CCPA, including seeking an injunction and civil penalties for violations. The CCPA also provides a private right of action for certain data breaches that is expected to increase data breach litigation. Additional states, including Colorado, Connecticut, Delaware, Florida, Iowa, Montana, Nebraska, New Hampshire, New Jersey, Oregon, Texas, Utah and Virginia, and have recently enacted data privacy and security laws that are effective, and Indiana, Kentucky, Maryland, Minnesota, Rhode Island, and Tennessee have enacted data privacy and security laws that will become effective in 2025 or 2026. Other states may follow. This legislation may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. Additionally, the FTC and many state attorneys general are interpreting existing federal and state consumer protection laws to impose expanded standards for the online collection, use, dissemination and security of data.

We may publish privacy policies, marketing materials, and other statements, such as compliance with certain certifications or self-regulatory principles, regarding data privacy and security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences. For example, our compliance with our privacy policies and our general consumer data privacy and security practices may be subject to review by the Federal Trade Commission ("FTC"), which may bring enforcement actions to challenge allegedly unfair and deceptive trade practices, including the violation of privacy policies and representations or material omissions therein.

Compliance with existing, proposed and recently enacted laws and regulations can be costly and time consuming, and any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, imposition of fines by governmental authorities and damage to our reputation and credibility and could have a negative impact on revenues and profits. See "Risk Factors—Risks Related to Government Regulation and Litigation—Failure to comply with federal and state laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws, regulations or industry standards relating to privacy, data protection, advertising and consumer protection, could adversely affect our business, financial condition, and results of operations."

#### **Available Information**

We make available on our website ([investors.torrid.com](http://investors.torrid.com)) under "Financials" our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish them to the SEC. The information contained in, or that can be accessed through, our website is not part of, or incorporated by reference in, this Annual Report on Form 10-K. The SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

The charters for committees of our Board of Directors (Audit, Compensation and Nominating and Corporate Governance Committees), our Corporate Governance Guidelines and our Code of Business Conduct are also available on our website under "Investors, Governance Documents."

Investors and others should note that we may announce material information to our investors using our investor relations website (<https://investors.torrid.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our business and other issues. It is possible that the information that we post on social media could be deemed to be material information. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

## Item 1A. Risk Factors

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with the financial and other information contained in this Annual Report on Form 10-K, including our financial statements and the related notes and under "Management's Discussion and Analysis of Financial Condition and Results of Operations," before you decide to purchase, hold or sell shares of our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and cash flows could be materially and adversely affected. As a result, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock.*

### Summary Risk Factors

The following is a summary of some of the material risks and uncertainties that could adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below:

- the effect of changes in consumer spending and general macroeconomic conditions on our operations and financial performance;
- the interruption of the flow of merchandise from international manufacturers, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports;
- the adverse impact of rulemaking changes implemented by the Consumer Financial Protection Bureau on our income streams, profitability and results of operations;
- our inability or failure to identify or respond to new trends;
- our inability to maintain and enhance our brand and attract sufficient numbers of customers to our stores or sell sufficient quantities of our products;
- increased competition from other brands or retailers and our ability to obtain favorable store locations;
- our dependency or reliance on third parties for different services, such as customer driving, product sourcing, manufacturing and transportation;
- our failure to successfully adapt to consumer shopping preferences and develop and maintain a relevant and reliable omni-channel experience for our customers;
- our failure to find employees that reflect our brand image and embody our culture;
- our failure to effectively utilize information systems and implement new technologies or misuse or unauthorized use of these systems and technologies;
- price volatility and lack of availability of raw materials to manufacture our products and impact on transportation and labor costs;
- our sourcing a significant amount of our products from China;
- potential liability arising from payment-related risks, litigation or regulatory proceedings;
- changes in laws and regulations, including, among others, privacy, data protection, advertising, consumer protection, environmental and tax regulations;
- government or consumer concerns about product safety that could result in regulatory actions, recalls or changes to laws;
- our inability to protect our trademarks or other intellectual property rights;
- our substantial indebtedness and lease obligations;
- our dependency on key members of our executive management team; and
- war, terrorism and other catastrophes.

## Risks Related to Our Business

***Our business is sensitive to consumer spending and general economic conditions, and an economic slowdown or inflationary pressures could adversely affect our financial performance.***

Consumer purchases of discretionary items, including our products, generally decline during recessionary periods and other periods where disposable income is adversely affected. Our performance is subject to factors that affect domestic and worldwide economic conditions, particularly those that affect our target demographic. These factors may include unemployment rates, levels of consumer and student debt, the availability of consumer credit, healthcare costs, reductions in net worth, residential real estate and mortgage markets, taxation, fuel and energy prices, interest rates, inflation, consumer confidence, the value of the United States dollar versus foreign currencies and other macroeconomic factors, such as the economic disruption caused by a global pandemic such as COVID-19. Deterioration in economic conditions or increasing unemployment levels may reduce the level of consumer spending and inhibit consumers' use of credit, which may adversely affect our net sales and profits. In recessionary periods, we may have to increase the number of promotional sales or otherwise dispose of inventory for which we have previously paid to manufacture, which could adversely affect our profitability in those periods. Weakened economic conditions and a slowdown in the economy could also adversely affect shopping center traffic and new shopping center development, which could materially adversely affect us.

In addition, a weakened economic environment or recessionary period may exacerbate some of the risks noted below, including consumer demand, strain on available resources, store growth, decreases in mall traffic, brand reputation, our ability to develop and maintain a reliable omni-channel customer experience, our ability to execute our growth initiatives, interruption of the production and flow of merchandise from key vendors, foreign exchange rate fluctuations and leasing substantial amounts of space. The same risks could be exacerbated individually or collectively.

Recent inflationary pressures have increased the cost of energy and raw materials and may adversely affect our results of operations. If inflation continues to rise and further impact the cost of energy and raw materials, we may not be able to offset cost increases to our products through price adjustments without negatively impacting customer demand, which could adversely affect our sales and results of operations.

***Our business is dependent upon our ability to identify and respond to changes in customer preferences and other related factors. Our inability to identify or respond to these new trends may lead to inventory markdowns and write-offs, which could adversely affect our business and our brand image.***

Our target market of approximately 30 to 44 year old plus- and mid-size women has stylistic preferences that cannot be predicted with certainty and are subject to change. Our success depends in large part upon our ability to effectively identify and respond to changing product trends and consumer demands among this segment, and to translate market trends into appropriate, salable product offerings. Our failure to identify and react appropriately to new and changing product trends or tastes, to accurately forecast demand for certain product offerings or an overall decrease in the demand for plus- and mid-size products could lead to, among other things, excess or insufficient amounts of inventory, markdowns and write-offs, which could materially adversely affect our business and our brand image. Because our success depends significantly on our brand image among our target segment, damage to our brand image as a result of our failure to identify and respond to changing product trends could have a material negative impact on our business. Additionally, as a direct-to-consumer brand focusing on young, plus- and mid-size women, we may not effectively identify product trends that appeal to our target segment or successfully adapt product trends prevailing in the market more broadly to this target segment. While we believe we have a flexible supply chain, we often enter into agreements for the manufacture and purchase of merchandise well ahead of the season in which that merchandise will be sold. Therefore, we are vulnerable to changes in consumer preferences and demand between the time we design and order our merchandise and the season in which this merchandise will be sold. Inventory levels for certain merchandise styles may exceed planned levels, leading to higher markdowns to sell through excess inventory and, therefore, lower than planned margins. Conversely, if we underestimate consumer demand for our merchandise, or if our manufacturers fail to supply quality products in a timely manner, we may experience inventory shortages, which may negatively impact customer relationships, diminish brand loyalty and result in lost sales.

There can be no assurance that our new product offerings will have the same level of acceptance as our product offerings in the past or that we will be able to adequately and timely respond to the preferences of our customers. The failure of our product offerings to appeal to our customers could have a material adverse effect on our business, results of operations and financial condition.

***Our business depends in part on a strong brand image, and if we are not able to maintain and enhance our brand, particularly among our target segment and in new markets where we have limited brand recognition, we may be unable to attract sufficient numbers of customers to our stores or sell sufficient quantities of our products.***

Our ability to maintain our reputation is critical to our brand image. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity about these types of concerns may reduce demand for our merchandise. Failure to maintain high ethical, social and environmental standards for all of our operations and activities, including those of our third-party manufacturers (if they do not, for instance, adhere to our vendor code of conduct), or adverse publicity regarding our responses to these concerns could also jeopardize our reputation. Damage to our reputation or loss of consumer confidence for any of these reasons could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

***We could face increased competition from other brands or retailers that could adversely affect our ability to generate higher net sales and margins, as well as our ability to obtain favorable store locations.***

We face substantial competition in the plus- and mid-size women's apparel industry from both specialty and general retailers, including department stores, mass merchants, regional retail chains, web-based stores and other direct retailers that engage in the retail sale of apparel, accessories, footwear and other similar product categories. We compete with these businesses for customers, vendors, digital marketing channels, suitable store locations and personnel. We compete on the basis of a combination of factors, including among others, our knowledge of and focus on our target segment, price, breadth, quality, commercial relevance, fit and style of merchandise offered, in-store experience, level of customer service, ability to identify and offer new and emerging product trends and brand image.

Many of our competitors have greater financial, marketing and other resources available. In many cases, our competitors sell their products in stores that are located in the same shopping centers as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in malls, strip centers, lifestyle centers and outlet centers and our competitors may be able to secure more favorable locations than we can as a result of their relationships with, or appeal to, landlords. Our competitors may also sell substantially similar products at reduced prices online or through outlet locations or discount stores, increasing the competitive pricing pressure for those products.

We also compete with other retailers for personnel. The competition for retail talent is increasing, and we may not be able to secure the talent we need to operate our stores without increasing wages. We cannot assure you that we will continue to be able to compete successfully against existing or future competitors. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have a material adverse effect on us.

***We rely on third parties to drive traffic to our website, and these providers may change their algorithms or pricing in ways that could negatively impact our business, operations, financial condition and prospects.***

We rely in part on digital advertising, including search engine marketing, to promote awareness of our online marketplace, grow our business, attract new customers and increase engagement with existing customers. In particular, we rely on search engines, such as Google, and the major mobile app stores as important marketing channels. Search engine companies change their search algorithms periodically, and our ranking in searches may be adversely impacted by those changes. Search engine companies or app stores may also determine that we are not in compliance with their guidelines and penalize us as a result. If search engines change their algorithms, terms of service, display or the featuring of search results, determine we are out of compliance with their terms of service or if competition increases for advertisements, we may be unable to cost-effectively attract customers. Our relationships with our marketing vendors are not long-term in nature and do not require any specific performance commitments. In addition, many of our online advertising vendors provide advertising services to other companies, including companies with whom we may compete. As competition for online advertising has increased, the cost for some of these services has also increased. Our marketing initiatives may become increasingly expensive and generating a return on those initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, such increase may not offset the additional marketing expenses we incur.

***Our ability to attract customers to our physical stores that are located in shopping centers depends on the success of these shopping centers, and any decrease in customer traffic in these shopping centers could cause our net sales and profitability to be less than expected.***

Our stores are primarily located in shopping centers, and some of these shopping centers have been experiencing declines in customer traffic, including as a result of an increasing number of customers that have begun to shop online. While we believe we are a destination for our customers, our sales at these stores are impacted by the volume of customer traffic in those

shopping centers and the surrounding area. In centers that may experience declining customer traffic, certain of our expenses are contractually fixed and our ability to reduce these expenses if we were to experience sales declines is limited in the near term. To mitigate this potential risk, we have negotiated termination provisions in a majority of our store leases that allow us to terminate the lease if store sales fall below certain thresholds or if certain co-tenancy requirements are not met. However, these provisions may not be adequate to protect our results of operations if our sales were to decline.

Our stores in shopping centers benefit from the ability of other tenants, particularly anchor stores, such as department stores, to generate consumer traffic in the vicinity of our stores and maintain the overall popularity of the shopping center as a shopping destination. Our net sales volume and traffic generally may be adversely affected by, among other things, a decrease in popularity of the shopping centers in which our stores are located, the closing of anchor stores important to our business, a decline in the popularity of other stores in the shopping centers in which our stores are located, changing economic conditions and/or demographic patterns (including any increases in purchases of merchandise online as opposed to in-store), or a deterioration in the financial condition of shopping center operators or developers which could, for example, limit their ability to finance tenant improvements for us and other retailers. A reduction in customer traffic as a result of these or any other factors, or our inability to obtain or maintain favorable store locations within shopping centers could have a material adverse effect on us.

***If we are unable to successfully adapt to consumer shopping preferences and develop and maintain a relevant and reliable omni-channel experience for our customers, our financial performance and brand image could be adversely affected.***

We are continuing to grow our omni-channel business model. While we interact with many of our customers largely through our stores, our customers are increasingly using computers, tablets and smartphones to make purchases online and to help them in making purchasing decisions when in our stores. Our customers also engage with us online through our social media channels, including Facebook, Instagram, Pinterest, TikTok, YouTube and Twitter, by providing feedback and public commentary about all aspects of our business. Omni-channel retailing is rapidly evolving and our success depends on our ability to anticipate and implement innovations in customer experience and logistics in order to appeal to customers who increasingly rely on multiple channels to meet their shopping needs. If for any reason we are unable to implement our omni-channel initiatives or provide a convenient and consistent experience for our customers across all channels that provides the products they want, when and where they want them, then our financial performance and brand image could be adversely affected.

***Our growth strategy is dependent on a number of factors, any of which could strain our resources or delay or prevent the successful penetration into new markets.***

Our growth strategy is dependent on a number of factors, including growing our number of active customers and the spend per customer. Additional factors required for the successful implementation of our growth strategy include, but are not limited to, opening new stores and remodeling existing ones, continuing to operate an effective e-Commerce platform and implementing initiatives to improve our existing operations, obtaining desirable store locations, negotiating acceptable leases, completing projects on budget, supplying proper levels of merchandise and successfully hiring and training store managers and sales associates. In order to optimize profitability for new stores, we must secure desirable retail lease space when opening stores in new and existing markets. We must choose store sites, execute favorable real estate transactions on terms that are acceptable to us, hire competent personnel and effectively open and operate these new stores. We historically have received landlord allowances for store build outs, which offset certain capital expenditures we must make to open a new store. If landlord allowances cease to be available to us in the future or are decreased, opening new stores would require increased capital outlays, which could adversely affect our ability to continue opening new stores.

While we believe the opportunity exists to open a substantial number of stores without competing with our existing units, to the extent we open new stores in markets where we have existing stores, our existing stores in those markets may experience reduced net sales. Moving or expanding store locations and operating stores in new markets may present competitive, merchandising and regulatory challenges we do not have experience in or know how to face. Our planned growth will also require additional infrastructure for the development, maintenance and monitoring of those stores. In addition, if our current management systems and information systems are insufficient to support this expansion, our ability to open new stores and to manage our existing stores would be adversely affected. If we fail to continue to improve our infrastructure, we may be unable to implement our growth strategy or maintain current levels of operating performance in our existing stores.

Our growth plans will place increased demands on our financial, operational, managerial and administrative resources. These increased demands may cause us to operate our business less efficiently, which in turn could cause deterioration in the performance of our existing stores.

Executing our growth plans and achieving our objectives is dependent upon our ability to successfully execute against such plans and objectives. There can be no guarantee that these plans or objectives will result in improved operating results or an increase in the value of the business.

***We have, and will continue to have, significant lease obligations. We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs and the need to generate cash flow to meet our lease obligations.***

We have, and will continue to have, significant lease obligations. We lease all of our store locations, our corporate headquarters and our distribution center. We typically occupy our stores under operating leases with initial terms of up to ten years. In the future, we may not be able to negotiate favorable lease terms. Our inability to do so may cause our occupancy costs to be higher in future years or may force us to close stores in desirable locations.

A majority of our leases have early termination clauses, which permit the lease to be terminated by us if certain sales levels are not met in specific periods or if the center does not meet specified occupancy standards. In addition to future minimum lease payments, some of our store leases provide for additional rental payments based on a percentage of net sales, or "percentage rent," if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. As we expand our footprint, our lease expense and our cash outlays for rent under the lease terms will increase.

We depend on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially harm our business. Furthermore, the significant cash flow required to satisfy our obligations under the leases increases our vulnerability to adverse changes in general economic, industry and competitive conditions, and could limit our ability to fund working capital, incur indebtedness and make capital expenditures or other investments in our business.

If an existing or future store is not generating positive contribution, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

***Our failure to attract and retain employees that reflect our brand image, embody our culture and possess the appropriate skill set could adversely affect our business and our results of operations.***

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of employees who understand and appreciate our corporate culture and customers and are able to adequately and effectively represent this culture and establish credibility with our customers. The employee turnover rate in the retail industry is generally high. Excessive employee turnover will result in higher employee costs associated with finding, hiring and training new employees. If we are unable to hire and retain personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers and knowledge of the merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores could be materially adversely affected, our brand image may be negatively impacted and our results of operations may be adversely affected. Competition for such qualified individuals could require us to pay higher wages to attract a sufficient number of employees. Changes to our office environments, the adoption of new work models and our requirements and/or expectations about when or how often certain employees work on-site or remotely may not meet the expectations of our employees. As businesses increasingly operate remotely, traditional geographic competition for talent may change in ways that we cannot presently predict. If our employment proposition is not perceived as favorable compared to other companies, it could negatively impact our ability to attract and retain our employees.

Additionally, our labor costs are subject to many external factors, including unemployment levels, prevailing wage rates, minimum wage laws, potential collective bargaining arrangements, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). Such increase in labor costs may adversely impact our profitability, or if we fail to pay such higher wages we could suffer increased employee turnover.

While we have not historically experienced significant sales seasonality, we may require temporary personnel to adequately staff our stores, with heightened dependence during busy periods such as the holiday season and when multiple new stores are opening. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that

there will be sufficient sources of suitable temporary personnel to meet our demand. Any such failure to meet our staffing needs or any material increases in employee turnover rates could have a material adverse effect on our business or results of operations.

***We rely on third parties to provide us with certain key services for our business. If any of these third parties fails to perform its obligations to us or declines to provide services to us in the future, we may suffer a disruption to our business. Furthermore, we may be unable to provide these services or implement substitute arrangements on a timely basis on terms favorable to us.***

We receive certain key services from a range of different third parties, including merchandise vendors, landlords, suppliers and logistics partners. For example, we rely on third parties to provide certain inbound and outbound transportation and delivery services, customs and brokerage services and real estate management services. In connection with our sourcing activities, we rely on vendors to help us source products. If any of these third parties fails to perform its obligations to us or declines to provide services to us in the future, we may suffer a disruption to our business or increased costs. Furthermore, we may be unable to provide these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.

***Failure to effectively utilize information systems and implement new technologies could disrupt our business or reduce our sales or profitability.***

We rely extensively on various information systems, including data centers, hardware and software and applications to manage many aspects of our business, including to process and record transactions in our stores, to enable effective communication systems, to track inventory flow, to manage logistics and to generate performance and financial reports. These various systems are substantially operated by our services provider, and we rely on them for efficient and consistent operations of these systems. We are dependent on the integrity, security and consistent operations of these systems and related back-up systems. Our computer systems and the third-party systems we rely on are also subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses, malware, phishing or distributed denial-of-service attacks; security breaches; cyber-attacks; catastrophic events such as fires, floods, earthquakes, tornadoes and hurricanes; acts of war or terrorism and design or usage errors by our associates or contractors. Compromises, interruptions or shutdowns of our systems, including those managed by third parties, whether intentional or inadvertent, could lead to delays in our business operations and, if significant or extreme, affect our results of operations.

From time to time, our systems require modifications and updates, including by adding new hardware, software and applications; maintaining, updating or replacing legacy programs; integrating new service providers; and adding enhanced or new functionality. Although we are actively selecting systems and vendors and implementing procedures to enable us to maintain the integrity of our systems when we modify them, there are inherent risks associated with modifying or replacing systems and with new or changed relationships, including accurately capturing and maintaining data, realizing the expected benefit of the change and managing the potential disruption of the operation of the systems as the changes are implemented. Potential issues associated with implementation of these technology initiatives could reduce the efficiency of our operations in the short term. In addition, any interruption in the operation of our website, particularly our e-Commerce site, could cause us to suffer reputational harm or to lose sales if customers are unable to access our site or purchase merchandise from us during such interruption. The efficient operation and successful growth of our business depends upon our information systems. The failure of our information systems and the third-party systems we rely on to perform as designed, or our failure to implement and operate them effectively, could disrupt our business or subject us to liability and thereby harm our profitability.

***Unauthorized disclosure of sensitive or confidential information, whether through a breach of our computer system or otherwise, could severely hurt our business.***

Some aspects of our business, like that of most direct-to-consumer businesses, involves the receipt, storage and transmission of customers' personal information, consumer preferences and payment card information, including in relation to our private label credit card, as well as confidential information about our associates, our suppliers and our Company, some of which is entrusted to third-party service providers and vendors. We increasingly rely on commercially available systems, software, tools (including encryption technology) and monitoring to provide security and oversight for processing, transmission, storage and the protection of confidential information. Despite the security measures we have in place, our facilities and systems, and those of third parties with which we do business, may be vulnerable to security breaches, acts of vandalism and theft, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Additionally, as a result of state-sponsored cyber threats including those stemming from the Russian invasion of Ukraine, we may face increased cybersecurity risks as companies in the United States and its allied countries have become targets of malicious cyber activity.

Electronic security attacks designed to gain access to sensitive information by breaching mission critical systems of large organizations are constantly evolving, and high-profile electronic security breaches leading to unauthorized release of confidential information have occurred recently at a number of major U.S. companies. Attempts by computer hackers or other unauthorized third parties to penetrate or otherwise gain access to our computer systems or the systems of third parties with which we do business through fraud or other means of deceit, if successful, may result in the misappropriation of personal information, payment card or check information or confidential business information. Such incidents have been attempted or have occurred in the past and may occur in the future. Hardware, software or applications we utilize may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. In addition, our associates, contractors or third parties with which we do business or to which we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information and may purposefully or inadvertently cause a breach involving such information. Despite advances in security hardware, software and encryption technologies, the methods and tools used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly changing and evolving, and may be difficult to anticipate or detect for long periods of time. We are implementing and updating our processes and procedures to protect against unauthorized access to or use of secured data and to prevent data loss. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems, procedures, controls and processes, and there is no guarantee that they will be adequate to safeguard against all data security breaches or misuses of data.

An electronic security breach in our systems (or in the systems of third parties with which we do business) that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material adverse effect on our reputation and lead to financial losses from remedial actions, loss of business or potential liability, including possible punitive damages. In addition, as the regulatory environment relating to retailers and other companies' obligation to protect such sensitive data becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could result in additional costs, and a material failure on our part to comply could subject us to fines or other regulatory sanctions and potentially to lawsuits. Further, we could be required to expend significant capital and other resources to address any data security incident or breach, which may not be covered or fully covered by our insurance, and which may involve payments for investigations, forensic analyses, legal advice, public relations advice, system repair or replacement or other services.

***Use of social media, emails and text messages may adversely impact our reputation or subject us to fines or other penalties.***

We use social media, emails, push notifications and text messages as part of our omni-channel approach to marketing. As laws and regulations evolve to govern the use of these channels, the failure by us, our employees or third parties acting at our direction to comply with applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential or sensitive personal information of our business, employees, consumers or others. Information concerning us or our brands, whether accurate or not, may be posted on social media platforms at any time, including by social media influencers, and may have an adverse impact on our brand, reputation or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our reputation, business, operating results, financial condition and prospects.

***We may recognize impairments on definite-lived assets.***

Our definite-lived assets, primarily stores and intangible assets, are subject to periodic testing for impairment. Store assets are reviewed using factors including, but not limited to, our future operating plans and projected future cash flows. Failure to achieve our future operating plans or generate sufficient levels of cash flow at our stores could result in impairment charges on definite-lived assets, which could have a material adverse effect on our financial condition or results of operations.

**Risks Related to the Manufacturing, Processing and Supply of Our Products**

***We do not own or operate any manufacturing facilities and therefore depend upon third parties for the manufacture of all of our merchandise. The inability of a manufacturer to ship goods on time and to our specifications, or to operate in compliance with our guidelines or any other applicable laws, could negatively impact our business.***

We do not own or operate any manufacturing facilities. As a result, we are dependent upon our timely receipt of quality merchandise from third-party manufacturers. If our manufacturers do not ship orders to us in a timely manner or meet our quality standards, it could cause delays in responding to consumer demands or inventory shortages and negatively affect

consumer confidence in the quality and value of our brand or negatively impact our competitive position. Any of these factors could have a material adverse effect on our financial condition or results of operations. Furthermore, we are susceptible to increases in sourcing costs, which we may not be able to pass on to customers, and changes in payment terms from manufacturers, which could adversely affect our financial condition and results of operations.

We maintain compliance guidelines for our vendors that dictate various standards, including product quality, manufacturing practices, labor compliance and legal compliance. If any of our manufacturers fail to comply with applicable laws or these guidelines, or engage in any socially unacceptable business practices, such as poor working conditions, child labor, disregard for environmental standards or otherwise, our brand reputation could be negatively impacted and our results of operations could in turn be materially adversely affected.

***The raw materials used to manufacture our products and our transportation and labor costs are subject to availability constraints and price volatility, including as a result of climate change-related governmental actions, which could result in increased costs.***

The raw materials used to manufacture our merchandise are subject to availability constraints and price volatility caused by high demand for cotton, high demand for petroleum-based synthetic and other fabrics, weather conditions, supply conditions, government regulations, economic climate and other unpredictable factors. In addition, our transportation and labor costs are subject to price volatility caused by many of these same factors. Increases in the demand for, or the price of, raw materials used to manufacture our merchandise or increases in transportation or labor costs could each have a material adverse effect on our cost of sales or our ability to meet our customers' needs. We may not be able to pass all or a material portion of such increased costs on to our customers, which could negatively impact our profitability. Higher gasoline prices may also affect the willingness of consumers to drive to our stores or the shopping centers where they are located, and thereby adversely affect customer traffic. Continued rises in energy or other commodity costs could adversely affect consumer spending and demand for our products and increase our operating costs, either of which could have a material adverse effect on our financial condition and results of operations.

We are also subject to risks associated with new governmental mandates, standards or regulations intended to reduce greenhouse gas emissions or projected climate change impacts, which have resulted in, and are likely to continue resulting in, increased costs for us and our suppliers. Governmental requirements directed at regulating greenhouse gas emissions could cause us to incur expenses that we cannot recover or that will require us to increase the price of products we sell to the point that it impacts demand for those products.

***The interruption of the flow of merchandise from international manufacturers could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports.***

We purchase the majority of our merchandise outside of the United States through arrangements with various vendors. Political, social or economic instability in regions where our products are made, could cause disruptions in trade, including exports to the United States. Actions in various countries, particularly China, and more recently, Canada, and the United States, have created uncertainty with respect to tariff impacts on the costs of some of our merchandise. The degree of our exposure is dependent on (among other things) the type of goods, rates imposed and timing of the tariffs. Other events that could also cause disruptions to our supply chain include:

- the imposition of additional trade law provisions or regulations;
- the imposition of additional duties, tariffs and other charges on imports and exports, including as a result of the trade war between China and the United States or Canada and the United States;
- quotas imposed by bilateral textile agreements;
- foreign currency fluctuations;
- natural disasters;
- public health issues and epidemic diseases, their effects (including any disruptions they may cause) or the perception of their effects;
- theft;
- terrorist threats such as pirate attacks at sea and other rogue activity;
- restrictions on the transfer of funds;
- the financial instability or bankruptcy of manufacturers; and

- significant labor disputes, such as dock strikes.

We cannot predict whether the countries in which our merchandise is manufactured, or may be manufactured in the future, will be subject to new or additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, border taxes, embargoes, safeguards and customs restrictions against apparel items, as well as labor strikes and work stoppages or boycotts, could increase the cost or reduce or delay the supply of apparel available to us and adversely affect our business, financial condition or results of operations. See also "—We source a significant amount of our product receipts from China, which exposes us to risks inherent in doing business there" and "—Changes in tax laws or regulations or in our operations may impact our effective tax rate and may adversely affect our business, financial condition and results of operations."

***We source a significant amount of our product receipts from China, which exposes us to risks inherent in doing business there.***

Although we are actively diversifying our product sourcing options outside of China, in fiscal year 2024, we received approximately 48.5% of our products from manufacturing partners in China. Additionally, our manufacturing partners outside of China may source their own raw materials from third parties in other countries, including China. With the rapid development of the Chinese economy, the cost of labor has increased and may continue to increase in the future. Furthermore, pursuant to Chinese labor laws, employers in China are subject to various requirements when signing labor contracts, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Our results of operations will be materially and adversely affected if the labor costs of our third-party suppliers and manufacturers increase significantly. In addition, we and our manufacturers and suppliers may not be able to find a sufficient number of qualified workers due to the intensely competitive and fluid market for skilled labor in China.

Sourcing our product receipts from China exposes us to political, legal and economic risks. In particular, the political, legal and economic climate in China, both nationally and regionally, is fluid and unpredictable. Our ability to source product receipts from China may be adversely affected by changes in U.S. and Chinese laws and regulations such as those related to, among other things, taxation, import and export tariffs, environmental regulations, land use rights, intellectual property, currency controls, network security, employee benefits, hygiene supervision and other matters. In addition, we may not obtain or retain the requisite legal permits to continue to source our product receipts from China, and costs or operational limitations may be imposed in connection with obtaining and complying with such permits. In addition, Chinese trade regulations are in a state of flux, and we may become subject to other forms of taxation, tariffs and duties in China. Furthermore, the third parties we rely on in China may disclose our confidential information or intellectual property to competitors or third parties, which could result in the illegal distribution and sale of counterfeit versions of our products. Also, outbreaks of epidemic, pandemic, or contagious diseases, such as the COVID-19 outbreak originating in China, may adversely impact our ability to source products from China, including fabrics, or to source them in a timely manner. Such impacts on our sourcing could result from, among other things, disruptions from the temporary closure of third-party supplier and manufacturer facilities, restrictions on the export or shipment of our products or significant cutback of ocean container delivery from China. If any of these events occur, our business, financial condition and results of operations could be materially and adversely affected. See also "—The interruption of the flow of merchandise from international manufacturers could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports" and "—Changes in tax laws or regulations or in our operations may impact our effective tax rate and may adversely affect our business, financial condition and results of operations."

***If our distribution facility were to encounter difficulties or if it were to shut down for any reason, we could face shortages of inventory in our stores, delayed shipments to our e-Commerce customers and harm to our reputation. Any of these issues, as well as loss of the use of our corporate offices due to natural disasters, public health issues or otherwise could have a material adverse effect on our business operations.***

We operate and are continuing to invest in our own distribution facility in West Jefferson, Ohio. The success of our stores depends on their timely receipt of merchandise. The efficient flow of our merchandise requires that our distribution facility be operated effectively and have adequate capacity to support our current level of operations and any anticipated increased levels that may follow from the growth of our business.

If we encounter difficulties associated with our distribution facility or our facility were to shut down for any reason, including as a result of fire or other natural disaster, public health issues or work stoppage, we could face shortages of inventory, resulting in "out of stock" conditions in our stores, incur significantly higher costs and longer lead times associated with distributing our products to both our stores and e-Commerce customers and experience dissatisfaction from our customers. Any of these outcomes could have a material adverse effect on our business and harm our reputation.

In addition to our distribution facility, our corporate offices are also vulnerable to damage from natural disasters, fire, public health issues and other unexpected events which could cause us to experience significant disruption in our business, resulting in lost sales and productivity, and causing us to incur significant costs to repair, any of which could have a material adverse effect on our business.

***We rely upon independent third-party transportation providers for substantially all of our product shipments and are subject to increased shipping costs as well as the potential inability of our third-party transportation providers to deliver on a timely basis.***

We currently rely upon independent third-party transportation providers for substantially all of our product shipments, including shipments to our distribution center, to and from all of our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather which may impact a shipping company's ability to provide delivery services that adequately meet our shipping needs. If we change the shipping companies we use, we could face logistical difficulties that could adversely affect deliveries and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from our current independent third-party transportation providers which, in turn, would increase our costs.

## **Risks Related to Government Regulation and Litigation**

***Failure to comply with federal and state laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws, regulations or industry standards relating to privacy, data protection, advertising and consumer protection, could adversely affect our business, financial condition, and results of operations.***

We rely on a variety of marketing and advertising techniques, including email communications, affiliate partnerships, social media interactions, influencer partnerships, digital marketing, direct mailers and public relations initiatives, and we are subject to various laws, regulations and industry standards that govern such marketing and advertising practices. Increasingly complex and rigorous, and sometimes conflicting laws, regulatory standards, industry standards, external and internal privacy and security policies, contracts and other obligations govern the collection, use, retention, sharing and security of consumer data, particularly in the context of digital marketing, which we rely upon to attract new customers.

Laws, regulations and industry standards (including, for example, the Payment Card Industry Data Security Standard, or PCI-DSS) relating to privacy, data protection, marketing and advertising and consumer protection continue to evolve as new, increasingly restrictive legislation and regulations are coming into force and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not have complied or may not comply in the future with all such laws, regulations, standards, requirements and obligations. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any federal or state privacy or consumer protection-related laws, regulations, industry self-regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject, contracts by which we are bound, or other obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in claims, proceedings or actions against us by governmental entities, customers, suppliers or others or other liabilities or may require us to change our operations and/or cease using certain data sets. Any such claims, proceedings or actions may also hurt our reputation, brand and business, force us to incur significant expenses in defense of such proceedings or actions, distract our management, increase our costs of doing business, result in a loss of customers, suppliers or vendors and result in the imposition of monetary penalties. We may also be contractually required to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any laws, regulations or other legal obligations relating to privacy or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Further, we may publish privacy policies, marketing materials, and other statements, such as compliance with certain certifications or self-regulatory principles, regarding data privacy and security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair or misrepresentative of our practices, then we may be subject to investigation, enforcement actions by regulators or other adverse consequences. For example, our compliance with our privacy policies and our general consumer data privacy and security practices may be subject to review by the Federal Trade Commission ("FTC"), which may bring enforcement actions to challenge allegedly unfair and deceptive trade practices, including the violation of privacy policies and representations or material omissions therein.

Federal and state governmental authorities continue to evaluate the privacy implications inherent in the use of third-party "cookie" and other methods of online tracking for behavioral advertising and other purposes. The U.S. government has enacted, has considered or is considering legislation or regulations that could significantly restrict the ability of companies and

individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, which could if widely adopted result in the use of third-party cookies and other methods of online tracking becoming significantly less effective. The regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost-effective terms and, consequently, materially and adversely affect our business, financial condition, and results of operations.

In addition, various federal and state legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. For example, on January 1, 2023, the CPRA amendments to the CCPA came into force. Among other operational requirements for covered companies, the CCPA mandates that covered companies provide new disclosures to California consumers and afford such consumers data privacy rights that include, among other things, the right to request a copy from a covered company of the personal information collected about them, the right to request correction or deletion of such personal information, and the right to request to opt-out of certain sales, or disclosures for the purposes of cross-context behavioral advertising, of such personal information. The California Attorney General and a standalone California data privacy agency can enforce the CCPA, including seeking an injunction and civil penalties for violations. The CCPA also provides a private right of action for certain data breaches that is expected to increase data breach litigation. Additional states, including Colorado, Connecticut, Delaware, Florida, Iowa, Montana, Nebraska, New Hampshire, New Jersey, Oregon, Texas, Utah and Virginia, have recently enacted data privacy and security laws that are effective, and Indiana, Kentucky, Maryland, Minnesota, Rhode Island, and Tennessee have enacted data privacy and security laws that will become effective in 2025 or 2026. Other states may follow. This legislation may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. Additionally, the FTC and many state attorneys general are interpreting existing federal and state consumer protection laws to impose expanded standards for the online collection, use, dissemination and security of data.

Foreign privacy laws are also undergoing a period of rapid change, have become more stringent in recent years and may increase the costs and complexity of offering our products and services in new geographies. In Canada, where we operate, the Personal Information Protection and Electronic Documents Act ("PIPEDA") and various provincial laws require that companies give detailed privacy notices to consumers; obtain consent to use personal information, with limited exceptions; allow individuals to access and correct their personal information; and report certain data breaches. In addition, Canada's Anti-Spam Legislation ("CASL") prohibits email marketing without the recipient's consent, with limited exceptions. Failure to comply with PIPEDA, CASL or provincial privacy or data protection laws could result in significant fines and penalties or possible damage awards.

In addition, the data protection landscape in the EU, EEA and UK is continually evolving and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. Tracking existing data privacy laws and regulations, new data privacy laws and regulations, and changes to the same over time, together with implementing compliance measures may result in possible significant operational costs for internal compliance and risks to our business. Compliance with the GDPR may require adhering to stringent legal and operational obligations and therefore the dedication of substantial time and financial resources by the business, which may increase over time (in particular in relation to any transfers of any personal data of European or UK residents to third parties located in certain jurisdictions). Failure to comply with the GDPR may lead to the business incurring fines and/or facing other enforcement action or reputational damage. For example, failure to comply with the GDPR, depending on the nature and severity of the breach (and with a requirement on regulators to ensure any enforcement action taken is proportionate), could (in the worst case) incur regulatory penalties of up to the greater of (i) €20 million / £17.5 million (as applicable); and (ii) 4% of an entire group's total annual worldwide turnover, as well as the possibility of other enforcement actions (such as suspension of processing activities and audits), and liabilities from third-party claims.

Further, we are subject to the Payment Card Industry Data Security Standard, or PCI-DSS, which is a multifaceted security standard that is designed to protect credit card account data as mandated by payment card industry entities. We rely on vendors to handle PCI-DSS matters and to ensure PCI-DSS compliance. Despite our compliance efforts, we may become subject to claims that we have violated PCI-DSS, based on past, present, and future business practices, which could have an adverse impact on our business and reputation.

Given the rapidly evolving landscape of data privacy and security laws, we cannot yet determine the full impact these

privacy, security, and data protection laws and regulations, or other such future privacy, security, and data protection laws and regulations, may have on our current or future business. However, each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct. In addition, any such changes could compromise our ability to develop an adequate marketing strategy and pursue our growth strategy effectively, which, in turn, could adversely affect our business, financial condition and results of operations. Finally, any actual or perceived failure to comply with these laws could result in a costly investigation or litigation resulting in potentially significant liability and a material and adverse impact on our reputation and business.

***Rulemaking changes and regulatory initiatives implemented by the Consumer Financial Protection Bureau (the “CFPB”) may result in adverse effects to our income streams, profitability and results of operations.***

Our business, results of operations or competitive position may be adversely affected by new regulations affecting certain of our major commercial partners, including our third-party financing company that solely owns the accounts issued under our PLCC program. In March 2024, the CFPB issued a final rule to amend Regulation Z to mandate significant decreases in credit card late fees and eliminate annual inflation adjustments for late fee safe harbor amounts. In May 2024, the United States District Court for the Northern District of Texas issued a preliminary injunction prohibiting the order from taking effect. That litigation is still pending and the outcome, including potential appeals, is uncertain. Although the CFPB remains active, its operations have been significantly impacted by the actions of the Department of Government Efficiency, including a recent directive to halt most activities. If the rule becomes effective, it could result in a reduction of late fees and other income streams to our third-party financing company that may alter the profitability of our agreements with them. Such changes could also affect our ability or willingness to provide certain products or services, necessitate changes to our business practices or have an adverse effect on our results of operations.

***We are subject to payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business.***

We accept payments using a variety of methods, including cash, checks, credit and debit cards and gift cards, and we may offer new payment options over time. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly.

For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could potentially disrupt our business. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs. As a result, our business and operating results could be adversely affected.

***There are claims made against us from time to time that can result in litigation or regulatory proceedings which could distract management from our business activities and result in significant liability.***

We face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include commercial disputes, employment related claims, including wage and hour claims, intellectual property disputes, such as trademark, copyright and patent infringement disputes, consumer protection and privacy matters, product-related allegations and premises liability claims. In addition, we could face a wide variety of employee claims against us, including general discrimination, privacy, labor and employment, ERISA and disability claims.

Any claims could result in litigation against us and could also result in regulatory proceedings being brought against us by various federal and state agencies that regulate our business, including the United States Equal Employment Opportunity Commission, the FTC or the Consumer Product Safety Commission. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time. Litigation and other claims and

regulatory proceedings against us could result in unexpected expenses, legal liability and injunctions against us or restrictions placed upon us, which could disrupt our operations, preclude us from selling products, or otherwise have a material adverse effect on our operations, financial results and our reputation.

In addition, we may be subject to liability if we infringe the trademarks or other intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could subject us to boycotts by our customers and harm to our brand image. In addition, any payments we are required to make and any injunctions we are required to comply with as a result of such infringement actions could adversely affect our financial results.

***Changes in laws, including employment laws and laws related to our merchandise, could make conducting our business more expensive or otherwise change the way we do business.***

We are subject to numerous laws and regulations, including labor and employment, product safety, customs, truth-in-advertising, consumer protection, privacy and zoning and occupancy laws and ordinances, intellectual property laws and other laws that regulate retailers generally and/or govern the import and export of goods, advertising and promotions, the sale of merchandise, product content and the operation of stores and warehouse facilities. If these regulations were to change or were violated by our management, employees, vendors, buying agents or trading companies, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations.

In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of our business more expensive or require us to change the way we do business. For example, changes in federal and state minimum wage laws could raise the wage requirements for certain of our employees, which would likely cause us to reexamine our entire wage structure for stores. Other laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, work scheduling, supervisory status, leaves of absence, mandated health benefits or overtime pay, could also negatively impact us, such as by increasing compensation and benefits costs for overtime and medical expenses.

Moreover, changes in product safety or other consumer protection laws, environmental laws and other regulations could lead to increased compliance costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. It is often difficult for us to plan and prepare for potential changes to applicable laws and future compliance costs related to such changes could be material to us. See "—Failure to comply with federal and state laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws, regulations or industry standards relating to privacy, data protection, advertising and consumer protection, could adversely affect our business, financial condition, and results of operations."

***Changes in tax laws or regulations or in our operations may impact our effective tax rate and may adversely affect our business, financial condition and results of operations.***

Changes in tax laws or regulations in any of the jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results.

Additionally, recent political developments have introduced greater uncertainty with respect to tax and trade policies, tariffs and government regulations affecting trade between the U.S. and other countries. We source the majority of our merchandise from manufacturers located outside of the U.S., including a significant amount from Asia. From time to time, countries including China, the United States and more recently, Canada, impose tariffs on exports from the other in a trade war, and an escalation of the trade war remains a possibility. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Further major developments in tax policy or trade relations, such as the disallowance of tax deductions for imported merchandise or the imposition of unilateral tariffs on imported products, could have a material adverse effect on our business, results of operations and liquidity. See also "—The interruption of the flow of merchandise from international manufacturers could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports" and "—We source a significant amount of our product receipts from China, which exposes us to risks inherent in doing business there."

As of January 2025, the change in U.S. presidential administration and control of U.S. Congress may produce changes to U.S. tax legislation. The likelihood of these changes being enacted or implemented is unclear. We are currently unable to predict whether such changes will occur and, if so, the ultimate impact on us or our business. To the extent that such changes

have a negative impact on us or our business, these changes may materially and adversely impact our business, financial condition and results of operations. In addition, aspects of U.S. tax laws may lead foreign jurisdictions to respond by enacting additional tax legislation that is unfavorable to us. As of December 31, 2024, numerous countries have now enacted the Organization of Economic Cooperation and Development's model rules on a global minimum tax of 15%. Certain countries, including European Union member states, have enacted or are expected to enact legislation incorporating the global minimum tax with effect from 2024 and widespread implementation of a global minimum tax is expected by the end of 2025. Based on the guidance available thus far, we do not expect this legislation to have a material impact on our consolidated financial statements, but we will continue to evaluate it as additional guidance and clarification becomes available. As the legislation becomes effective in countries in which we do business, our taxes could increase and negatively impact our provision for income taxes. This increasingly complex global tax environment has in the past and could continue to increase tax uncertainty, resulting in higher compliance costs and adverse effects on our financial performance.

***Government or consumer concerns about product safety could result in regulatory actions, recalls or changes to laws, which could harm our reputation, increase costs or reduce sales.***

We are subject to regulation by the Consumer Product Safety Commission and similar state and international regulatory authorities, and our products could be subject to involuntary recalls and other actions by these authorities. We purchase merchandise from suppliers domestically as well as outside the United States. One or more of our suppliers might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before such merchandise is received by our customers. Issues of product safety could result in a recall of products we sell. Additionally, regulatory authorities, including the Consumer Product Safety Commission, have undertaken reviews of product safety and are in the process of enacting or are considering various proposals for more stringent laws and regulations. In particular, the Consumer Product Safety Improvement Act of 2008 imposes significant requirements on the sale of consumer products and enhanced penalties for noncompliance. Such regulations contain provisions which have uncertain applicability to products we sell, and such lack of certainty may inhibit our willingness to carry products or cause us to carry product we otherwise would not. These regulations could result in delays in getting products to our stores, lost sales, the rejection of our products by consumers, damage to our reputation or material increases in our costs, and may have a material adverse effect on our business. Moreover, individuals and organizations may assert legal claims for our non-compliance with consumer product rules and regulations, and we may be subject to lawsuits relating to these claims. There is a risk that these claims or liabilities may exceed or fall outside the scope of indemnities provided by third parties or outside the coverages of our insurance policies.

***We may be unable to protect our trademarks or other intellectual property rights, which could harm our business.***

We rely on certain trademark registrations and common law trademark rights to protect the distinctiveness of our brand. However, there can be no assurance that the actions we have taken to establish and protect our trademarks will be adequate to prevent imitation of our trademarks by others or to prevent others from claiming that sales of our products infringe, dilute or otherwise violate third-party trademarks or other proprietary rights that could block sales of our products.

The laws of certain foreign countries may not protect the use of unregistered trademarks to the same extent as do the laws of the United States. As a result, international protection of our brand image may be limited and our right to use our trademarks outside the United States could be impaired. Other persons or entities may have rights to trademarks that contain portions of our marks or may have registered similar or competing marks for apparel and/or accessories in foreign countries in which our vendors source our merchandise. There may also be other prior registrations of trademarks identical or similar to our trademarks in other foreign countries of which we are not aware. Accordingly, it may be possible for others to prevent the manufacture of our branded goods in certain foreign countries or the sale or exportation of our branded goods from certain foreign countries to the United States. If we were unable to reach a licensing arrangement with these parties, our vendors may be unable to manufacture our products in those countries. Our inability to register our trademarks or purchase or license the right to use the relevant trademarks or logos in these jurisdictions could limit our ability to obtain supplies from less costly markets or penetrate new markets in jurisdictions outside the United States.

Litigation may be necessary to protect and enforce our trademarks and other intellectual property rights, or to defend against claims by third parties alleging that we infringe, dilute or otherwise violate third-party trademarks or other intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, and whether successful or not, could result in substantial costs and diversion of our resources, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. Any intellectual property litigation or claims against us could result in the loss or compromise of our intellectual property rights, could subject us to significant liabilities, require us to seek licenses on unfavorable terms, if available at all, prevent us from manufacturing or selling certain products, limit our ability to market or sell to our customers using certain methods or technologies and/or require us to redesign or re-label our products or rename our

brand, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

## **Risks Related to Our Indebtedness**

### ***Our indebtedness and lease obligations could adversely affect our financial flexibility and our competitive position.***

On June 14, 2021, we entered into a term loan credit agreement (the "Term Loan Credit Agreement") in an initial aggregate amount of \$350.0 million, which has a maturity date of June 14, 2028, and used borrowings thereunder to, among other things, repay and terminate an original term loan credit agreement. On May 24, 2023, we entered into an amendment to the Term Loan Credit Agreement (the "Amended Term Loan Credit Agreement"). As of February 1, 2025, we had \$288.6 million of outstanding indebtedness, net of unamortized original issue discount ("OID") and debt financing costs, consisting of loans under the Amended Term Loan Credit Agreement. In May 2015, we entered into a credit agreement for a senior secured asset-based revolving credit facility which has been subsequently amended ("ABL Facility"). For a description of our debt service obligations, including mandatory repayments, under the Amended Term Loan Credit Agreement, see "Note 12—Debt Financing Arrangements." Our level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. We also have, and will continue to have, significant lease obligations. As of February 1, 2025, the estimated annual future occupancy payments for lease terms that include periods covered by options to extend some of our leases was \$229.1 million. Our indebtedness and lease obligations could have other important consequences to you and significant effects on our business. For example, it could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness and leases, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from pursuing business opportunities;
- make it more difficult to satisfy our financial obligations, including payments on our indebtedness;
- place us at a disadvantage compared to our competitors that have less debt and fewer lease obligations; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

In addition, the Amended Term Loan Credit Agreement and the ABL Facility contain, and the agreements evidencing or governing any other future indebtedness may contain, restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

### ***Our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.***

The Amended Term Loan Credit Agreement and the ABL Facility contain, and the agreements evidencing or governing any other future indebtedness, may contain, financial restrictions on us and our restricted subsidiaries, including restrictions on our or our restricted subsidiaries' ability to, among other things:

- place liens on our or our restricted subsidiaries' assets;
- make investments other than permitted investments;
- incur additional indebtedness;
- prepay or redeem certain indebtedness;
- merge, consolidate or dissolve;
- sell assets;
- engage in transactions with affiliates;

- change the nature of our business;
- change our or our subsidiaries' fiscal year or organizational documents; and
- make restricted payments (including certain equity issuances).

In addition, we are required to maintain compliance with various financial ratios in the ABL Facility.

A failure by us or our subsidiaries to comply with the covenants under the Amended Term Loan Credit Agreement or the ABL Facility or to maintain the required financial ratios contained in the ABL Facility could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Additionally, a default by us under the Amended Term Loan Credit Agreement, the ABL Facility or an agreement governing any other future indebtedness may trigger cross-defaults under the Amended Term Loan Credit Agreement, the ABL Facility or any other future agreements governing our indebtedness. Upon the occurrence of an event of default or cross-default under any of the present or future agreements governing our indebtedness, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the agreements. If any of our indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern. See "Note 12—Debt Financing Arrangements."

### **Risks Related to Ownership of Our Common Stock**

***We are a "controlled company" and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. In addition, Sycamore's interests may conflict with our interests and the interests of other stockholders.***

As of February 1, 2025, Sycamore Partners Management, L.P. ("Sycamore") controlled the voting power of a majority of our common stock. As a result, we are a "controlled company" within the meaning of the applicable stock exchange corporate governance standards. Under the rules of the NYSE, a company of which more than 50% of the outstanding voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain stock exchange corporate governance requirements, including:

- the requirement that a majority of our Board of Directors (the "Board") consists of independent directors;
- the requirement that nominating and corporate governance matters be decided solely by independent directors; and
- the requirement that employee and officer compensation matters be decided solely by independent directors.

So long as Sycamore controls a majority of the voting power of our common stock, we intend to utilize these exemptions. As a result, we may not have a majority of independent directors and our nominating and corporate governance and compensation functions may not be decided solely by independent directors. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the stock exchange corporate governance requirements.

The interests of Sycamore and its affiliates, which include Hot Topic, could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by Sycamore could delay, defer or prevent a change of control of our Company or impede a merger, takeover or other business combination which may otherwise be favorable for us and our other stockholders. Additionally, Sycamore is in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete, directly or indirectly, with us. Sycamore may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as Sycamore continues to directly or indirectly own a significant amount of our common stock, even if such amount is less than a majority thereof, Sycamore will continue to be able to substantially influence or effectively control our ability to enter into corporate transactions.

***Our stock price has been volatile or may decline regardless of our operating performance.***

The market price for our common stock has been, and may continue to be, volatile. The market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- quarterly variations in our operating results compared to market expectations;
- changes in preferences of our customers;

- announcements of new products, significant price reductions or other strategic actions by us or our competitors;
- public reactions to our press releases, public announcements and/or filings with the SEC;
- speculation in the press or investment community;
- size of our public float;
- stock price performance and valuations of our competitors;
- fluctuations in stock market prices and volumes;
- default on our indebtedness;
- actions by competitors or other shopping center tenants;
- changes in senior management or key personnel;
- actions by our stockholders;
- changes in financial estimates by securities analysts or our failure to meet any such estimates;
- negative earnings or other announcements by us or other retail apparel companies;
- downgrades in our credit ratings or the credit ratings of our competitors;
- issuances (or sales by our stockholders) of capital stock;
- general market conditions;
- global economic, legal and regulatory factors unrelated to our performance; and
- the realization of any of the risks described in this section, or other risks that may materialize in the future.

Numerous factors affect our business and cause variations in our operating results and affect our net sales and comparable store sales, including consumer preferences, buying trends and overall economic trends; our ability to identify and respond effectively to product trends and customer preferences; changes in the population of our target segment; actions by competitors and other shopping center tenants; changes in our merchandise mix; pricing; the timing of our releases of new merchandise and promotional events; the level of customer service that we provide in our stores; changes in sales mix among sales channels; our ability to source and distribute products effectively; inventory shrinkage; weather conditions, particularly during the holiday season; and the number of stores we open, close and convert in any period.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

***Sales of substantial amounts of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.***

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares.

In the future, we may also issue securities if we need to raise capital. The amount of shares of our common stock issued in connection with a capital raise or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Our stockholders may experience immediate dilution upon such future equity issuances or the exercise of stock options to purchase common stock granted to our employees, consultants and directors under our stock option and incentive plans.

***Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the merger or acquisition of our Company more difficult without the approval of our Board. Among other things, these provisions:

- would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent from and after the date on which Sycamore, Sycamore Partners Torrid, L.L.C. and each of their respective affiliates (the "Sycamore Investors") cease to beneficially own at least 50% of the total voting power of all then outstanding shares of our common stock (the "Trigger Event") unless such action is recommended by all directors then in office;
- provide that our Board is expressly authorized to make, alter, or repeal our bylaws and that from and after the Trigger Event our stockholders may only amend our bylaws with the approval of 75% or more of all of the outstanding shares of our capital stock entitled to vote; and
- establish advance notice requirements for nominations for elections to our Board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and to cause us to take other corporate actions that they desire.

***We have never declared nor paid any cash dividends.***

The continued operation and expansion of our business will require substantial funding. Any determination to pay dividends in the future will be at the discretion of our Board and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board deems relevant. Additionally, our operating subsidiaries are currently restricted from paying cash dividends by the agreements governing their indebtedness, and we expect these restrictions to continue in the future.

***If we are unable to design, implement and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), we may not be able to report our financial results in a timely and reliable manner, which could have a material adverse effect on our business and stock price.***

As a public company, we have significant requirements for enhanced financial reporting and internal controls. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain appropriate internal controls over financial reporting, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our operating results. In addition, we are required to comply with the SEC's rules implementing Sections 302 and 404 of Sarbanes-Oxley, which require our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Testing and maintaining internal controls may divert our management's attention from other matters that are important to our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of Sarbanes-Oxley.

If we are unable to conclude that we have effective internal control over financial reporting or material weaknesses or control deficiencies occur in the future, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to

applicable stock exchange listing requirements and investors may lose confidence in our financial reporting, which could have a material adverse effect on the trading price of our stock.

***Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with the Company or the Company's directors, officers or other employees.***

Our amended and restated certificate of incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (1) derivative action or proceeding brought on behalf of our Company, (2) action asserting a claim of breach of a fiduciary duty owed by any director or officer of our Company to the Company or the Company's stockholders, (3) action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or our amended and restated certificate of incorporation or our amended and restated bylaws, or (4) action asserting a claim against us or any director or officer of the Company governed by the internal affairs doctrine. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternate forum, the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. We note that there is uncertainty as to whether a court would enforce the choice of forum provision with respect to claims under the federal securities laws, and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to the forum provisions in our amended and restated certificate of incorporation. This choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or the Company's directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our amended and restated certificate of incorporation inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board.

## **General Risk Factors**

***Our operations and financial performance have been affected by, and may continue to be affected by, infectious disease outbreaks.***

We could be adversely affected by infectious disease outbreaks which could disrupt, local, regional and global economies and businesses in the countries in which we operate, and adversely affect workforces, customers, consumer sentiment, economies and financial markets, and impact our financial results. For instance, the COVID-19 outbreak, including the spread of COVID-19 variants, caused a disruption in our supply chain and has adversely impacted economic conditions in North America, Europe, China and elsewhere. These and other disruptions, as well as poor economic conditions generally, may lead to a decline in the sales and operating results of our omni-channel business. In addition, the continuation of the global outbreak of COVID-19, or any other future pandemic, may adversely affect the economies and financial markets of many countries and could result in a sustained reduction in the demand for our products. A decline in the sales and operating results of our products could in turn materially and adversely affect our ability to pursue our growth strategy. Each of these results would reduce our future sales and profit margins, which in turn could materially and adversely affect our business and results of operations. To the extent the COVID-19 pandemic, or any other future pandemic, adversely affects our business, financial condition, results of operations, cash flows and prospects, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

***We depend on key members of our executive management team and may not be able to retain or replace these individuals or recruit additional personnel, which could harm our business.***

We depend on the leadership and experience of key members of our executive management team. The loss of the services of any of our executive management could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. In addition, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in the retail industry. Our inability to meet our staffing requirements in the future could impair our growth and harm our business.

***If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified Board members.***

As a public company, we are subject to certain reporting requirements. We have incurred, and will continue to incur, significant costs associated with complying with the requirements of the Exchange Act, Sarbanes-Oxley and any rules promulgated thereunder, as well as the rules of the NYSE. The requirements of these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. The expenses incurred by public companies generally for reporting and corporate governance purposes have also been increasing. We may need to hire additional accounting, finance and other personnel in connection with our continued efforts to comply with these requirements, and our management and other personnel will continue to devote a substantial amount of time toward maintaining compliance with these requirements. The various laws and regulations applicable to public companies also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our Board, our Board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

***War, terrorism and other catastrophes could negatively impact our customers, places where we do business and our expenses.***

The continued threat of armed conflicts, war, political instability, terrorism, heightened security and military action in response to this threat, any future acts of terrorism, and significant natural disasters, public health issues or other catastrophic events may cause disruptions and create uncertainties that affect our business. To the extent that such disruptions or uncertainties negatively impact commercial transportation and shipping, shopping patterns and/or shopping center traffic, or adversely affect consumer confidence or the economy in general, our business, operating results and financial condition could be materially and adversely affected. A significant natural disaster, public health issue or other catastrophic event affecting our facilities could materially affect our supply chain, our information system and other aspects of our operations.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 1C. Cybersecurity**

##### ***Cybersecurity Risk Management and Strategy***

We rely extensively on various information systems, operated by us as well as third-party service providers, to manage many aspects of our business. We are susceptible to a number of significant and persistent cybersecurity threats, including those common to most industries as well as those we face as a retailer, operating in an industry characterized by a high volume of customer transactions and collection of sensitive data. These threats, which are constantly evolving, include data breaches,

ransomware, and phishing attacks. We, and our vendors and suppliers, regularly face attempts by malicious actors to breach our security and compromise our information technology systems, and a cybersecurity incident impacting us or any vendor or supplier could significantly disrupt our operations and result in damage to our reputation, costly litigation and/or government enforcement action.

Accordingly, we recognize the critical importance of protecting and securing these information systems and have implemented multiple layers of cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage cybersecurity risk. Our enterprise risk management framework considers cybersecurity risk alongside other company risks as part of our overall risk assessment process. Efforts to assess, identify, and manage cybersecurity risk are led by our dedicated Chief Operating Officer (“COO”), and supported by an experienced team, other members of management, and the Board. From time to time, we engage consultants, auditors, and other third parties to assist us in these efforts.

We assess our information security program using an industry-leading cybersecurity framework, the National Institute of Standards and Technology (“NIST”) Cybersecurity Framework (“CSF”). A risk assessment along with risk-based analysis and judgment are used to select security controls to address risks. During this process, the following factors, among others, are considered: likelihood and severity of risk, impact on us and others if a risk materializes, feasibility and cost of controls and impact of controls on operations.

To test our cybersecurity program, we perform periodic vulnerability testing, engage an independent third party to perform periodic internal and external penetration testing, and engage other third parties to conduct periodic assessments of our cybersecurity capabilities. We continuously expand training and awareness practices to mitigate risk from human error, including mandatory computer-based training and internal communications for employees. Our employees undergo cybersecurity awareness training and regular phishing simulation campaigns that are based upon and designed to emulate real-world contemporary threats. We provide prompt feedback (and, if necessary, additional training or remedial action) based on the results of such exercises.

Our processes also address cybersecurity risks associated with our use of third-party service providers used in different capacities to provide or operate some of our cybersecurity and technology systems. We proactively evaluate the cybersecurity risk of a third party by utilizing a repository of risk assessments and external monitoring sources, including performing dark web analyses, to better inform us during contracting and vendor selection processes. Security issues are documented and tracked, and periodic monitoring of third parties is conducted in an effort to mitigate risk.

In addition to the processes, technologies, and controls that we have in place that are designed to reduce the likelihood of a material cybersecurity incident (or series of related cybersecurity incidents), we have a written incident response plan outlining how to address cybersecurity events that occur. The plan sets forth the steps for coordination among various corporate functions and governance groups, including the legal and finance functions, the Board, and external breach counsel, and serves as a framework for the execution of responsibilities across businesses and operational roles. Our incident response plan is designed to help us coordinate actions to prepare for, detect, respond to and recover from cybersecurity incidents, and includes processes to triage, assess severity, escalate, contain, investigate, and remediate the incident, as well as to assess the need for disclosure, comply with applicable legal obligations and mitigate the impact to our brand and reputation and on impacted parties.

In addition to our cybersecurity incident response plan, we conduct tabletop exercises to enhance our incident response preparedness. We maintain business continuity and disaster recovery plans for certain critical applications and services to prepare for and respond to the potential for a disruption in the technology we rely on.

***Impact of cybersecurity risks on business strategy, results of operations or financial condition***

Torrid (or the third parties it relies on) may not be able to fully, continuously, or effectively implement security controls as intended. As described above, we utilize a risk-based approach and judgment to determine whether and how to implement certain security controls and it is possible that we may not implement the necessary controls if we are unable to recognize or underestimate a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate cybersecurity risks. Cybersecurity events, when detected by security tools or third parties, may not always be identified immediately or addressed in the manner intended by our cybersecurity incident response plan. While we maintain cyber risk insurance, the costs relating to certain kinds of security incidents could be substantial, and our insurance may not be sufficient to cover all losses related to any future incidents involving our data or systems. See “Risks Related to Our Business” in Item 1A, “Risk Factors” in this Annual Report for a discussion of cybersecurity risks that may materially impact us.

Based on the information available as of the date of this Annual Report, no material risks from known cybersecurity incidents have, either individually or in the aggregate, materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. There is no guarantee that any risks from cybersecurity threats will not materially affect us in the future.

### ***Cybersecurity Governance***

The Board oversees our overall risk assessment process, where we assess key enterprise risks within the company, and at least quarterly, senior management reviews these risks with the Board. Cybersecurity and other technology risks, which are considered in our enterprise risk management framework, continue to remain a top priority for the Board. Primary oversight responsibility for cybersecurity and other technology risks has been given to the Audit Committee by the Board.

Our cybersecurity risk management and strategy processes are led by our COO, assisted by our Vice President of Infrastructure and Operations. Together, they have over 20 years of combined professional experience in various roles across multiple industries involving managing information security, developing cybersecurity strategy, implementing effective information and cybersecurity programs, and managing multiple industry and regulatory compliance environments.

At least quarterly, the Audit Committee, Chief Executive Officer and senior finance and legal management, evaluate, review and discuss with the COO our cybersecurity, privacy and data security programs, the status of projects to strengthen internal cybersecurity, results from third-party assessments, recent cybersecurity incidents at other companies and the emerging threat landscape. Significant cybersecurity incidents are reviewed and discussed with the Audit Committee and senior finance and legal management as required by our cybersecurity incident response plan.

### **Item 2. Properties**

We are headquartered in City of Industry, California. Our principal executive offices are leased under a lease agreement expiring in 2027, with an option to renew thereafter. We lease a 750,000 square foot distribution facility located in West Jefferson, Ohio. The lease agreement expires in 2030, with options to renew thereafter. We do not own any real property.

As of February 1, 2025, we operated 634 stores in 50 U.S. states, Puerto Rico and Canada. Our stores are located primarily in premium malls, strip centers, lifestyle centers or outlet locations. They perform consistently across all formats because, we believe, our stores serve as a shopping destination for our customers and are therefore less dependent on broader traffic trends. The average size of our stores is approximately 3,100 square feet. All of our stores are leased from third parties and we expect new leases to have initial terms of eight years based on current discussions. A majority of our store leases, including all new leases signed since fiscal year 2013 include performance-based early termination provisions or "kickout" clauses. These clauses provide us the contractual flexibility to exit a store or renegotiate rent in the event a store's performance deteriorates. Approximately 94% of current leases will have a termination or kickout within three years of the end of fiscal year 2024, providing us with significant flexibility. The average remaining lease term was 2.7 years as of February 1, 2025, before the assumed benefit of kickout clauses. Assuming termination of each lease at the earlier of its first available kickout date or full term, the average remaining lease term was 1.8 years as of February 1, 2025. Substantially all of our store leases also include early termination provisions based on co-tenancy requirements for the shopping center. Given the positive performance trajectory of our stores, we have historically exercised these kick-out or co-tenancy termination provisions on a limited basis. As of February 1, 2025, 16% of our total leases were on variable rent structures, providing additional flexibility to our store fleet going forward. A number of our leases have built-in options to extend our tenancy for periods of up to five years.

Generally, store leases contain standard provisions concerning the payment of rent, events of default and the rights and obligations of each party. Rent due under the leases is generally comprised of annual base rent and sometimes includes a contingent rent payment based on the store's sales in excess of a specified threshold. The leases also generally require us to pay real estate taxes, insurance and certain common area costs. We renegotiate with landlords to obtain more favorable terms as opportunities arise.

The table below sets forth the number of Torrid stores by U.S. state or territory or Canadian province that we operated as of February 1, 2025.

U.S. State	Number of Stores	U.S. State	Number of Stores	U.S. State	Number of Stores
AK	2	ME	2	SC	5
AL	7	MI	19	SD	2
AR	6	MN	13	TN	13
AZ	15	MO	10	TX	56
CA	64	MS	5	UT	6
CO	12	MT	2	VA	17
CT	7	NC	16	VT	1
DE	2	ND	3	WA	16
FL	37	NE	3	WI	14
GA	15	NH	6	WV	5
HI	3	NJ	11	WY	1
IA	8	NM	5		
ID	3	NV	8		
IL	19	NY	20	<b>Canada</b>	<b>Number of Stores</b>
IN	16	OH	27	CAN-AB	10
KS	4	OK	7	CAN-BC	5
KY	9	OR	8	CAN-MB	3
LA	8	PA	22	CAN-NB	2
MA	9	PR	3	CAN-NL	1
MD	13	RI	2	CAN-NS	3
				CAN-ON	21
				CAN-SK	2

### Item 3. Legal Proceedings

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

### Item 4. Mine Safety Disclosures

Not applicable.

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

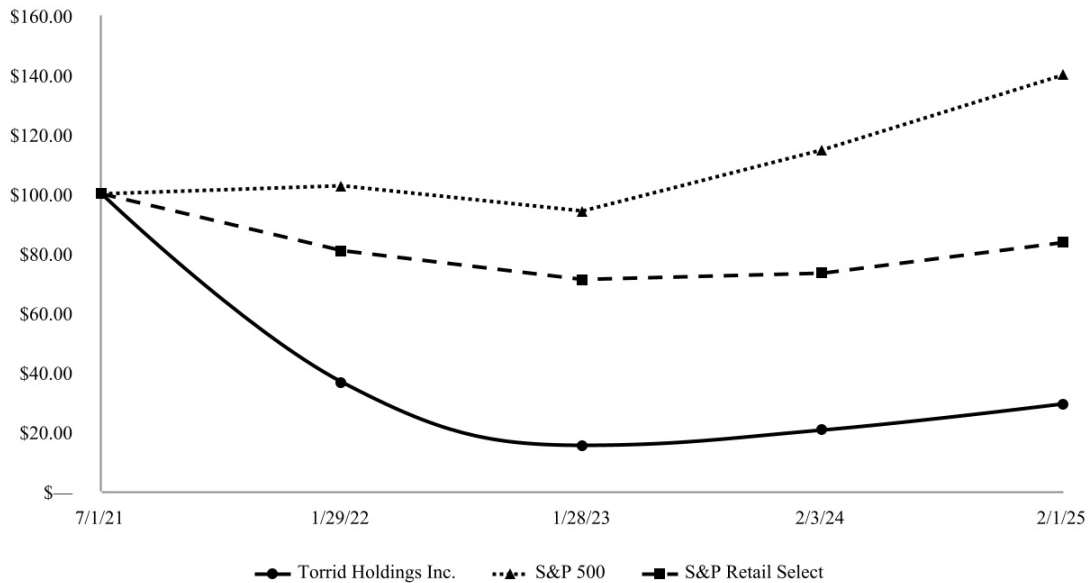
Our common stock is listed on the New York Stock Exchange under the symbol "CURV" and began trading on July 1, 2021. Prior to that date there was no public trading market for our common stock. Our website is [www.torrid.com](http://www.torrid.com). The number of holders of record of our common stock as of March 27, 2025 was 37.

#### Stock Performance Graph

This performance graph shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of Torrid Holdings Inc. under the Securities Act or the Exchange Act.

The graph below presents our cumulative total shareholder returns on our common stock relative to the performance of the S&P 500 Index and the S&P Retail Select Industry Index. The graph assumes \$100 was invested at the market close on July 1, 2021, which was the first day our common stock began trading and its relative performance is tracked through February 1, 2025. Data for the S&P 500 Index and the S&P Retail Select Industry Index assume reinvestment of dividends, if any. The graph uses the closing market price on July 1, 2021 of \$24.15 per share as the initial value of our common stock. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.

**Cumulative Stock Performance Graph**



(in dollars)	July 1, 2021	February 1, 2025
Torrid Holdings Inc.	\$ 100.00	\$ 29.23
S&P 500	\$ 100.00	\$ 139.83
S&P 500 Retail Select Industry	\$ 100.00	\$ 83.40

#### Dividends

We have never declared nor paid any cash dividends on our common stock. Any determination to pay dividends in the future will be at the discretion of our Board and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board deems relevant. Additionally, our operating

subsidiaries are currently restricted from paying cash dividends by the agreements governing their indebtedness, and we expect these restrictions to continue in the future. We are not obligated to pay dividends on our common stock.

#### **Recent Sales of Unregistered Securities and Use of Proceeds**

None.

#### **Share Repurchases**

On December 6, 2021, our Board authorized a share repurchase program under which we may purchase up to \$100.0 million of our outstanding common stock. Repurchases may be made from time to time, depending upon a variety of factors, including share price, corporate and regulatory requirements, and other market and business conditions, as determined by us. We may purchase shares of our common stock in the open market at current market prices at the time of purchase, in privately negotiated transactions, or by other means. The authorization does not, however, obligate us to acquire any particular amount of shares, and the share repurchase program may be suspended or terminated at any time at our discretion. During the three months ended February 1, 2025, we did not repurchase any shares of our common stock. As of February 1, 2025, we had approximately \$44.9 million remaining under the repurchase program.

#### **Item 6. [Reserved]**

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section entitled "Risk Factors."

### Overview

We are a direct-to-consumer brand in North America dedicated to offering a diverse assortment of stylish apparel, intimates, and accessories skillfully designed for the curvy woman. Specializing in sizes 10 to 30, our primary focus is on providing fashionable, comfortable, and affordable options that meet the unique needs of our customers. Our extensive collection features high quality merchandise, including tops, bottoms, denim, dresses, intimates, activewear, footwear, and accessories. Our products are exclusive to us and each product is meticulously crafted to cater to the needs of the curvy woman, empowering her to love the way she looks and feels. Our collections are artfully curated to suit all aspects of our customers' lives, including casual weekends, work, dressy and special occasions. Understanding the importance of affordability, we aim to keep our prices reasonable without compromising on quality. This allows us to build a meaningful connection with our customers, distinguishing us from other brands that often overlook plus- and mid-size consumers. Our brand experience and product offerings establish us as a differentiated and reliable choice for plus- and mid-size customers, which we believe sets us apart in the market. We strive to be everything our customer needs in her closet, consistently delivering products that make her feel confident and stylish.

### Key Financial and Operating Metrics

We use the following metrics to assess the progress of our business, inform how we allocate our time and capital, and assess the near-term and longer-term performance of our business.

	Fiscal Year Ended		
	(in thousands, except net sales per active customer, number of stores and percentages)		
	February 1, 2025	February 3, 2024	January 28, 2023
Active customers (as of end of period) <sup>(A)</sup>	3,656	3,761	3,902
Net sales per active customer <sup>(A)</sup>	\$ 302	\$ 306	\$ 330
Comparable sales <sup>(B)</sup>	(5)%	(12)%	(3)%
Number of stores (as of end of period)	634	655	639
Net income	\$ 16,318	\$ 11,619	\$ 50,209
Adjusted EBITDA <sup>(C)</sup>	\$ 109,120	\$ 106,219	\$ 152,350

(A) Active customers and net sales per active customer calculated on a preceding four quarters basis.

(B) The computation of fiscal year 2024 comparable sales compares sales in fiscal year 2024 to sales in the 52-week period ended February 3, 2024. The computation of fiscal year 2023 comparable sales compares sales in fiscal year 2023 to sales in the 53-week period ended February 4, 2023.

(C) Please refer to "Results of Operations" for a reconciliation of net income to Adjusted EBITDA.

**Active Customers.** We define an active customer as a distinct, identifiable customer who has completed at least one purchase transaction either in-store or online in the preceding four quarters. We are able to identify the vast majority of our customers primarily through our robust loyalty program, which gives us access to extensive customer and sales data. We have improved our customer tracking capabilities and have maintained the proportion of our net sales attributable to active customers over time. The proportion of net sales, excluding PLCC Funds (as defined in "Note 2—Summary of Significant Accounting Policies"), that we are able to attribute to active customers was 97% for each of fiscal years 2024, 2023 and 2022. We view the number of active customers as a key indicator of our performance, the reach of our e-Commerce and stores platform, the value proposition and consumer awareness of our brand and our customers' desire to purchase our products.

**Net Sales per Active Customer.** We define net sales per active customer for any given period as the net sales in the preceding four quarters, divided by the total number of active customers at the end of that period. We view net sales per active customer as a key indicator of our customers' purchasing patterns, including their initial and repeat purchase behavior, and we continue to closely monitor this metric each year.

**Comparable Sales.** We define comparable sales for any given period as the sales of our e-Commerce operations and stores that we have included in our comparable sales base during that period. We include a new store in our comparable sales base after it has been open for 15 full fiscal months. If a store is closed during a fiscal year, it is only included in the computation of comparable sales for the full fiscal months in which it was open. We also determine when certain store remodels and relocations are reintegrated into our comparable sales base. The computation of fiscal year 2024 comparable sales compares sales in fiscal year 2024 to sales in the 52-week period ended February 3, 2024. The computation of fiscal year 2023 comparable sales compares sales in fiscal year 2023 to sales in the 53-week period ended February 4, 2023. Partial fiscal months are excluded from the computation of comparable sales. We apply current year foreign currency exchange rates to both current year and prior year comparable sales to remove the impact of foreign currency fluctuation and achieve a consistent basis for comparison. Comparable sales allow us to evaluate how our unified commerce business is performing exclusive of the effects of non-comparable sales and new store openings.

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

**Adjusted EBITDA.** Adjusted EBITDA is a supplemental measure of our operating performance that is neither required by, nor presented in accordance with GAAP and our calculation thereof may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA represents GAAP net income plus interest expense less interest income, net of other (income) expense, plus provision for less (benefit from) income taxes, depreciation and amortization ("EBITDA"), and share-based compensation, noncash deductions and charges and other expenses. We believe Adjusted EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to ongoing operating performance. We also use Adjusted EBITDA as one of the primary methods for planning and forecasting the overall expected performance of our business and for evaluating on a quarterly and annual basis actual results against such expectations. Further, we recognize Adjusted EBITDA as a commonly used measure in determining business value and, as such, use it internally to report and analyze our results and as a benchmark to determine certain non-equity incentive payments made to executives.

Adjusted EBITDA has limitations as an analytical tool. This measure is not a measurement of our financial performance under GAAP and should not be considered in isolation or as an alternative to or substitute for net income, income from operations or any other performance measures determined in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Among other limitations, Adjusted EBITDA does not reflect:

- interest expense;
- interest income, net of other (income) expense;
- provision for income taxes;
- depreciation and amortization;
- share-based compensation;
- noncash deductions and charges; and
- other expenses.

#### **Material Events and Uncertainties Affecting Our Performance**

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and elsewhere in this Annual Report on Form 10-K in the section titled "Risk Factors."

**Customer Acquisition and Retention.** Our success is impacted not only by efficient and profitable customer acquisition, but also by our ability to retain customers and encourage repeat purchases. It is important to maintain reasonable costs for these marketing efforts relative to the net sales and profit we expect to derive from customers. Failure to effectively attract customers on a cost-efficient basis would adversely impact our profitability and operating results. New requirements for consumer disclosures regarding privacy practices, and new application tracking transparency framework that requires opt-in consent for certain types of tracking were implemented by third party providers in 2021, which has increased the difficulty and cost of acquiring and retaining customers. These changes may adversely affect our results of operations.

**Customer Migration from Single to Omni-channel.** We have a history of converting customers from single-channel customers to omni-channel customers, defined as active customers who shopped both online and in-store within the last twelve months. Customers that shop across multiple channels purchase from us more frequently and spent approximately 3.5 times more per year than our single-channel customer.

**Overall Economic Trends.** Our results of operations during any given period are often impacted by the overall economic conditions in the markets in which we operate. Consumer purchases of clothing generally remain constant or may increase during stable economic periods and decline during recessionary periods, inflationary periods and other periods when disposable income is adversely affected. Recent historic high rates of inflation have led to a softening of consumer demand. We have encountered inflation on our wages, transportation and product costs, and a material increase in these costs without any meaningful offsetting price increases may reduce our future profits.

**Demographic Changes.** The growth of our business is impacted, in part, by the size of the plus- and mid-size population. Slower or negative growth in this demographic, specific to certain geographic markets, income levels or overall, could adversely affect our results of operations.

**Growth in Brand Awareness.** We intend to continue investing in our brand, with a specific focus on growing brand awareness, customer engagement, and conversion through targeted investments in performance and brand marketing. We have made significant historical investments to strengthen the Torrid brand through our marketing efforts, brand partnerships, events and expansion of our social media presence. If we fail to cost-effectively promote our brand or convert impressions into new customers, our net sales growth and profitability may be adversely affected.

**Inventory Management.** Our strategy is built around a base of core products that provide our customer with year-round style. At the same time, we introduce new lines of merchandise approximately 16 times per year, thus providing a consistent flow of fresh merchandise to keep our customer engaged, encourage repeat business and attract new customers. We employ a data-driven approach to design and product development, proactively and quickly incorporating sales and operational performance information alongside customer feedback from thousands of product reviews. We engage in ongoing dialogue with customers through social media and customer surveys. Although we intend to continue to tightly manage our inventory levels, shifts in these levels may result in fluctuations in the amount of regular price sales, markdowns, and merchandise mix, as well as gross margin.

**Investments.** We have invested significantly to strengthen our business, including augmenting leadership across our organization and enhancing our infrastructure and technology in order to realize growth. We anticipate that our operating expenses will grow as we continue to increase our spending on advertising and marketing and hire additional personnel primarily in marketing, product design and development, merchandising, technology, operations, customer service and general and administrative functions. We are strategically working to expand and rebalance our store footprint, aiming for an optimal split between malls and outdoor centers. We will also continue to make investments to improve the customer experience both in-store and online. We believe that such investments will increase the number and loyalty of our customers and, as a result, yield positive financial performance in the long term.

**Seasonality.** While seasonality frequently impacts businesses in the retail sector, our business is generally not seasonal. Accordingly, our net sales do not fluctuate as significantly as those of other brands and retailers from quarter to quarter and any modest seasonal effect does not significantly change the underlying trends in our business. Additionally, we do not generate an outsized share of our net sales or Adjusted EBITDA during the holiday season. Typically, our Adjusted EBITDA generation is strongest in the first half of the year as we benefit from more favorable merchandise margins, lower advertising and lower shipping expenses relative to the second half of the year. The lack of net sales seasonality provides structural cost advantages relative to peers, including reduced staffing cyclical and seasonal distribution capacity needs.

**Impact of Infectious Disease Outbreaks.** Infectious disease outbreaks may cause general business disruption worldwide which could directly or indirectly impact our business, results of operations, cash flows, and financial condition. This could have a negative impact on our business including, but not limited to, closure requirements with respect to some or all of our physical locations, changes in consumer behavior, difficulties attracting and retaining employees and supply chain disruptions.

## Components of Our Results of Operations

In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of PLCC Funds (as defined in “Note 2–Summary of Significant Accounting Policies”) we receive pursuant to the Credit Card Agreement (as defined in “Note 2–Summary of Significant Accounting Policies”). Historically, we recorded PLCC Funds (as defined in “Note 2–Summary of Significant Accounting Policies”) as a reduction to selling, general and administrative expenses in the consolidated statements of operations and comprehensive income. Under the new policy, we record PLCC Funds (as defined in “Note 2–Summary of Significant Accounting Policies”) in net sales in the consolidated statements of operations and comprehensive income. This reclassification does not have any impact on income from operations, income before provision for income taxes, net income or earnings per share and there was no cumulative effect to stockholders’ deficit or net assets. The recognition of PLCC Funds (as defined in “Note 2–Summary of Significant Accounting Policies”) in net sales is preferable because it will enhance the comparability of our financial statements with those of many of our industry peers and provide greater transparency into performance metrics relevant to our industry by showing the gross impact of the funds received as net sales instead of as a reduction to selling, general and administrative expenses.

**Net Sales.** Net sales reflects our revenues from the sale of our merchandise, shipping and handling revenue received from e-Commerce sales, PLCC Funds (as defined in “Note 2–Summary of Significant Accounting Policies”) and gift card breakage income, less returns, discounts and loyalty points/awards. Revenue from our stores is recognized at the time of sale and revenue from our e-Commerce channel is recognized upon shipment of the merchandise to the customer; except in cases where the merchandise is shipped to a store and revenue is recognized when the customer retrieves the merchandise from the store. Net sales are impacted by the size of our active customer base, product assortment and availability, marketing and promotional activities and the spending habits of our customers. Net sales are also impacted by the migration of single-channel customers (i.e., customers shopping only in-store or online) to omnichannel customers (i.e., customers shopping both in-store and online), who on average spend significantly more than single-channel customers in a given year.

**Gross Profit.** Gross profit is equal to our net sales less cost of goods sold. Our cost of goods sold includes merchandise costs, freight, inventory shrinkage, payroll expenses associated with the merchandising department, distribution center expenses and store occupancy expenses, including rent, common area maintenance charges, real estate taxes and depreciation. Merchandising payroll costs and store occupancy costs included within cost of goods sold are largely fixed and do not necessarily increase as volume increases. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise and generally use markdowns to clear that merchandise. The timing and level of markdowns are driven primarily by customer acceptance of our merchandise. The primary drivers of our merchandise costs include the raw materials, labor in the countries where we source our merchandise, customs duties, and logistics costs.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses include all operating costs not included in cost of goods sold or marketing expenses.

**Marketing Expenses.** We continue to make investments in marketing in an effort to grow and retain our active customer base and increase our brand awareness. Marketing expenses consist primarily of (i) targeted online performance marketing costs, such as retargeting, paid search/product listing advertising, and social media advertisements, (ii) store and brand marketing, public relations and photographic production designed to acquire, retain and remain connected to customers and (iii) payroll and benefits expenses associated with our marketing team.

**Interest Expense.** Interest expense consists primarily of interest expense and other fees associated with our ABL Facility and Amended Term Loan Credit Agreement.

**Provision for Income Taxes.** Our provision for income taxes consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for allowable credits, deductions and uncertain tax positions.

## Results of Operations

A discussion regarding our results of operations for fiscal year 2024 compared to fiscal year 2023 is presented below. A discussion regarding our results of operations for fiscal year 2023 compared to fiscal year 2022 can be found under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on the Form 10-K for the year ended February 3, 2024, filed with the SEC on April 2, 2024.

### Fiscal Year 2024 Compared to Fiscal Year 2023

The following table summarizes our consolidated results of operations for the periods indicated (dollars in thousands):

	Fiscal Year Ended			
	February 1, 2025	% of Net Sales	February 3, 2024	% of Net Sales
Net sales	\$ 1,103,737	100.0 %	\$ 1,151,945	100.0 %
Cost of goods sold	690,266	62.5 %	745,967	64.8 %
Gross profit	413,471	37.5 %	405,978	35.2 %
Selling, general and administrative expenses	302,032	27.4 %	293,331	25.5 %
Marketing expenses	54,231	4.9 %	55,499	4.8 %
Income from operations	57,208	5.2 %	57,148	5.0 %
Interest expense	35,633	3.2 %	39,203	3.4 %
Interest income, net of other (income) expense	(28)	0.0 %	(90)	0.0 %
Income before provision for income taxes	21,603	2.0 %	18,035	1.6 %
Provision for income taxes	5,285	0.5 %	6,416	0.6 %
Net income	\$ 16,318	1.5 %	\$ 11,619	1.0 %

The following table provides a reconciliation of net income to Adjusted EBITDA for the periods presented (in thousands):

	Fiscal Year Ended	
	February 1, 2025	February 3, 2024
Net income	\$ 16,318	\$ 11,619
Interest expense	35,633	39,203
Interest income, net of other (income) expense	(28)	(90)
Provision for income taxes	5,285	6,416
Depreciation and amortization <sup>(A)</sup>	35,721	36,484
Share-based compensation <sup>(B)</sup>	7,634	8,042
Noncash deductions and charges <sup>(C)</sup>	347	816
Other expenses <sup>(D)</sup>	8,210	3,729
Adjusted EBITDA	\$ 109,120	\$ 106,219

(A) Depreciation and amortization excludes amortization of debt issuance costs and original issue discount that are reflected in interest expense.

(B) Share-based compensation in fiscal year 2024 includes \$3.0 million for awards that will be settled in cash as they are accounted for as share-based compensation in accordance with ASC 718, Compensation—Stock Compensation, similar to awards settled in shares.

(C) Noncash deductions and charges includes losses on property and equipment disposals and the net impact of noncash rent expense.

(D) Other expenses include severance costs for certain key management positions, certain transaction and litigation fees (including certain settlement costs), and the reimbursement of certain management expenses, primarily for travel, incurred by Sycamore on our behalf, which are not considered to be part of our core business.

### Net Sales

Net sales for fiscal year 2024 decreased by \$48.2 million, or 4.2%, to \$1,103.7 million, from \$1,151.9 million for fiscal year 2023. This decrease was primarily driven by a decrease in sales transaction values, a decrease in PLCC Funds and sales of \$21.7 million attributable to the 53<sup>rd</sup> week in fiscal year 2023, partially offset by improved pricing strategies. Comparable sales decreased 5.0%. The total number of stores we operate decreased by 21 stores, or 3.2%, to 634 stores at the end of fiscal year 2024, from 655 stores at the end of fiscal year 2023.

### *Gross Profit*

Gross profit for fiscal year 2024 increased by \$7.5 million, or 1.8%, to \$413.5 million, from \$406.0 million for fiscal year 2023. This increase was primarily due to reduced product costs, an increase in sales of regular-priced products and a decrease in store occupancy costs, partially offset by decreased net sales. Gross profit as a percentage of net sales increased by 2.3% to 37.5% in fiscal year 2024 from 35.2% in fiscal year 2023. This increase was primarily driven by reduced product costs and an increase in sales of regular-priced products, partially offset by decreased net sales, an increase in store depreciation expense and deleverage of store occupancy costs and merchandising payroll costs as a result of lower net sales.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for fiscal year 2024 increased by \$8.7 million, or 3.0%, to \$302.0 million, from \$293.3 million for fiscal year 2023. The increase was primarily due to a \$9.1 million increase in headquarter general and administrative expenses and an \$8.6 million increase in performance bonuses, partially offset by a \$7.0 million decrease in store and e-Commerce payroll costs and a \$1.6 million decrease in store pre-opening costs. Selling, general and administrative expenses as a percentage of net sales increased by 1.9% to 27.4% in fiscal year 2024 from 25.5% in fiscal year 2023. This increase was primarily driven by increased headquarter general and administrative expenses and performance bonuses, partially offset by decreased store and e-Commerce payroll costs.

### *Marketing Expenses*

Marketing expenses for fiscal year 2024 decreased by \$1.3 million, or 2.3%, to \$54.2 million, from \$55.5 million for fiscal year 2023. This decrease was primarily due to decreased spend on email marketing, comparison shopping engines, retargeting, store and brand marketing, and photographic production, partially offset by expenses associated with our model search campaign and an increase in social media spend. Marketing expenses as a percentage of net sales increased by 0.1% to 4.9% in fiscal year 2024 from 4.8% in fiscal year 2023. This increase was due to deleverage of marketing expenses as a result of lower net sales.

### *Interest Expense*

Interest expense was \$35.6 million for fiscal year 2024, compared to \$39.2 million for fiscal year 2023. The decrease was primarily due to a decrease in the variable interest rate associated with the Amended Term Loan Credit Agreement, dated as of May 24, 2023, during fiscal year 2024 compared to fiscal year 2023.

### *Provision for Income Taxes*

The provision for income taxes for fiscal year 2024 decreased by \$1.1 million to \$5.3 million, from \$6.4 million for fiscal year 2023. Our effective tax rate was 24.5% for fiscal year 2024 as compared to 35.6% for fiscal year 2023. The decrease in the effective tax rate for fiscal year 2024 as compared to fiscal year 2023 was primarily due to the decrease in the amount of non-deductible stock-based compensation for covered employees and state income taxes relative to income before provision for income taxes for fiscal year 2024.

## **Liquidity and Capital Resources**

### *General*

Our business relies on cash flows from operations as our primary source of liquidity. We do, however, have access to additional liquidity, if needed, through borrowings under our ABL Facility. Our primary cash needs are for merchandise inventories, payroll, rent for our stores, headquarters and distribution center, capital expenditures associated with opening new stores and updating existing stores, logistics and information technology. We also need cash to fund our interest and principal payments on the Amended Term Loan Credit Agreement and make discretionary repurchases of our common stock. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, prepaid expenses and other current assets, accounts payable, accrued and other current liabilities and operating lease liabilities. We believe that cash generated from operations and the availability of borrowings under our ABL Facility or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures for at least the next 12 months. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our ABL Facility or otherwise to enable us to service our indebtedness, or to make capital expenditures in the future. Our future operating performance and our ability to service or extend our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

### ***July 2023 Reduction in Workforce***

In July 2023, we implemented a strategic reduction of approximately 5% of our workforce employed in our headquarters in City of Industry, California. Costs to implement the workforce reduction were comprised primarily of severance payments and continuing health care coverage over the severance period. During fiscal year 2023, we recognized \$1.5 million of expense related to the workforce reduction in selling, general and administrative expenses in our condensed consolidated statements of operations and comprehensive income. None of our employees are represented by a labor union or are party to a collective bargaining agreement.

### ***Cash Flow Analysis***

A summary of operating, investing and financing activities are shown in the following table (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Net cash provided by operating activities	\$ 77,390	\$ 42,771	\$ 53,311
Net cash used in investing activities	(14,392)	(26,002)	(23,369)
Net cash used in financing activities	(24,500)	(18,517)	(45,117)

### ***Net Cash Provided By Operating Activities***

Operating activities consist primarily of net income adjusted for noncash items, including depreciation and amortization and share-based compensation, the effect of working capital changes and taxes paid.

Net cash provided by operating activities during fiscal year 2024 was \$77.4 million compared to \$42.8 million during fiscal year 2023. The increase in cash provided by operating activities during fiscal year 2024 was primarily as a result of an increase in net income of \$4.7 million, and increases in accounts payable and accrued expenses, due to higher inventory purchases, performance bonuses and legal fees compared to prior year, and an increase in other current liabilities. The increase in cash provided by operating activities was partially offset by decreases in income taxes payable, inventory write-downs and deferred compensation.

Net cash provided by operating activities during fiscal year 2023 was \$42.8 million compared to \$53.3 million during fiscal year 2022. The decrease in cash provided by operating activities during fiscal year 2023 was primarily as a result of a decrease in net income of \$38.6 million mainly due to a decrease in sales transactions during the current year. Other reasons for the decrease in net cash provided by operating activities were as a result of decreases in accounts payable due to lower inventory purchases compared to prior year, and other noncurrent liabilities, and increases in deferred tax assets, prepaid income taxes, and deposits and other noncurrent assets, partially offset by a decrease in inventory purchases and a lower decrease in accrued and other current liabilities.

### ***Net Cash Used In Investing Activities***

Typical investing activities consist primarily of capital expenditures for growth (new store openings, relocations and major remodels), store maintenance (minor store remodels and investments in store fixtures), and infrastructure to support the business related primarily to information technology, our headquarters facility and our West Jefferson, Ohio distribution center.

Net cash used in investing activities was \$14.4 million and \$26.0 million in fiscal years 2024 and 2023, respectively. The decrease in cash used in investing activities was primarily as a result of a decrease in capital expenditures related to the opening of new stores and investment in our West Jefferson, Ohio distribution center during fiscal year 2024, compared to fiscal year 2023.

Net cash used in investing activities were \$26.0 million and \$23.4 million in fiscal years 2023 and 2022, respectively. The increase in cash used in investing activities was primarily as a result of an increase in capital expenditures related to the opening of new stores, partially offset by a decrease in investments in our West Jefferson, Ohio distribution center during fiscal year 2023, compared to fiscal year 2022.

### ***Net Cash Used In Financing Activities***

Financing activities consist primarily of (i) borrowings and repayments related to our ABL Facility, (ii) borrowings and repayments related to the Amended Term Loan Credit Agreement, (iii) repurchases and retirement of our common stock, and (iv) proceeds and withholding taxes related to issuances under our shared-based compensation plans.

Net cash used in financing activities were \$24.5 million and \$18.5 million for fiscal years 2024 and 2023, respectively. The increase in net cash used in financing activities is primarily as a result of a \$6.2 million increase in net payments on the ABL Facility.

Net cash used in financing activities were \$18.5 million and \$45.1 million for fiscal years 2023 and 2022, respectively. The decrease in net cash used in financing activities is primarily as a result of a \$31.7 million decrease in share repurchases and a \$4.4 million decrease in principal payments on the Amended Term Loan Credit Agreement due to the timing of payments relative to the end of our fiscal quarter, partially offset by a \$9.5 million decrease in net borrowing from the ABL Facility.

### ***Debt Financing Arrangements***

For the stated periods, our debt financing arrangements consisted of the following (in thousands):

	<b>February 1, 2025</b>	<b>February 3, 2024</b>
ABL Facility	\$ —	\$ 7,270
Term loan		
Amended Term Loan Credit Agreement	293,125	310,625
Less: current portion of unamortized original issue discount and debt financing costs	(1,356)	(1,356)
Less: noncurrent portion of unamortized original issue discount and debt financing costs	(3,216)	(4,572)
Total term loan outstanding, net of unamortized original issue discount and debt financing costs	288,553	304,697
Less: current portion of term loan, net of unamortized original issue discount and debt financing costs	(16,144)	(16,144)
Total term loan, net of current portion and unamortized original issue discount and debt financing costs	<u>\$ 272,409</u>	<u>\$ 288,553</u>

#### ***Term Loan Credit Agreement***

On June 14, 2021, we entered into a term loan credit agreement (the "Term Loan Credit Agreement") among Bank of America, N.A., as agent, and the lenders party thereto. On May 24, 2023, we entered into an amendment to the Term Loan Credit Agreement (the "Amended Term Loan Credit Agreement"). The Amended Term Loan Credit Agreement replaced the London Interbank Offered Rate ("LIBOR") interest rate benchmark with the Secured Overnight Financing Rate ("SOFR") benchmark. All other material terms of the Term Loan Credit Agreement remained substantially the same after giving effect to the Amended Term Loan Credit Agreement. In March 2020 and January 2021, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Updates ("ASU") 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") and 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"), respectively. ASU 2020-04 and ASU 2021-01 include practical expedients which provide entities the option to account for qualifying amendments as if the modification was not substantial in accordance with Accounting Standards Codification ("ASC") 470, *Debt*. We elected this option, accordingly, the Amended Term Loan Credit Agreement did not have a material impact on our consolidated financial statements.

The Term Loan Credit Agreement provides for term loans in an initial aggregate amount of \$350.0 million ("Principal"), which is recorded net of OID of \$3.5 million and has a maturity date of June 14, 2028. In connection with the Term Loan Credit Agreement, we paid financing costs of approximately \$6.0 million.

The \$346.5 million proceeds of the Term Loan Credit Agreement, net of OID, were used to (i) repay and terminate the original term loan credit agreement; (ii) make a \$131.7 million distribution to the direct and indirect holders of our equity interests; and (iii) pay for financing costs associated with the Term Loan Credit Agreement.

Loans made pursuant to the Amended Term Loan Credit Agreement bear interest at an annual rate equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate quoted by The Wall Street Journal, (2) the federal funds effective rate plus 0.50% and (3) a SOFR rate for an interest period of one month, plus 1.00% (in each case,

subject to a floor of 1.75%); or (b) at a SOFR rate for the interest period relevant to such borrowing (subject to a floor of 0.75%), in each case plus an applicable margin of 5.50% for SOFR borrowings and 4.50% for base rate borrowings.

If we elect the SOFR rate, interest is due and payable on the last day of each interest period, unless an interest period exceeds three months, then the respective dates that fall every three months after the beginning of the interest period shall also be interest payment dates. If we elect the Base rate, interest is due and payable the last day of each calendar quarter. The elected interest rate at the end of fiscal year 2024 was approximately 10%.

In addition to paying interest on the outstanding Principal under the Amended Term Loan Credit Agreement, we are required to make fixed mandatory repayments of the Principal on the last business day of each fiscal quarter until maturity commencing with the second full fiscal quarter following the closing date ("Repayment"). For each of the fiscal quarters until the maturity date and starting with the fourth fiscal quarter of 2021, Repayments represent 1.25% of the Principal, reduced as a result of the application of prior Prepayments (as defined below).

Under the Amended Term Loan Credit Agreement, we are also required to make variable mandatory prepayments of the Principal, under certain conditions as described below, approximately 102 days after the end of each fiscal year (each, a "Prepayment"). Prepayments, if applicable, commence at the end of fiscal year 2022 and represent between 0% and 50% (depending on our first lien net leverage ratio) of Excess Cash Flow (as defined in the Amended Term Loan Credit Agreement) in excess of \$10.0 million, minus prepayments of Principal, the ABL Facility (to the extent accompanied by a permanent reduction in the commitments thereunder) and certain other specified indebtedness and amounts in connection with certain other enumerated items. As of February 1, 2025, we did not meet the Excess Cash Flow threshold to require a Prepayment.

In addition to mandatory Repayment and Prepayment obligations, we may at our option, prepay a portion of the outstanding Principal ("Optional Prepayment"). If we made Optional Prepayments before June 14, 2023, we would have been subject to penalties ranging from 1.00% to 2.00% of the aggregate principal amount.

All of Torrid LLC's existing domestic subsidiaries and Torrid Intermediate LLC unconditionally guarantee all obligations under the Amended Term Loan Credit Agreement. Substantially all of the assets of Torrid LLC, Torrid LLC's existing subsidiaries and Torrid Intermediate LLC will secure all such obligations and the guarantees of those obligations, subject to certain exceptions.

The Amended Term Loan Credit Agreement also contains a number of covenants that, among other things and subject to certain exceptions, will restrict our ability and the ability of our subsidiaries to: create, incur or assume liens on our assets or property; incur additional indebtedness; issue preferred or disqualified stock; consolidate or merge; sell assets; pay dividends or make distributions, make investments, or engage in transactions with our affiliates.

At the end of fiscal year 2024, we were compliant with our financial covenants under the Amended Term Loan Credit Agreement.

At the end of fiscal year 2024, the fair value of the Amended Term Loan Credit Agreement was approximately \$274.1 million. The fair value of the Amended Term Loan Credit Agreement is determined using current applicable rates for similar instruments as of the balance sheet date, a Level 2 measurement (as defined in "Note 19—Fair Value Measurements").

At the end of fiscal year 2024, total borrowings, net of OID and financing costs, of \$288.6 million remain outstanding under the Amended Term Loan Credit Agreement. During fiscal year 2024, we recognized \$33.2 million of interest expense and \$1.4 million OID and financing costs related to the Amended Term Loan Credit Agreement. The OID and financing costs are amortized over the Amended Term Loan Credit Agreement's seven-year term and are reflected as a direct deduction of the face amount of the term loan in our consolidated balance sheets. We recognize interest payments, together with amortization of the OID and financing costs, in interest expense in our consolidated statements of operations and comprehensive income.

#### *Senior Secured Asset-Based Revolving Credit Facility*

In May 2015, we entered into a credit agreement for a senior secured asset-based revolving credit facility with Bank of America, N.A., which was subsequently amended in October 2017, June 2019, September 2019, June 2021 and April 2023 ("ABL Facility"). Under the ABL Facility the aggregate commitments available are \$150.0 million (subject to a borrowing base), and we have the right to request additional commitments up to \$50 million plus the aggregate principal amount of any permanent principal reductions we may take (subject to customary conditions precedent). The principal amount of the outstanding loans are due and payable on June 14, 2026. The April 21, 2023 amendment to the ABL Facility replaced the LIBOR interest rate benchmark with the SOFR benchmark. All other material terms of the ABL Facility remained substantially

the same after giving effect to the April 21, 2023 amendment. We elected to apply the practical expedients included in ASU 2020-04 and 2021-01, accordingly, the April 21, 2023 amendment did not have a material impact on our consolidated financial statements.

The borrowing base for the ABL Facility at any time equals the sum of 90% of eligible credit card receivables, plus 90% of the appraised net orderly liquidation value of eligible inventory and eligible in-transit inventory multiplied by the cost of such eligible inventory and eligible in-transit inventory (to be increased to 92.5% during the period beginning on September 1 of each year and ending on December 31 of each year). The ABL Facility includes borrowing capacity for letters of credit and for borrowings on same-day notice, referred to as Swing Line Loans, and is available in U.S. dollars.

Under the ABL Facility we have the right to request up to \$50.0 million of additional commitments plus the aggregate principal amount of any permanent principal reductions we may take plus the amount by which the borrowing base exceeds the aggregate commitments (subject to customary conditions precedent). The lenders under this facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to customary conditions precedent. If we were to request any such additional commitments and the existing lenders or new lenders were to agree to provide such commitments, the size of the ABL Facility could increase to up to \$200.0 million, but our ability to borrow under this facility would still be limited by the amount of the borrowing base.

Borrowings under the ABL Facility bear interest at an annual rate equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Bank of America, N.A., (2) the federal funds effective rate plus 0.50% and (3) a SOFR rate for an interest period of one month adjusted for certain costs, plus 1.00%, in each case, plus an applicable margin that ranges from 0.25% to 0.75% based on average daily availability; or (b) at a SOFR rate for the interest period relevant to such borrowing adjusted for certain costs ("Adjusted SOFR"), in each case plus an applicable margin that ranges from 1.25% to 1.75%, based on average daily availability. At the end of fiscal year 2024, the applicable interest rate for borrowings under the ABL Facility was approximately 8% per annum.

If we elect the SOFR rate, interest is due and payable on the last day of each interest period, unless an interest period exceeds three months, then the respective dates that fall every three months after the beginning of the interest period shall also be interest payment dates. If we elect the base rate (including a Swing Line Loan), interest is due and payable on the first business day of each month and on the maturity date.

In addition to paying interest on outstanding principal under the ABL Facility we are required to pay a commitment fee in respect of unutilized commitments. The commitment fee ranges between 0.25% and 0.375% per annum of unutilized commitments and will be subject to adjustment each fiscal quarter based on the amount of unutilized commitments during the immediately preceding fiscal quarter. We must also pay customary letter of credit fees and agent fees.

If at any time the aggregate amount of outstanding loans, unreimbursed letter of credit drawings and undrawn letters of credit under the ABL Facility exceeds the lesser of (a) the commitment amount and (b) the borrowing base, we will be required to repay outstanding loans and/or cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount.

We may voluntarily reduce the unused portion of the commitment amount and repay outstanding loans at any time. Prepayment of the loans may be made without premium or penalty other than customary "breakage" costs with respect to SOFR loans.

All obligations under the ABL Facility are unconditionally guaranteed by substantially all of Torrid Intermediate LLC's existing majority-owned domestic subsidiaries and will be required to be guaranteed by certain of Torrid Intermediate LLC's future domestic majority-owned subsidiaries. All obligations under the ABL Facility and the guarantees of those obligations, will be secured, subject to certain exceptions, by substantially all of Torrid Intermediate LLC's assets.

The ABL Facility requires us to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 if we fail to maintain Specified Availability (as defined by the ABL Facility) of at least the greater of 10% of the Loan Cap, as defined by the ABL Facility and \$7.0 million. The ABL Facility contains a number of other covenants that, among other things and subject to certain exceptions, will restrict our ability and the ability of our subsidiaries to: incur additional indebtedness; pay dividends on our capital stock or redeem, repurchase or retire our capital stock or our other indebtedness; make investments, loans and acquisitions; engage in transactions with our affiliates; sell assets, including capital stock of our subsidiaries; alter the business we conduct; consolidate or merge; and incur liens. At the end of fiscal year 2024, we were compliant with our debt covenants under the ABL Facility.

The ABL Facility specifically restricts dividends and distributions, aside from amounts to cover ordinary operating expenses and taxes, between our subsidiaries and to us. However, dividends and distributions are permitted at any time that either (1) availability under the ABL Facility is equal to or greater than 15% of the maximum borrowing amount on a pro forma basis and we are pro forma compliant with a 1.00 to 1.00 fixed charge coverage ratio or (2) availability under the ABL Facility is equal to or greater than 20% of the maximum borrowing amount on a pro forma basis. At the end of fiscal year 2024, the maximum restricted payment utilizing the ABL Facility that our subsidiaries could make from its net assets was \$102.8 million.

We consider the carrying amounts of the ABL Facility to approximate fair value because it is carried at a market observable interest rate that resets periodically and is categorized as Level 2 in the fair value hierarchy.

Availability under the ABL Facility at the end of fiscal year 2024 was \$109.5 million, which reflects no borrowings. Availability under the ABL Facility at the end of fiscal year 2023 was \$102.7 million, which reflects borrowings of \$7.3 million. Standby letters of credit issued and outstanding were \$11.4 million at the end of fiscal years 2024 and 2023. We amortize financing costs associated with the ABL Facility over the five-year term of the ABL Facility and reflect them in prepaid expenses and other current assets and deposits and other noncurrent assets in our consolidated balance sheets. During fiscal years 2024, 2023 and 2022, we amortized financing costs of \$0.2 million each year. During fiscal years 2024, 2023 and 2022, interest payments were \$0.9 million, \$1.6 million and \$1.8 million, respectively. We recognize amortization of financing costs and interest payments for the revolving credit facility in interest expense in our consolidated statements of operations and comprehensive income.

### Share Repurchases

On December 6, 2021, our Board authorized a share repurchase program under which we may purchase up to \$100.0 million of our outstanding common stock. Repurchases may be made from time to time, depending upon a variety of factors, including share price, corporate and regulatory requirements, and other market and business conditions, as determined by us. We may purchase shares of our common stock in the open market at current market prices at the time of purchase, in privately negotiated transactions, or by other means. The authorization does not, however, obligate us to acquire any particular amount of shares, and the share repurchase program may be suspended or terminated at any time at our discretion. We did not make any share repurchases during the fiscal year ended February 1, 2025. As of February 1, 2025, we had approximately \$44.9 million remaining under the repurchase program.

### Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily debt obligations, purchase obligations and non-cancelable operating leases. As of February 1, 2025, our contractual cash obligations over the next several periods are set forth below (dollars in thousands).

	Payments Due by Period				
	Total	<1 Year	1-3 Years	3-5 Years	Thereafter
Amended Term Loan Credit Agreement Obligations <sup>(1)</sup>	\$ 293,125	\$ 17,500	\$ 35,000	\$ 240,625	\$ —
Interest Expense on the Amended Term Loan Credit Agreement Obligations <sup>(1)(2)</sup>	92,200	29,491	53,579	9,130	—
Purchase Obligations	211,959	211,959	—	—	—
Letters of Credit and Other Obligations <sup>(3)</sup>	64,161	40,416	19,134	4,611	—
Operating Lease Obligations <sup>(4)</sup>	229,125	52,367	73,943	40,626	62,189
Total	\$ 890,570	\$ 351,733	\$ 181,656	\$ 294,992	\$ 62,189

(1) Amounts assume that the Amended Term Loan Credit Agreement is paid upon maturity and does not consider any variable mandatory principal prepayments or optional principal prepayments which we may make in the future.

(2) Assumes an interest rate of approximately 10% per annum, consistent with the interest rate at February 1, 2025.

(3) Amounts listed above do not include cash obligations related to relocation expenses in connection with the involuntary separation of certain employees due to the uncertainty regarding the amount of such expenses.

(4) Includes estimated annual future minimum occupancy payments under operating leases including minimum base rents, common area maintenance charges and heating, ventilation and cooling charges, for lease terms that include periods covered by options to extend some of our leases, as we are reasonably certain to exercise those options. Options to terminate our leases have not been included in any lease terms as we are not reasonably certain to exercise those options. See "Note 9—Leases" contained in the consolidated financial statements and notes, included elsewhere in this Annual Report on Form 10-K for additional disclosure related to operating lease obligations.

We have not included any income tax audit settlement payments due in less than one year in the contractual obligations table above as we do not have any open income tax audits as of February 1, 2025 or any material gross unrecognized tax

benefits for which the statutes of limitations are expected to expire in fiscal year 2025. In addition, due to the uncertainty regarding the timing of future cash outflows associated with noncurrent unrecognized tax benefits of \$2.0 million, we are unable to make a reliable estimate of the periods of cash settlement with the respective tax authorities and have not included such amounts in the contractual obligations table above.

### **Critical Accounting Policies and Estimates**

Our discussion of results of operations and financial condition is based upon the consolidated financial statements included elsewhere in this Annual Report on Form 10-K, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and certain assumptions about future events that affect the classification and amounts reported in our consolidated financial statements and accompanying notes, including revenue and expenses, assets and liabilities, and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on our historical results as well as management's judgment. Although management believes the judgment applied in preparing estimates is reasonable based on circumstances and information known at the time, actual results could vary materially from estimates based on assumptions used in the preparation of our consolidated financial statements.

The most significant accounting estimates involve a high degree of judgment or complexity. Management believes the estimates and judgments most critical to the preparation of our consolidated financial statements and to the understanding of our reported financial results include those made in connection with revenue recognition, including accounting for estimated merchandise returns and loyalty program expenses; estimating the value of inventory; determining operating lease liabilities; and estimating share-based compensation expense. Management evaluates its policies and assumptions on an ongoing basis. Our significant accounting estimates related to these accounts in the preparation of our consolidated financial statements are described below (see Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information regarding our critical accounting policies).

#### ***Revenue Recognition***

We recognize revenue when our performance obligations under the terms of a contract or an implied arrangement with a customer are satisfied, which is when the merchandise is transferred to the customer and the customer obtains control of it. The amount of revenue we recognize reflects the total consideration we expect to receive for the merchandise, which is the transaction price. For arrangements that contain multiple performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

At our retail store locations, we satisfy our performance obligation and recognize revenue at the point in time when a customer takes possession of the merchandise and tenders payment at the point-of-sale register. For e-Commerce sales shipped to a customer from our distribution center, or from a retail store location (ship from store), we satisfy our performance obligation and recognize revenue upon shipment, which is the point in time the customer obtains control of the merchandise after payment has been tendered. Income we receive from customers for shipping and handling is recognized as a component of revenue upon shipment of merchandise to the customer. We satisfy our performance obligation and recognize revenue from e-Commerce sales shipped to a retail store location from our distribution center, or fulfilled from merchandise already located at a retail store location (buy-online-pickup-in-store), at the point in time when the customer retrieves the merchandise from within the retail store location or at a retail store curbside.

We are required to estimate certain amounts included in a contract or an implied arrangement with a customer which add variability to the transaction price. Under certain conditions, we are obligated to accept customer returns for most of our merchandise. Sales returns reduce the revenue we expect to receive for merchandise and therefore add variability to the transaction price. Based on historical return pattern experience, we reasonably estimate the amount of merchandise expected to be returned and exclude it from revenue. We record a reserve for merchandise returns at the time revenue is recognized based on prior returns experience and expected future returns in accordance with our return policy and discretionary returns practices. We monitor our returns experience and resulting reserves on an ongoing basis and we believe our estimates are reasonable. We do not believe there is a reasonable likelihood that there will be a material change in the assumptions used to calculate the allowance for sales returns. However, if actual sales returns are significantly different than the estimated allowance, our results of operations could be materially affected.

We satisfy our performance obligation and recognize revenue from gift cards and store merchandise credits at the point in time when the customer presents the gift cards and store merchandise credits for redemption. Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by us for which a liability was recorded in prior periods. We recognize estimated gift card breakage over time as a component of net sales in proportion to the pattern of rights exercised by the customer as reflected in actual gift card redemption patterns over the period. Based upon historical experience, we

estimate the value of outstanding gift cards that will ultimately not be redeemed (breakage) nor escheated under statutory unclaimed property laws. This amount is recognized as revenue over the time pattern established by our historical gift card redemption experience. We monitor our gift card redemption experience and associated accounting on an ongoing basis. Our historical gift card redemption experience has not varied significantly from amounts historically recorded as breakage and we believe our assumptions are reasonable. While customer redemption patterns result in estimated gift card breakage, changes in our customers' behavior could impact the amount that ultimately is unused and could affect the amount recognized as a component of net sales.

If a customer earns loyalty program points in connection with the sales transactions described above, then we have a remaining performance obligation and cannot recognize all the revenue. A portion of the revenue is allocated to the loyalty program points earned during the transaction. We satisfy our performance obligation and recognize revenue allocated to these loyalty program points and the resulting awards at the point in time when the awards are redeemed for merchandise, when we determine that they will not be redeemed, or when the awards and points expire. Under our loyalty program, customers accumulate points based on purchase activity and qualifying non-purchase activity. Upon reaching a certain point level, customers can earn awards that may only be redeemed for merchandise. Unredeemed points typically expire after 13 months without additional purchase activity and qualifying non-purchase activity. Unredeemed awards typically expire 45 days after issuance. We use historical redemption rates to estimate the value of future award redemptions and we recognize the estimated value of these future awards as a reduction of revenue in the consolidated statements of operations and comprehensive income in the period the points are earned by the customer.

### ***Inventory***

Inventory consists of finished goods merchandise held for sale to our customers. Inventory is valued at the lower of moving average cost or net realizable value.

In the normal course of business, we record inventory reserves based on past and projected sales performance, as well as the inventory on hand. We make certain assumptions regarding net realizable value in order to assess whether our inventory is recorded properly at the lower of cost or net realizable value. These assumptions are based on historical average selling price experience, current selling price information and estimated future selling price information. The carrying value of inventory is reduced to estimated net realizable value when factors indicate that merchandise will not be sold on terms sufficient to recover its cost.

We monitor inventory levels, sales trends and sales forecasts to estimate and record reserves for excess, slow-moving and obsolete inventory. Accordingly, estimates of future sales prices requires management judgment based on historical experience, assessment of current conditions and assumptions about future transactions. In addition, we conduct physical inventory counts to determine and record actual shrinkage. Estimates for shrinkage are recorded between physical store counts, based on actual shrinkage experience. Actual shrinkage can vary from these estimates. We believe our assumptions are reasonable, and we monitor actual results to adjust estimates and inventory balances on an ongoing basis.

### ***Leases***

We consider an agreement to be or contain a lease if it conveys us with the right to control the use of an identified asset for a period of time in exchange for consideration. Based on these criteria, we have operating lease agreements for our retail stores, distribution center and headquarter office space; and vehicles and equipment; under primarily non-cancelable leases with terms ranging from approximately one to 17 years.

Certain of our operating lease agreements contain one or more options to extend the leases at our sole discretion. However, the periods covered by the options to extend the leases of our retail stores, vehicles and equipment are not recognized as part of the associated right of use ("ROU") assets and lease liabilities, as we are not reasonably certain to exercise the options. The periods covered by the options to extend the leases of our distribution center and headquarter office space are recognized as part of the associated ROU assets and lease liabilities, as we are reasonably certain to exercise the options. Some of our operating lease agreements contain options to terminate the lease under certain conditions.

The retail space leases provide for rents based upon the greater of the minimum annual rental amounts or a percentage of annual store net sales volume. Certain leases provide for increasing minimum annual rental amounts. We consider rents based upon a percentage of annual store net sales volume, and other rent-related payments that generally vary because of changes in facts and circumstances (other than due to the passage of time), to be variable lease payments. Variable lease payments associated with retail space leases are recognized as occupancy costs within cost of goods sold in the consolidated statements of operations and comprehensive income in the period in which the obligation for those payments is incurred. We generally

consider all other lease payments to be fixed in nature and the sum of all the discounted remaining fixed payments in the lease terms make up the lease liabilities in our consolidated balance sheet (if the lease terms are longer than 12 months).

We discount the fixed lease payments that make up the lease liabilities using an incremental borrowing rate ("IBR"), as the rates implicit in our leases are not readily determinable. The IBR is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The determination of the IBR for each lease term incorporates various inputs and assumptions including our publicly available credit rating, credit spreads of other publicly traded debt issued by companies with a similar credit rating to ours and a risk-free interest rate. All inputs and assumptions and corresponding IBRs are highly subjective.

We choose not to separate non-lease components (such as common area maintenance charges and heating, ventilation and air conditioning charges), from lease components (such as fixed minimum rent payments), and instead account for each separate lease component and the non-lease components associated with that lease component as a single lease component. We do not apply ASU 2016-02, *Leases*, and all related guidance ("ASC 842") requirements to leases that have lease terms of 12 months or less upon commencement, and instead recognize short-term lease payments, if applicable, in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

### ***Share-Based Compensation***

On June 22, 2021, in connection with our IPO, our Board adopted the Torrid Holdings Inc. 2021 Long-Term Incentive Plan (the "2021 LTIP"), for employees, consultants and directors. The 2021 LTIP provides for the grant of non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units ("RSUs") including performance-based restricted stock units ("PSUs"), stock awards, dividend equivalents, other stock-based awards, cash awards and substitute awards intended to align the interests of service providers, with those of our shareholders, all of which are accounted for in accordance with ASC 718, *Compensation-Stock Compensation*. The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes share-based compensation cost as expense over the vesting period. As share-based compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest, the amount of expense has been reduced for actual forfeitures as they occur.

Stock options are valued utilizing a Black-Scholes options pricing model ("OPM"). The OPM used to value the stock options incorporates various assumptions, including dividend yield, expected volatility, risk-free interest rate and expected term of the stock options. The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the stock options. The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the stock options. The expected term of the stock options represents the estimated period of time until exercise and is calculated using the simplified method which deems the term to be the average of the time-to-vesting and the contractual life of the options.

The grant date fair value of restricted stock and RSUs is based on the closing price per share of our common stock on the grant date. We recognize compensation expense for time-based awards on a straight-line basis and for performance-based awards on the graded-vesting method over the vesting period of the awards.

The fair value of PSUs is estimated at the grant date using a Monte Carlo simulation following a Geometric Brownian Motion which incorporates various assumptions, including dividend yield, expected volatility, risk-free interest rate and expected term of the PSUs. The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the PSUs. The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the PSUs. The expected term of the PSUs represents the time period from the grant date and the full vesting date.

Restricted cash units ("RCUs") are awarded to certain employees, non-employee directors and consultants and represent the right to receive a cash payment at the end of a vesting period, subject to the employee's continued employment or service as a director or consultant. In general, RCUs vest in equal installments each year over four years. RCUs are cash-settled with the value of each vested RCU equal to the lower of the closing price per share of our common stock on the vesting date or a specified per share price cap. We determined that RCUs are in-substance liabilities accounted for as liability instruments in accordance with ASC 718, *Compensation—Stock Compensation*, due to this cash settlement feature. RCUs are remeasured based on the closing price per share of our common stock at the end of each reporting period.

## Recently Issued Accounting Pronouncements

Refer to "Note 3—Accounting Standards" in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for information regarding recently issued accounting pronouncements.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### *Interest Rate Risk*

We are subject to interest rate risk in connection with borrowings under our ABL Facility and Amended Term Loan Credit Agreement, as amended, which bear interest at a variable rate equal to SOFR plus an applicable margin. On June 14, 2021, we entered into the Amended Term Loan Credit Agreement and used borrowings thereunder to, among other things, repay and terminate the Amended Term Loan Credit Agreement. Prior to June 14, 2021, we were subject to interest rate risk in connection with borrowings under the Amended Term Loan Credit Agreement, which bore interest at a variable rate equal to LIBOR plus an applicable margin. As of February 1, 2025, we had \$288.6 million of outstanding variable rate loans under the Amended Term Loan Credit Agreement and no borrowings under the ABL Facility. An increase or decrease of 1% in the variable rates on the amount outstanding under the Amended Term Loan Credit Agreement will increase or decrease our annual interest expense by approximately \$2.9 million.

### *Foreign Exchange Risk*

The reporting currency for our consolidated financial statements is U.S. dollars. To date, net sales generated outside of the United States have not been significant. As a result, we have not been impacted materially by changes in exchange rates and do not expect to be impacted materially for the foreseeable future. However, as our net sales generated outside of the United States increase, our results of operations could be adversely impacted by changes in exchange rates. For example, if we recognize international sales in local foreign currencies (as we currently do in Canada), as the U.S. dollar strengthens it would have a negative impact on our international results upon translation of those results into U.S. dollars during consolidation. We also purchase a significant quantity of merchandise from foreign countries. However, these purchases are made in U.S. dollar-denominated purchase contracts. We do not currently hedge foreign currency fluctuations and do not intend to do so for the foreseeable future.

**Item 8. Financial Statements and Supplementary Data**

**Torrid Holdings Inc.  
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Torrid Holdings Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Torrid Holdings Inc. and its subsidiaries (the "Company") as of February 1, 2025 and February 3, 2024, and the related consolidated statements of operations and comprehensive income, of stockholders' deficit and of cash flows for each of the three years in the period ended February 1, 2025, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 1, 2025 and February 3, 2024, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Inventory*

As described in Note 2 to the consolidated financial statements, inventory is valued at the lower of moving average cost or net realizable value. As of February 1, 2025, the Company's inventory balance was \$148 million. Management makes certain assumptions regarding net realizable value in order to assess whether the Company's inventory is recorded properly at the lower of cost or net realizable value. These assumptions are based on historical average selling price experience, current selling price information and estimated future selling price information. Physical inventory counts are conducted at least once during the year to determine actual inventory on hand and shrinkage.

The principal considerations for our determination that performing procedures relating to inventory is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to inventory existence and accuracy.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the existence of inventory, including controls over the adjustment of the perpetual inventory listings based on the results of physical inventory counts, and the accuracy of inventory costing. These procedures also included, among others (i) testing the existence of inventory by conducting physical inventory observations by performing sample test counts of inventory quantities at a sample of locations and assessing rollforward activity between the time of the inventory observations and February 1, 2025 and (ii) testing the accuracy of the cost of inventory for a sample of inventory items by obtaining third-party invoices and other supporting documents and recalculating the moving average cost.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California  
April 1, 2025

We have served as the Company's auditor since 2015.

**TORRID HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	February 1, 2025	February 3, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48,523	\$ 11,735
Restricted cash	399	399
Inventory	148,493	142,199
Prepaid expenses and other current assets	24,507	22,229
Prepaid income taxes	4,244	2,561
Total current assets	226,166	179,123
Property and equipment, net	77,669	103,516
Operating lease right-of-use assets	140,651	162,444
Deposits and other noncurrent assets	18,935	14,783
Deferred tax assets	16,620	8,681
Intangible asset	8,400	8,400
Total assets	\$ 488,441	\$ 476,947
<b>Liabilities and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	\$ 72,378	\$ 46,183
Accrued and other current liabilities	125,743	107,750
Operating lease liabilities	40,505	42,760
Borrowings under credit facility	—	7,270
Current portion of term loan	16,144	16,144
Due to related parties	8,362	9,329
Income taxes payable	—	2,671
Total current liabilities	263,132	232,107
Noncurrent operating lease liabilities	134,481	155,825
Term loan	272,409	288,553
Deferred compensation	3,913	5,474
Other noncurrent liabilities	5,595	6,705
Total liabilities	679,530	688,664
Commitments and contingencies (Note 16)		
<b>Stockholders' deficit:</b>		
Preferred shares: \$0.01 par value; 5,000,000 shares authorized; zero shares issued and outstanding at February 1, 2025 and February 3, 2024	—	—
Common shares: \$0.01 par value; 1,000,000,000 shares authorized; 104,859,266 shares issued and outstanding at February 1, 2025; 104,204,554 shares issued and outstanding at February 3, 2024	1,049	1,043
Additional paid-in capital	140,029	135,140
Accumulated deficit	(331,269)	(347,587)
Accumulated other comprehensive loss	(898)	(313)
Total stockholders' deficit	(191,089)	(211,717)
Total liabilities and stockholders' deficit	\$ 488,441	\$ 476,947

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

**TORRID HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands, except per share data)

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Net sales	\$ 1,103,737	\$ 1,151,945	\$ 1,288,144
Cost of goods sold	690,266	745,967	828,605
Gross profit	413,471	405,978	459,539
Selling, general and administrative expenses	302,032	293,331	297,973
Marketing expenses	54,231	55,499	59,941
Income from operations	57,208	57,148	101,625
Interest expense	35,633	39,203	29,736
Interest income, net of other (income) expense	(28)	(90)	207
Income before provision for income taxes	21,603	18,035	71,682
Provision for income taxes	5,285	6,416	21,473
Net income	<u>\$ 16,318</u>	<u>\$ 11,619</u>	<u>\$ 50,209</u>
<b>Net earnings per share:</b>			
Basic	\$ 0.16	\$ 0.11	\$ 0.48
Diluted	\$ 0.15	\$ 0.11	\$ 0.48
<b>Weighted average number of shares:</b>			
Basic	104,564	103,990	104,342
Diluted	105,684	104,400	104,489
<b>Other comprehensive loss:</b>			
Foreign currency translation adjustment	\$ (585)	\$ (52)	\$ (337)
Total other comprehensive loss	(585)	(52)	(337)
Comprehensive income	<u>\$ 15,733</u>	<u>\$ 11,567</u>	<u>\$ 49,872</u>

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

**TORRID HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In thousands)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
<b>Balance at January 29, 2022</b>	107,858	\$ 1,078	\$ 118,286	\$ (377,759)	\$ 76	\$ (258,319)
Net income	—	—	—	50,209	—	50,209
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	184	2	(670)	—	—	(668)
Issuance of common stock related to employee stock purchase plan	198	2	609	—	—	611
Share-based compensation	—	—	9,980	—	—	9,980
Repurchases and retirement of common stock	(4,465)	(44)	—	(31,656)	—	(31,700)
Other comprehensive loss	—	—	—	—	(337)	(337)
<b>Balance at January 28, 2023</b>	103,775	1,038	128,205	(359,206)	(261)	(230,224)
Net income	—	—	—	11,619	—	11,619
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	253	3	(309)	—	—	(306)
Issuance of common stock related to employee stock purchase plan	177	2	411	—	—	413
Share-based compensation	—	—	6,833	—	—	6,833
Other comprehensive loss	—	—	—	—	(52)	(52)
<b>Balance at February 3, 2024</b>	104,205	1,043	135,140	(347,587)	(313)	(211,717)
Net income	—	—	—	16,318	—	16,318
Issuance of common shares and withholding tax payments related to vesting of restricted stock awards and restricted stock units	424	4	(660)	—	—	(656)
Issuance of common shares related to exercise of non qualified stock options	133	1	466	—	—	467
Issuance of common stock related to employee stock purchase plan	98	1	458	—	—	459
Share-based compensation	—	—	4,625	—	—	4,625
Other comprehensive loss	—	—	—	—	(585)	(585)
<b>Balance at February 1, 2025</b>	104,860	\$ 1,049	\$ 140,029	\$ (331,269)	\$ (898)	\$ (191,089)

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

**TORRID HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 16,318	\$ 11,619	\$ 50,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Write down of inventory	1,779	4,577	2,297
Operating right-of-use assets amortization	40,574	41,366	41,839
Depreciation and other amortization	37,239	38,002	37,592
Share-based compensation	7,634	8,042	9,980
Deferred taxes	(7,939)	(5,670)	1,863
Other	(1,092)	(2,436)	(1,209)
Changes in operating assets and liabilities:			
Inventory	(7,615)	33,182	(12,028)
Prepaid expenses and other current assets	(2,278)	(2,179)	(5,364)
Prepaid income taxes	(1,683)	(480)	4,264
Deposits and other noncurrent assets	(4,314)	(6,296)	(1,712)
Accounts payable	26,999	(30,293)	(1,241)
Accrued and other current liabilities	18,148	(1,721)	(29,659)
Operating lease liabilities	(40,352)	(43,532)	(42,912)
Other noncurrent liabilities	(829)	(1,897)	3,900
Deferred compensation	(1,561)	1,228	(2,627)
Due to related parties	(967)	(3,412)	(1,881)
Income taxes payable	(2,671)	2,671	—
Net cash provided by operating activities	<u>77,390</u>	<u>42,771</u>	<u>53,311</u>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(14,392)	(26,002)	(23,369)
Net cash used in investing activities	<u>(14,392)</u>	<u>(26,002)</u>	<u>(23,369)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from revolving credit facility	62,780	592,775	832,635
Payments on revolving credit facility	(70,050)	(593,885)	(824,255)
Principal payments on the Amended Term Loan Credit Agreement	(17,500)	(17,500)	(21,875)
Proceeds from issuances under share-based compensation plans	1,044	399	746
Withholding tax payments related to vesting of restricted stock units and awards and exercise of non qualified stock options	(774)	(306)	(668)
Repurchases and retirement of common stock	—	—	(31,700)
Net cash used in financing activities	<u>(24,500)</u>	<u>(18,517)</u>	<u>(45,117)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(1,710)	(53)	(177)
Increase (decrease) in cash, cash equivalents and restricted cash	36,788	(1,801)	(15,352)
Cash, cash equivalents and restricted cash at beginning of period	12,134	13,935	29,287
Cash, cash equivalents and restricted cash at end of period	<u>\$ 48,922</u>	<u>\$ 12,134</u>	<u>\$ 13,935</u>
<b>SUPPLEMENTAL INFORMATION</b>			
Cash paid during the period for interest related to the revolving credit facility and term loan	\$ 35,077	\$ 34,195	\$ 29,564
Cash paid during the period for income taxes	\$ 17,765	\$ 11,154	\$ 15,601
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Property and equipment purchases included in accounts payable and accrued liabilities	\$ 1,367	\$ 4,524	\$ 3,959

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

**TORRID HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation and Description of the Business**

***Corporate Structure***

Torrid Holdings Inc. is a Delaware corporation formed on October 29, 2019 and capitalized on February 20, 2020. Sycamore Partners Management, L.P. ("Sycamore") owns a majority of the voting power of Torrid Holdings Inc.'s outstanding common stock. Torrid Parent Inc. is a Delaware corporation formed on June 4, 2019 and is a wholly owned subsidiary of Torrid Holdings Inc. Torrid Intermediate LLC, formerly known as Torrid Inc., is a Delaware limited liability company formed on June 18, 2019 and a wholly owned subsidiary of Torrid Parent Inc. Torrid LLC is a wholly owned subsidiary of Torrid Intermediate LLC. Substantially all of Torrid Holdings Inc.'s financial position, operations and cash flows are generated through its wholly owned indirect subsidiary, Torrid LLC.

Throughout these financial statements, the terms "Torrid," "we," "us," "our," the "Company" and similar references refer to Torrid Holdings Inc. and its consolidated subsidiaries.

***Fiscal Year***

Our fiscal year ends on the Saturday nearest to January 31 and each fiscal year is generally comprised of four 13-week quarters (although in years with 53 weeks, the fourth quarter is comprised of 14 weeks). Fiscal years 2024 and 2022 were 52-week years and fiscal year 2023 was a 53-week year. Fiscal years are identified according to the calendar year in which they begin. For example, references to "fiscal year 2024" or similar references refer to the fiscal year ended February 1, 2025.

***Description of Business***

We are a direct-to-consumer brand of apparel, intimates and accessories in North America aimed at fashionable women who are curvy and wear sizes 10 to 30. We generate revenues primarily through our e-Commerce platform [www.torrid.com](http://www.torrid.com) and our stores in the United States of America, Puerto Rico and Canada.

**Note 2. Summary of Significant Accounting Policies**

***Change in Accounting Principle***

In the fourth quarter of fiscal year 2022, we made a voluntary change in our accounting policy regarding the classification of royalties, profit-sharing and marketing and promotional funds ("PLCC Funds") we receive pursuant to the Credit Card Agreement (as defined below). Historically, we recorded PLCC Funds as a reduction to selling, general and administrative expenses in the consolidated statements of operations and comprehensive income. Under the new policy, we record PLCC Funds in net sales in the consolidated statements of operations and comprehensive income. This reclassification does not have any impact on income from operations, income before provision for income taxes, net income or earnings per share and there was no cumulative effect to stockholders' deficit or net assets. This reclassification has been retrospectively applied to all prior periods presented.

The recognition of PLCC Funds in net sales is preferable because it will enhance the comparability of our financial statements with those of many of our industry peers and provide greater transparency into performance metrics relevant to our industry by showing the gross impact of the funds received as net sales instead of as a reduction to selling, general and administrative expenses.

The impact of this change in accounting principle is reflected in the tables below (in thousands):

	<b>Fiscal Year Ended January 29, 2022</b>		
	<b>As Previously Reported</b>	<b>Change in Accounting Principle</b>	<b>As Adjusted</b>
Net sales	\$ 1,278,794	\$ 18,477	\$ 1,297,271
Cost of goods sold	759,826	—	759,826
Gross profit	518,968	18,477	537,445
Selling, general and administrative expenses	420,932	18,477	439,409
Marketing expenses	52,654	—	52,654
Income from operations	\$ 45,382	\$ —	\$ 45,382

### ***Principles of Consolidation***

The accompanying audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

### ***Segment Reporting***

We derive revenues primarily from the sale of apparel, intimates and accessories through our e-Commerce platform and our store locations, and have determined that we have one reportable segment at the consolidated level. The accounting policies of the segment are the same as described within this summary of significant accounting policies. The single segment was identified based on how the Chief Operating Decision Maker ("CODM"), who we have determined to be our Chief Executive Officer, manages and evaluates performance and allocates resources based on consolidated net income. As the CODM is not provided any asset information, we do not disclose the measure of segment assets. Net sales related to our operations in Canada and Puerto Rico during fiscal years 2024, 2023 and 2022 were not material, and therefore, are not reported separately from domestic net sales.

The following table details the segment information regularly provided to the CODM (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Net sales	\$ 1,103,737	\$ 1,151,945	\$ 1,288,144
Less:			
Cost of goods sold <sup>(A)</sup>	655,529	711,685	795,411
Selling, general and administrative expenses <sup>(B)</sup>	285,204	279,358	282,935
Depreciation and amortization <sup>(C)</sup>	35,721	36,484	36,074
Share-based compensation	7,634	8,042	9,980
Marketing expenses	54,231	55,499	59,941
Interest expense	35,633	39,203	29,736
Provision for income taxes	5,285	6,416	21,473
Interest income, net of other (income) expense	(28)	(90)	207
Other expenses <sup>(D)</sup>	8,210	3,729	2,178
Net income	\$ 16,318	\$ 11,619	\$ 50,209

(A) Cost of goods sold as provided to the CODM exclude depreciation and amortization and share-based compensation, which are presented separately.

(B) Selling, general and administrative expenses as provided to the CODM exclude depreciation and amortization, share-based compensation and other expenses, which are presented separately.

(C) Depreciation and amortization excludes amortization of debt issuance costs and original issue discount that are reflected in interest expense.

(D) Other expenses include severance costs for certain key management positions, certain transaction and litigation fees (including certain settlement costs), and the reimbursement of certain management expenses, primarily for travel, incurred by Sycamore on our behalf, which are not considered to be part of our core business.

### ***Use of Estimates***

We are required to make certain estimates and assumptions in order to prepare consolidated financial statements in conformity with GAAP. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. We believe the estimates and assumptions most critical to the preparation of our consolidated financial statements include those made in connection with revenue recognition, including accounting for estimated merchandise returns and loyalty program expenses; estimating the value of inventory; determining operating lease liabilities; and estimating share-based compensation expense. The estimation process required to prepare our consolidated financial statements requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Our actual results could differ materially from those estimates.

### ***Concentration Risks***

We consider all highly liquid investments with maturities of less than three months when purchased to be cash equivalents. All credit and debit card receivable balances are also classified as cash and cash equivalents. As of the end of fiscal years 2024 and 2023, the amounts due from third party financial institutions for these transactions classified as cash and cash equivalents totaled \$7.9 million and \$8.9 million, respectively. Cash and cash equivalents used primarily for working capital purposes are maintained with various major third party financial institutions in amounts which are in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. We are potentially exposed to a concentration of credit risk when cash and cash equivalent deposits in these financial institutions are in excess of FDIC limits. We consider the credit risk associated with these financial instruments to be minimal as cash and cash equivalents are held by financial institutions with high credit ratings and we have not historically sustained any credit losses associated with our cash and cash equivalents balances.

In addition, MGF Sourcing US, LLC, an entity indirectly controlled by affiliates of Sycamore, accounted for approximately 8%, 10% and 15% of total net purchases in fiscal years 2024, 2023 and 2022, respectively. One other supplier accounted for approximately 12% of total net purchases in fiscal year 2023.

### ***Fair Value of Financial Instruments***

We carry certain of our assets and liabilities at fair value in accordance with GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider carrying amounts of cash equivalents, accounts payable and accrued and other current liabilities to approximate fair value because of the short maturity of these financial instruments. See "Note 19—Fair Value Measurements" for more details about how we determine the fair value of our financial instruments.

### ***Inventory***

Inventory is valued at the lower of moving average cost or net realizable value. We make certain assumptions regarding net realizable value in order to assess whether our inventory is recorded properly at the lower of cost or net realizable value. These assumptions are based on historical average selling price experience, current selling price information and estimated future selling price information. Physical inventory counts are conducted during the year to determine actual inventory on hand and shrinkage. We accrue our estimated inventory shrinkage for the period between the last physical store count and current balance sheet date.

### ***Property and Equipment***

Property and equipment are recorded at cost less accumulated depreciation. Major repairs and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. The gross carrying amounts of property and equipment sold or retired and the related accumulated depreciation are eliminated in the year of disposal, and any resulting gains or losses are included in the consolidated statements of operations and comprehensive income. Application and development costs associated with internally developed software such as salaries of employees and payments made to third parties and consultants working on the software development are capitalized. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they constitute major enhancements. Capitalized internal-use software costs are amortized using the straight-line method over their estimated useful lives, which are generally three years.

Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Leasehold improvements	shorter of the 3- to 10-year estimated useful life or the respective lease term
Furniture, fixtures and equipment	2 to 10 years
Software and licenses	3 to 7 years

The carrying value of property and equipment is subject to assessment for potential impairment whenever events or changes in circumstances indicate that an asset's carrying value may not be recoverable, as further described below.

#### ***Definite-Lived Assets***

We assess the carrying value of definite-lived assets for potential impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We group and evaluate definite-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified. Factors we consider important that could trigger an impairment review of our stores or e-Commerce operations include significant underperformance relative to historical or projected future operating results, a significant change in the manner of the use of the asset or a significant negative industry or economic trend. If we determine the carrying value of definite-lived assets may not be recoverable based upon the existence of one or more of the aforementioned factors, we test for the recoverability of the carrying value of our definite-lived assets by comparing the carrying value of the asset groups to our estimated undiscounted future net cash flows attributable to the asset groups. If the carrying value of the definite-lived assets is greater than the related undiscounted future net cash flows, the definite-lived assets are measured for impairment. We measure the impairment by comparing the difference between the definite-lived asset's carrying value and the discounted future net cash flows attributable to the definite-lived asset, which represent its fair value. We calculate the discounted future net cash flows of a store by netting future estimated sales of each store against estimated cost of goods sold, store occupancy costs and other store operating expenses such as payroll, supplies, repairs and maintenance and credit/debit card fees. Changes in these assumptions may cause the fair value to be significantly impacted. In the event future performance is lower than forecasted results, future cash flows may be lower than expected, which could result in future impairment charges. While we believe that recently opened stores will provide sufficient cash flow, material changes in financial performance could result in future store impairment charges.

#### ***Indefinite-Lived Intangible Assets***

Indefinite-lived intangible assets are not amortized, but are reviewed for impairment at least annually, or more frequently when events or changes in circumstances indicate the carrying value may not be recoverable. Judgments regarding indicators of potential impairment are based on market conditions and operational performance of the business.

At the end of the third quarter of each fiscal year, we perform an impairment analysis of indefinite-lived intangible assets. We assess our indefinite-lived intangible asset for impairment using a qualitative analysis to determine whether it is more likely than not that the fair value of the asset is less than its carrying value. If it is determined that it is more likely than not that the fair value of the asset is less than its carrying amount or if a qualitative assessment is not performed, then we would perform the quantitative analysis to determine the fair value of the asset. If we conclude, based on our assessment, that the asset's fair value is less than its carrying value, then an impairment charge is recorded in the amount of the excess.

#### ***Implementation Costs Incurred in Cloud Computing Arrangements that are Service Contracts***

Our cloud computing arrangements that are service contracts primarily consist of arrangements with third party vendors for our internal use of their software applications that they host. We defer implementation costs incurred in relation to such arrangements, including costs for software application coding, configuration, integration and customization, while associated process reengineering, training and maintenance costs are expensed. Subsequent implementation costs are deferred only to the extent that they constitute major enhancements. The short-term portion of deferred costs are included in prepaid expenses and other current assets in the consolidated balance sheets, while the long-term portion of deferred costs are included in deposits and other noncurrent assets. Amortized implementation costs incurred in cloud computing arrangements that are service contracts are recognized in selling, general and administrative expenses, or cost of goods sold in the case of amortized implementation costs associated with the distribution center, in the consolidated statements of operations and comprehensive income using the straight-line method over one to seven years, which generally represents the noncancellable terms of the cloud computing arrangements, plus any optional renewal periods that we are reasonably certain to exercise. Deferred implementation costs are subject to assessment for potential impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

### ***Loyalty Program***

We operate our loyalty program, Torrid Rewards, in all our stores and on www.torrid.com. Under this program, customers accumulate points based on purchase activity and qualifying non-purchase activity and upon reaching a certain point level, customers can earn awards that may only be redeemed for merchandise. Unredeemed points typically expire after 13 months without additional purchase and qualifying non-purchase activity and unredeemed awards typically expire 45 days after issuance. We use historical redemption rates to estimate the value of future award redemptions and we recognize the estimated value of these future awards as a reduction of revenue in the consolidated statements of operations and comprehensive income in the period the points are earned by the customer. As of the end of fiscal years 2024 and 2023, we had \$10.9 million and \$12.5 million, respectively, in accrued loyalty program included in accrued and other current liabilities in the consolidated balance sheets. We recorded \$1.6 million, \$0.9 million, and \$0.1 million as a benefit to net sales in fiscal years 2024, 2023, and 2022, respectively. Future updates to the estimated liability may result in changes to net sales.

### ***Self-Insurance***

We are self-insured for certain losses related to medical and workers' compensation claims although we maintain stop loss coverage with third party insurers to limit our total liability exposure. In general, our self-insurance reserves are recorded on an undiscounted basis. The estimate of our self-insurance liability involves uncertainty since we must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. When estimating our self-insurance liability, we consider a number of factors, which include historical claim experience and valuations provided by independent third party actuaries. While the ultimate amount of claims incurred is dependent on future developments, we believe recorded reserves are adequate to cover the future payment of claims. However, it is possible that recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of operations and comprehensive income in the periods in which such adjustments are known.

### ***Comprehensive Income***

Comprehensive income includes all changes in equity during a period except those that resulted from investments by, or distributions to, stockholders. Other comprehensive income refers to revenues, expenses, gains and losses that, under GAAP, are included in comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to stockholders' deficit. Components of our comprehensive income include net income and foreign currency translation adjustments. Foreign currency translation adjustments in fiscal year 2024 were \$0.6 million and were not material in fiscal years 2023 and 2022.

### ***Foreign Currency Translation***

The functional currency for our wholly owned foreign subsidiaries included in these consolidated financial statements that are domiciled outside of the United States is the applicable local currency. Assets and liabilities of our foreign subsidiaries are translated into United States dollars at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average rate in effect during the period. Unrealized translation gains and losses are recorded as a cumulative translation adjustment, which is included in the consolidated statements of stockholders' deficit as a component of accumulated other comprehensive income. Adjustments that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income as incurred.

### ***Share Repurchases***

We have elected to retire shares repurchased to date. Shares retired become part of the pool of authorized but unissued shares. We have elected to record the purchase price of the retired shares in excess of par value, including transaction costs, directly as an increase in accumulated deficit.

### ***Revenue Recognition***

We recognize revenue when our performance obligations under the terms of a contract or an implied arrangement with a customer are satisfied, which is when the merchandise is transferred to the customer and the customer obtains control of it. The amount of revenue we recognize reflects the total consideration we expect to receive for the merchandise, which is the transaction price. For arrangements that contain multiple performance obligations, we allocate the transaction price to each performance obligation on a relative standalone selling price basis.

At our retail store locations, we satisfy our performance obligation and recognize revenue at the point in time when a customer takes possession of the merchandise and tenders payment at the point-of-sale register. For e-Commerce sales shipped to a customer from our distribution center, or from a retail store location (ship from store), we satisfy our performance obligation and recognize revenue upon shipment, which is the point in time the customer obtains control of the merchandise after payment has been tendered. Income we receive from customers for shipping and handling is recognized as a component of revenue upon shipment of merchandise to the customer. We satisfy our performance obligation and recognize revenue from e-Commerce sales shipped to a retail store location from our distribution center, or fulfilled from merchandise already located at a retail store location (buy-online-pickup-in-store), at the point in time when the customer retrieves the merchandise from within the retail store location or at a retail store curbside.

If a customer earns loyalty program points in connection with the retail store or e-Commerce sales transactions described above, then we have a remaining performance obligation and cannot recognize all the revenue. A portion of the revenue is allocated to the loyalty program points earned during the transaction. We satisfy our performance obligation and recognize revenue allocated to these loyalty program points and the resulting awards at the point in time when the awards are redeemed for merchandise, when we determine that they will not be redeemed, or when the awards and points expire.

We satisfy our performance obligation and recognize revenue from gift cards and store merchandise credits at the point in time when the customer presents the gift cards and store merchandise credits for redemption. Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by us for which a liability was recorded in prior periods. We recognize estimated gift card breakage over time as a component of net sales in proportion to the pattern of rights exercised by the customer as reflected in actual gift card redemption patterns over the period. Our estimated gift card breakage rate is approximately 4%. While customer redemption patterns result in estimated gift card breakage, changes in our customers' behavior could impact the amount that ultimately is unused and could affect the amount recognized as a component of net sales. During fiscal years 2024, 2023 and 2022, we recognized \$0.8 million, \$0.9 million and \$1.0 million, respectively, of estimated gift card breakage as a component of net sales.

We are required to estimate certain amounts included in a contract or an implied arrangement with a customer which add variability to the transaction price. Under certain conditions, we are obligated to accept customer returns for most of our merchandise. Sales returns reduce the revenue we expect to receive for merchandise and therefore add variability to the transaction price. Based on historical return pattern experience, we reasonably estimate the amount of merchandise expected to be returned and exclude it from revenue. Similarly, losses we bear arising from uncollectible customer credit card payments are recorded as a reduction of revenue as they reduce the revenue we expect to receive for the merchandise.

We recognize a contract liability when we receive consideration from a customer before our performance obligations under the terms of a contract or an implied arrangement with the customer are satisfied. Consequently, we consider our remaining performance obligations to be representative of our contract liability, most of which is not expected to last for more than one year and has therefore been classified as current. Our contract liability balances increase as gift cards and store merchandise credits are purchased and received by the customer; and as loyalty points are earned based on purchase activity and qualifying non-purchase activity. Contract liability balances decrease as gift cards and store merchandise credits are redeemed for merchandise or when we determine that they will not be redeemed; as loyalty points expire or when we determine that they will not be converted into a loyalty award; and as loyalty awards are redeemed for merchandise or expire.

Sales taxes collected from customers and remitted directly to governmental authorities are not considered revenue and are excluded from the transaction price.

We have an agreement with a third party to provide customers with private label credit cards ("Credit Card Agreement"). Each private label credit card ("PLCC") bears the logo of the Torrid brand and can only be used at our store locations and on [www.torrid.com](http://www.torrid.com). A third party financing company is the sole owner of the accounts issued under the PLCC program and absorbs the losses associated with non-payment by the PLCC holders and a portion of any fraudulent usage of the accounts. Pursuant to the Credit Card Agreement, we are eligible to receive royalties, profit-sharing and marketing and promotional funds from the third party financing company ("PLCC Funds") based on usage of the PLCCs. These PLCC Funds are recorded as a component of net sales in the consolidated statements of operations and comprehensive income.

### ***Cost of Goods Sold***

Cost of goods sold includes: merchandise costs; freight; inventory shrinkage; payroll expenses associated with the merchandising and distribution departments; distribution center expenses, including rent, common area maintenance ("CAM") charges, real estate taxes, depreciation and amortization, utilities, supplies and maintenance; and store occupancy expenses, including rents, CAM charges, heating, ventilation and air conditioning ("HVAC") charges, real estate taxes and depreciation.

### ***Vendor Allowances***

We receive certain allowances from our vendors primarily related to damaged merchandise, markdowns and pricing. Allowances received from vendors related to damaged merchandise and pricing are reflected as a reduction of inventory in the period they are received and allocated to cost of goods sold during the period in which the items are sold. Markdown allowances received from vendors are reflected as reductions to cost of goods sold in the period they are received if the goods have been sold or marked down, or as a reduction of inventory if the goods have not yet been sold. During fiscal years 2024, 2023 and 2022, we received vendor allowances of \$2.5 million, \$3.2 million and \$3.8 million, respectively, substantially all of which were accounted for as a reduction of cost of goods sold.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses include: payroll expenses associated with stores and e-Commerce; store and e-Commerce operating expenses other than store occupancy; store pre-opening costs; credit card processing fees; share-based compensation; payroll; depreciation and amortization and other expenses associated with headquarters and administrative functions.

### ***Marketing Expenses***

Marketing expenses are expensed as incurred. Costs associated with communicating advertising that has been produced, such as television and webisodes, are recorded in prepaid expenses and other current assets in the consolidated balance sheets and are expensed the first time each advertising event takes place. Marketing expenses include photographic production, television, store and brand marketing, costs associated with special events such as model searches, and targeted online performance marketing costs such as retargeting, paid search/product listing advertising, and social media advertisements.

### ***Store Pre-Opening Costs***

Costs incurred in connection with the opening of new stores, store remodels or relocations are expensed as incurred. We incurred \$0.8 million, \$2.4 million and \$1.2 million of pre-opening costs in fiscal years 2024, 2023 and 2022, respectively, which are recorded in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

### ***Shipping and Handling Costs***

We classify shipping and handling costs in costs of goods sold in the consolidated statements of operations and comprehensive income. We account for shipping and handling activities that occur after the customer has obtained control of merchandise as a fulfillment cost rather than an additional promised service.

### ***Leases***

We consider an agreement to be or contain a lease if it conveys us as the lessee with the right to control the use of an identified property, plant and equipment asset for a period of time in exchange for consideration. Based on these criteria, we as the lessee have operating lease agreements with lessors for our retail stores, distribution center and headquarter office space; and vehicles and equipment; under primarily non-cancelable leases with terms ranging from approximately one to 17 years.

Certain of our operating lease agreements contain one or more options to extend the leases at our sole discretion. However, the periods covered by the options to extend the leases of our retail stores, vehicles and equipment are not recognized as part of the associated right of use ("ROU") assets and lease liabilities, as we are not reasonably certain to exercise the options. The periods covered by the options to extend the leases of our distribution center and headquarter office space are recognized as part of the associated ROU assets and lease liabilities, as we are reasonably certain to exercise the options due to the significant effort and investment it would take to move out of these locations. Some of our operating lease agreements contain options to terminate the lease under certain conditions.

The retail space leases provide for rents based upon the greater of the minimum annual rental amounts or a percentage of annual store sales volume. Certain leases provide for increasing minimum annual rental amounts. We consider rents based upon a percentage of annual store sales volume, and other rent-related payments that generally vary because of changes in facts and circumstances (other than due to the passage of time), to be variable lease payments. Variable lease payments associated with retail space leases are recognized as occupancy costs within cost of goods sold in the consolidated statements of operations and comprehensive income in the period in which the obligation for those payments is incurred. We generally consider all other

lease payments to be fixed in nature and the sum of all the discounted remaining fixed payments in the lease terms make up the lease liabilities in our consolidated balance sheet (if the lease terms are longer than 12 months).

Our operating lease agreements do not contain any residual value guarantees or restrictive covenants, and we have not entered into any sublease agreements, lease agreements with related parties, or build-to-suit arrangements that may create significant rights and obligations for us.

We discount the fixed lease payments that make up the lease liabilities using an incremental borrowing rate ("IBR"), as the rates implicit in our leases are not readily determinable. The IBR is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The determination of the IBR for each lease term incorporates various inputs and assumptions including our publicly available credit rating, credit spreads of other publicly traded debt issued by companies with a similar credit rating to ours and a risk-free interest rate. All inputs and assumptions and corresponding IBRs are highly subjective.

We choose not to separate non-lease components (such as CAM charges and HVAC charges), from lease components (such as fixed minimum rent payments), and instead account for each separate lease component and the non-lease components associated with that lease component as a single lease component. We do not apply ASU 2016-02, *Leases*, and all related guidance (ASC 842) requirements to leases that have lease terms of 12 months or less upon commencement, and instead recognize short-term lease payments, if applicable, in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

### ***Income Taxes***

We account for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if we believe it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes from a change in tax rate is recognized through continuing operations in the period that includes the enactment date of the change. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.

We prescribe a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We include interest and penalties related to uncertain tax positions in income tax expense in the consolidated statements of operations and comprehensive income.

The amount of income taxes we pay may be subject to periodic audits by the Internal Revenue Service ("IRS") and other taxing authorities. These audits may challenge certain of our tax positions, such as the timing and amount of deductions and allocation of taxable income to various jurisdictions.

We recognize tax liabilities for our estimate of the potential outcome of any uncertain tax issue, which is subject to our assessment of the relevant risks, facts and circumstances existing at the time, and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which the new information becomes available.

We continue to treat undistributed earnings of our foreign subsidiary as indefinitely reinvested according to our current operating plans and no deferred tax liability has been recorded for potential future taxes related to such earnings. According to current tax law, any future dividends paid from our foreign subsidiary will not be subject to income tax in the United States, except for withholding taxes and state taxes, which are not material.

### ***Share-Based Compensation***

On June 22, 2021, our Board of Directors (the "Board") adopted the Torrid Holdings Inc. 2021 Long-Term Incentive Plan (the "2021 LTIP"), for employees, consultants and directors. The 2021 LTIP provides for the grant of stock options, restricted stock and restricted stock units ("RSUs"), among other types of awards, all of which are accounted for in accordance with ASC 718, *Compensation-Stock Compensation*. We measure share-based compensation cost at the grant date based on the fair value of the award and recognize share-based compensation cost as expense over the vesting period. As share-based compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest, the amount of expense has been reduced for actual forfeitures as they occur.

Stock options are valued utilizing a Black-Scholes option pricing model ("OPM"). The OPM used to value the stock options incorporates various assumptions, including dividend yield, expected volatility, risk-free interest rate and expected term of the stock options. The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the stock options. The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the stock options. The expected term of the stock options represents the estimated period of time until exercise and is calculated using the simplified method which deems the term to be the average of the time-to-vesting and the contractual life of the options. The grant date fair value of restricted stock and RSUs is based on the closing price per share of our common stock on the grant date. We recognize compensation expense for time-based awards on a straight-line basis and for performance-based awards on the graded-vesting method over the vesting period of the awards.

Restricted cash units ("RCUs") are awarded to certain employees, non-employee directors and consultants and represent the right to receive a cash payment at the end of a vesting period, subject to the employee's continued employment or service as a director or consultant. In general, RCUs vest in equal installments each year over four years. RCUs are cash-settled with the value of each vested RCU equal to the lower of the closing price per share of our common stock on the vesting date or a specified per share price cap. We determined that RCUs are in-substance liabilities accounted for as liability instruments in accordance with ASC 718, *Compensation—Stock Compensation*, due to this cash settlement feature. RCUs are remeasured based on the closing price per share of our common stock at the end of each reporting period.

### ***Earnings Per Share***

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is applicable only in periods of net income and is computed by dividing net income by the weighted average number of common shares outstanding for the period and potentially dilutive common share equivalents outstanding for the period. Periods of net loss require the diluted computation to be the same as the basic computation, as all potentially dilutive securities would be anti-dilutive.

### ***Employee Benefit Plan***

On August 1, 2015, we adopted the Torrid 401(k) Plan ("401(k) Plan"). Effective November 1, 2024, we amended the 401(k) Plan to allow employees employed by us for one month and who are at least 21 years of age to participate. Prior to this amendment, all employees who had been employed by us for at least 200 hours and were at least 21 years of age were eligible to participate. Employees may contribute up to 80% of their eligible compensation to the 401(k) Plan, subject to a statutorily prescribed annual limit. We may at our discretion contribute certain amounts to eligible employees' accounts. Effective January 1, 2025, we enhanced our contributions to 100% of the first 3%, and 50% of the next 2%, of participants' eligible contributions into their 401(k) Plan accounts. Prior to this enhancement, we contributed 50% of the first 4% of participants' eligible contributions into their 401(k) Plan accounts. During fiscal years 2024, 2023 and 2022, we contributed \$1.0 million, \$0.8 million and \$0.8 million, respectively, to eligible employees' 401(k) Plan accounts.

### ***Deferred Compensation Plan***

On August 1, 2015, we established the Torrid Management Deferred Compensation Plan ("Deferred Compensation Plan") for the purpose of providing highly compensated employees a program to meet their financial planning needs. The Deferred Compensation Plan provided participants with the opportunity to defer up to 80% of their base salary and up to 100% of their annual earned bonus, all of which, together with the associated investment returns, were 100% vested from the outset. The Deferred Compensation Plan was designed to be exempt from most provisions of the Employee Retirement Security Act of 1974, as amended, and we contributed certain amounts to eligible employees' accounts at our discretion. In December of 2024, our Board approved freezing employee participation, employee deferrals, discretionary company credits and matching contributions, effective December 31, 2024. We did not have any assets of the Deferred Compensation Plan and all existing

deferrals and associated earnings held in the plan continue to operate under the plan's rules. Prior to January 1, 2025, to the extent participants were ineligible to receive contributions from participation in our 401(k) Plan, we contributed 50% of the first 4% of participants' eligible contributions into their Deferred Compensation Plan accounts. As of February 1, 2025 and February 3, 2024, the associated liabilities were \$5.7 million and \$5.6 million, respectively, included in our consolidated balance sheets. As of February 1, 2025, \$1.8 million of the \$5.7 million Deferred Compensation Plan liabilities were included in accrued and other current liabilities in our consolidated balance sheet. As of February 3, 2024, \$0.1 million of the \$5.6 million Deferred Compensation Plan liabilities were included in accrued and other current liabilities in our consolidated balance sheet. All liabilities associated with the Deferred Compensation Plan are our general unsecured obligations.

### Note 3. Accounting Standards

#### *Recently Adopted Accounting Standards in Fiscal Year 2024*

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 affects reportable segment disclosure requirements, primarily by requiring enhanced disclosures about significant segment expenses that are regularly provided to the CODM on an interim and annual basis. We adopted this guidance for the fiscal year ended February 1, 2025 and accordingly updated our segment disclosure in "Note 2—Summary of Significant Accounting Policies." There was no impact on our results of operations, cash flows and financial condition as a result of adopting this guidance.

#### *Accounting Standards Not Yet Adopted*

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). The ASU includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 will be effective for us for fiscal year ended February 1, 2026, with the option to early adopt at any time prior to the effective date and will require adoption on either a prospective or retrospective basis. We are currently evaluating the impact of the standard on our financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures* (Subtopic 220-40): *Disaggregation of Income Statements Expenses* ("ASU 2024-03"). The ASU is intended to improve disclosures about a public business entity's expenses, primarily through additional disaggregation of income statement expenses. ASU 2024-03 will be effective for the annual period beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027, with the option to early adopt at any time prior to the effective date and should be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. We are currently evaluating the impact of the standard on our financial statements and disclosures.

We have considered all other recent accounting pronouncements and have concluded that there are no other recent accounting pronouncements not yet adopted that are applicable to us, based on current information.

### Note 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	<u>February 1, 2025</u>	<u>February 3, 2024</u>
Prepaid and other information technology expenses	\$ 12,946	\$ 10,975
PLCC Funds receivable	2,810	2,759
Prepaid advertising	1,706	389
Prepaid casualty insurance	2,213	2,489
Other	4,832	5,617
Prepaid expenses and other current assets	<u>\$ 24,507</u>	<u>\$ 22,229</u>

## Note 5. Property and Equipment

Property and equipment are summarized as follows (in thousands):

	February 1, 2025	February 3, 2024
Property and equipment, at cost		
Leasehold improvements	\$ 187,792	\$ 187,114
Furniture, fixtures and equipment	118,901	122,746
Software and licenses	15,099	14,809
Construction-in-progress	1,438	3,241
	323,230	327,910
Less: Accumulated depreciation and amortization	(245,561)	(224,394)
Property and equipment, net	\$ 77,669	\$ 103,516

We recorded depreciation and amortization expense related to our property and equipment in the amounts of \$35.7 million, \$36.5 million and \$36.1 million during fiscal years 2024, 2023 and 2022, respectively.

## Note 6. Implementation Costs Incurred in Cloud Computing Arrangements that are Service Contracts

We defer implementation costs incurred in cloud computing arrangements that are service contracts. The short-term portion of deferred implementation costs incurred in cloud computing arrangements that are service contracts are included in prepaid expenses and other current assets in the consolidated balance sheets, while the long-term portion of these deferred costs are included in deposits and other noncurrent assets.

Deferred implementation costs incurred in cloud computing arrangements that are service contracts are summarized as follows (in thousands):

	February 1, 2025	February 3, 2024
Internal use of third party hosted software, gross	\$ 42,208	\$ 28,516
Less: Accumulated amortization	(18,229)	(11,360)
Internal use of third party hosted software, net	\$ 23,979	\$ 17,156

During fiscal years 2024, 2023 and 2022, we amortized approximately \$6.9 million, \$4.6 million and \$2.9 million, respectively, of implementation costs incurred in cloud computing arrangements that are service contracts.

## Note 7. Intangible Assets

Indefinite-lived intangible assets are summarized as follows (in thousands):

	February 1, 2025			February 3, 2024		
	Gross	Accumulated Amortization	Net Book Value	Gross	Accumulated Amortization	Net Book Value
Indefinite-lived intangible assets:						
Trade name	\$ 8,400	\$ —	\$ 8,400	\$ 8,400	\$ —	\$ 8,400
Total	\$ 8,400	\$ —	\$ 8,400	\$ 8,400	\$ —	\$ 8,400

We performed our annual impairment assessment of our trade name at the end of the third quarter of fiscal year 2024. We performed a qualitative assessment and determined that it is not more likely than not that the fair value of our trade name is less than its carrying value, which indicated there was no impairment.

**Note 8. Accrued and Other Current Liabilities**

Accrued and other current liabilities consist of the following (in thousands):

	<b>February 1, 2025</b>	<b>February 3, 2024</b>
Accrued inventory-in-transit	\$ 35,177	\$ 23,227
Accrued payroll and related expenses	25,313	13,780
Accrued loyalty program	10,887	12,526
Gift cards	13,676	12,974
Accrued sales return allowance	2,961	6,018
Accrued freight	5,092	5,470
Accrued marketing	3,120	3,862
Accrued sales and use tax	2,745	3,354
Accrued lease costs	2,817	3,306
Accrued self-insurance liabilities	2,926	3,313
Accrued purchases of property and equipment	768	3,121
Deferred revenue	2,777	1,949
Term loan interest payable	2,486	3,548
Accrued legal	4,668	993
Other	10,330	10,309
Accrued and other current liabilities	<u>\$ 125,743</u>	<u>\$ 107,750</u>

**Note 9. Leases**

Our lease costs reflected in the tables below include minimum base rents, CAM charges and HVAC charges. We recognize such lease costs in the applicable expense category in either cost of goods sold, or selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

Our lease costs consisted of the following (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Fixed operating lease cost	\$ 53,109	\$ 54,446	\$ 52,940
Short-term lease cost	129	143	186
Variable lease cost	19,821	19,147	17,951
Total lease cost	<u>\$ 73,059</u>	<u>\$ 73,736</u>	<u>\$ 71,077</u>

A maturity analysis of our operating lease liabilities, for lease terms that include periods covered by options to extend some of our leases that we are reasonably certain of being executed, for each of the next five years and thereafter, reconciled to our operating lease liabilities recognized in the consolidated balance sheet as of February 1, 2025, is as follows (in thousands):

<b>Fiscal Year Ending</b>	
2025	\$ 52,367
2026	42,925
2027	31,018
2028	23,086
2029	17,540
Thereafter	62,189
Total operating lease liabilities	<u>\$ 229,125</u>
Less: Imputed interest	(54,139)
Total operating lease liabilities	<u>\$ 174,986</u>
Less: Current portion of operating lease liabilities	(40,505)
Noncurrent operating lease liabilities	<u>\$ 134,481</u>

Other supplementary information related to our leases is reflected in the table below (in thousands except lease term and discount rate data):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows for operating leases	\$ 60,475	\$ 61,360	\$ 58,050
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 12,126	\$ 25,822	\$ 19,113
Increase (decrease) in right-of-use assets resulting from operating lease modifications or remeasurements	\$ 8,373	\$ 837	\$ (9,007)
Weighted average remaining lease term - operating leases	7 years	6 years	6 years
Weighted average discount rate - operating leases	8 %	7 %	6 %

#### **Note 10. Revenue Recognition**

We recognize revenue when our performance obligations under the terms of a contract or an implied arrangement with a customer are satisfied, which is when the merchandise is transferred to the customer and the customer obtains control of it. The amount of revenue we recognize reflects the total consideration we expect to receive for the merchandise, which is the transaction price.

Our revenue, disaggregated by product category, consists of the following (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Apparel	\$ 989,239	\$ 1,024,501	\$ 1,119,336
Non-apparel	82,526	93,462	134,800
Other	31,972	33,982	34,008
Total net sales	\$ 1,103,737	\$ 1,151,945	\$ 1,288,144

Amounts within Apparel include revenues earned from the sale of tops, bottoms, dresses, intimates, sleep wear, swim wear and outerwear. Amounts within Non-apparel include revenues earned from the sale of accessories, footwear and beauty. Amounts within Other primarily represent PLCC Funds received. During fiscal years 2024, 2023 and 2022, e-Commerce penetration of total net sales was 61%, 59% and 61%, respectively.

#### **Contract Liabilities**

During fiscal year 2024, we recognized revenue of \$10.7 million and \$5.7 million related to our accrued loyalty program and gift cards, respectively, that existed at the beginning of fiscal year 2024. During fiscal year 2023, we recognized revenue of \$10.2 million and \$6.0 million related to our accrued loyalty program and gift cards, respectively, that existed at the beginning of fiscal year 2023.

#### **Note 11. Related Party Transactions**

##### **Services Agreements with Hot Topic**

Hot Topic Inc. ("Hot Topic") is an entity indirectly controlled by affiliates of Sycamore. On March 21, 2019, we entered into an amended and restated services agreement with Hot Topic, which was subsequently amended on August 1, 2019, April 30, 2023 and May 3, 2024 ("Amended and Restated Services Agreement"). Under the Amended and Restated Services Agreement, Hot Topic provides us (or causes applicable third parties to provide) real estate leasing and construction management services. We record payments made to Hot Topic under these service agreements in the applicable expense category in either cost of goods sold, or selling, general and administrative expenses.

During fiscal years 2024, 2023 and 2022, Hot Topic charged us \$2.1 million, \$2.0 million and \$2.4 million, respectively, for various services under the applicable service agreements, all of which were recorded as components of selling, general and administrative expenses. As of February 1, 2025 and February 3, 2024, we owed \$0.6 million and \$0.2 million, respectively, to Hot Topic for these services which is included in due to related parties in our consolidated balance sheets.

On August 1, 2019, we entered into a services agreement ("Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services. The term of the Reverse Services Agreement was three years, unless we or Hot Topic extended the agreement, or Hot Topic terminated the agreement. Torrid provided Hot Topic with the specified information technology services at no cost for the first three years of the Reverse Services Agreement, however Hot Topic bore certain capital and operating expenses that it incurred. Costs incurred in connection with providing the specified information technology services to Hot Topic were expensed as incurred in our consolidated statements of operations and comprehensive income. During fiscal year 2022, we incurred costs of \$1.6 million in connection with providing these information technology services to Hot Topic. On July 31, 2022, we entered into a first amendment to the Reverse Services Agreement ("Amended Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services for a fixed fee. The term of the Amended Reverse Services Agreement was two months while both parties negotiated a longer-term amendment to the Reverse Services Agreement with modified terms and conditions. On September 30, 2022, we entered into a second amendment to the Reverse Services Agreement ("Second Amended Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services for a fixed fee. The term of the Second Amended Reverse Services Agreement was two months while both parties negotiated a longer-term amendment to the Reverse Services Agreement with modified terms and conditions. Effective December 1, 2022, we entered into a third amendment to the Reverse Services Agreement ("Third Amended Reverse Services Agreement") with Hot Topic, under which Torrid provided Hot Topic with certain information technology services for a fixed fee. The term of the Third Amended Reverse Services Agreement was 17 months unless we and Hot Topic mutually agreed to extend the agreement, or we or Hot Topic terminated the agreement (or certain services under the agreement), upon written notice. Effective January 1, 2024, we entered into a fourth amendment to the Reverse Services Agreement ("Fourth Amended Reverse Services Agreement") with Hot Topic, which amended the Third Amended Reverse Services Agreement solely to amend certain pricing information. The term of the Fourth Amended Reverse Services Agreement ended on May 4, 2024, unless we and Hot Topic mutually agreed to extend the agreement, or we or Hot Topic terminated the agreement (or certain services under the agreement), upon written notice. Effective May 5, 2024, we entered into a fifth amendment to the Reverse Services Agreement ("Fifth Amended Reverse Services Agreement") with Hot Topic, which amended the Fourth Amended Reverse Services Agreement solely to amend certain pricing information. The term of the Fifth Amended Reverse Services Agreement ends on October 25, 2025, unless it is terminated by us or Hot Topic or we mutually agree in writing to extend the term.

During fiscal years 2024, 2023 and 2022, we charged Hot Topic \$0.6 million, \$1.7 million and \$1.0 million, respectively, for these services and as of February 1, 2025 and February 3, 2024, Hot Topic owed us \$0.1 million for each of the fiscal years for these services.

Hot Topic incurs certain direct expenses on our behalf, such as payments to our non-merchandise vendors and each month, we pay Hot Topic for these pass-through expenses. As of February 1, 2025, the net amount we owed Hot Topic for these expenses was not material and as of February 3, 2024, the net amount we owed Hot Topic was \$0.4 million, which is included in due to related parties in our consolidated balance sheets.

#### ***Sponsor Advisory Services Agreement***

On May 1, 2015, we entered into an advisory services agreement with Sycamore, pursuant to which Sycamore agreed to provide strategic planning and other related services to us. We are obligated to reimburse Sycamore for its expenses incurred in connection with providing such advisory services to us. As of the end of fiscal years 2024 and 2023, there were no amounts due and during fiscal years 2024, 2023 and 2022, no amounts were paid under this agreement.

From time to time, we reimburse Sycamore for certain management expenses it pays on our behalf. As of February 1, 2025 and as of February 3, 2024, there were no amounts due. During fiscal years 2024, 2023 and 2022, the reimbursements we made to Sycamore for such expenses were not material.

#### ***Other Related Party Transactions***

MGF Sourcing US, LLC, an entity indirectly controlled by affiliates of Sycamore, is one of our suppliers. During fiscal years 2024, 2023 and 2022, cost of goods sold included \$38.7 million, \$56.5 million and \$70.0 million, respectively, related to the sale of merchandise purchased from this supplier. Purchases from this supplier accounted for approximately 8%, 10% and 15% of total net purchases in fiscal years 2024, 2023 and 2022, respectively. As of February 1, 2025 and February 3, 2024, the net amounts we owed MGF Sourcing US, LLC for these purchases were \$7.9 million and \$8.9 million, respectively. This liability is included in due to related parties in our consolidated balance sheets.

HU Merchandising, LLC, a subsidiary of Hot Topic, is one of our suppliers. During fiscal years 2024, 2023 and 2022, cost of goods sold included \$0.2 million, \$0.3 million and \$0.5 million, respectively, related to the sale of merchandise

purchased from this supplier. As of February 1, 2025, there was no amount due and as of February 3, 2024, the amount due was not material.

Staples, Inc., an entity indirectly controlled by affiliates of Sycamore, is one of our suppliers. During fiscal years 2024, 2023 and 2022, purchases from this supplier were not material. As of February 1, 2025 and February 3, 2024, amounts due to this supplier were not material.

## Note 12. Debt Financing Arrangements

Our debt financing arrangements consist of the following (in thousands):

	February 1, 2025	February 3, 2024
ABL Facility	\$ —	\$ 7,270
Term loan		
Amended Term Loan Credit Agreement	293,125	310,625
Less: current portion of unamortized original issue discount and debt financing costs	(1,356)	(1,356)
Less: noncurrent portion of unamortized original issue discount and debt financing costs	(3,216)	(4,572)
Total term loan outstanding, net of unamortized original issue discount and debt financing costs	288,553	304,697
Less: current portion of term loan, net of unamortized original issue discount and debt financing costs	(16,144)	(16,144)
Total term loan, net of current portion and unamortized original issue discount and debt financing costs	<u>\$ 272,409</u>	<u>\$ 288,553</u>

Fixed mandatory principal repayments due on the outstanding term loan are as follows as of February 1, 2025 (in thousands):

Fiscal Year Ending		
2025	\$	17,500
2026		17,500
2027		17,500
2028		240,625
	<u>\$</u>	<u>293,125</u>

### Term Loan Credit Agreement

On June 14, 2021, we entered into a term loan credit agreement (the "Term Loan Credit Agreement") among Bank of America, N.A., as agent, and the lenders party thereto. On May 24, 2023, we entered into an amendment to the Term Loan Credit Agreement (the "Amended Term Loan Credit Agreement"). The Amended Term Loan Credit Agreement replaced the London Interbank Offered Rate ("LIBOR") interest rate benchmark with the Secured Overnight Financing Rate ("SOFR") benchmark. All other material terms of the Term Loan Credit Agreement remained substantially the same after giving effect to the Amended Term Loan Credit Agreement. In March 2020 and January 2021, the FASB issued ASUs 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") and 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"), respectively. ASU 2020-04 and ASU 2021-01 include practical expedients which provide entities the option to account for qualifying amendments as if the modification was not substantial in accordance with Accounting Standards Codification ("ASC") 470, *Debt*. We elected this option, accordingly, the Amended Term Loan Credit Agreement did not have a material impact on our consolidated financial statements.

The Term Loan Credit Agreement provides for term loans in an initial aggregate amount of \$350.0 million ("Principal"), which is recorded net of an original issue discount ("OID") of \$3.5 million and has a maturity date of June 14, 2028. In connection with the Term Loan Credit Agreement, we paid financing costs of approximately \$6.0 million.

The \$346.5 million proceeds of the Term Loan Credit Agreement, net of OID, were used to (i) repay and terminate the original term loan credit agreement; (ii) make a \$131.7 million distribution to the direct and indirect holders of our equity interests; and (iii) pay for financing costs associated with the Term Loan Credit Agreement.

Loans made pursuant to the Amended Term Loan Credit Agreement bear interest at an annual rate equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate quoted by The Wall Street Journal, (2) the federal funds effective rate plus 0.50% and (3) a SOFR rate for an interest period of one month, plus 1.00% (in each case, subject to a floor of 1.75%); or (b) at a SOFR rate for the interest period relevant to such borrowing (subject to a floor of 0.75%), in each case plus an applicable margin of 5.50% for SOFR borrowings and 4.50% for base rate borrowings.

If we elect the SOFR rate, interest is due and payable on the last day of each interest period, unless an interest period exceeds three months, then the respective dates that fall every three months after the beginning of the interest period shall also be interest payment dates. If we elect the Base rate loan, interest is due and payable the last day of each calendar quarter. The elected interest rate at the end of fiscal year 2024 was approximately 10%.

In addition to paying interest on the outstanding Principal under the Amended Term Loan Credit Agreement, we are required to make fixed mandatory repayments of the Principal on the last business day of each fiscal quarter until maturity commencing with the second full fiscal quarter following the closing date ("Repayment"). For each of the fiscal quarters until the maturity date and starting with the fourth fiscal quarter of 2021, Repayments represent 1.25% of the Principal, reduced as a result of the application of prior Prepayments, as defined below.

Under the Amended Term Loan Credit Agreement, we are also required to make variable mandatory prepayments of the Principal, under certain conditions as described below, approximately 102 days after the end of each fiscal year (each, a "Prepayment"). Prepayments, if applicable, commence at the end of fiscal year 2022 and represent between 0% and 50% (depending on our first lien net leverage ratio) of Excess Cash Flow (as defined in the Amended Term Loan Credit Agreement) in excess of \$10.0 million, minus prepayments of Principal, the ABL Facility (to the extent accompanied by a permanent reduction in the commitments thereunder) and certain other specified indebtedness and amounts in connection with certain other enumerated items. As of February 1, 2025, we did not meet the Excess Cash Flow threshold to require a Prepayment.

In addition to mandatory Repayment and Prepayment obligations, we may at our option, prepay a portion of the outstanding Principal ("Optional Prepayment"). If we made Optional Prepayments before June 14, 2023, we would have been subject to penalties ranging from 1.00% to 2.00% of the aggregate principal amount.

All of Torrid LLC's existing domestic subsidiaries and Torrid Intermediate LLC unconditionally guarantee all obligations under the Amended Term Loan Credit Agreement. Substantially all of the assets of Torrid LLC, Torrid LLC's existing subsidiaries and Torrid Intermediate LLC will secure all such obligations and the guarantees of those obligations, subject to certain exceptions.

The Amended Term Loan Credit Agreement also contains a number of covenants that, among other things and subject to certain exceptions, will restrict our ability and the ability of our subsidiaries to: create, incur or assume liens on our assets or property; incur additional indebtedness; issue preferred or disqualified stock; consolidate or merge; sell assets; pay dividends or make distributions, make investments, or engage in transactions with our affiliates.

As of the end of fiscal years 2024 and 2023, we were compliant with our financial covenants under the Amended Term Loan Credit Agreement.

As of the end of fiscal year 2024, the fair value of the Amended Term Loan Credit Agreement was approximately \$274.1 million. The fair value of the Amended Term Loan Credit Agreement is determined using current applicable rates for similar instruments as of the balance sheet date, a Level 2 measurement (as defined in "Note 19—Fair Value Measurements").

As of the end of fiscal year 2024, total borrowings, net of OID and financing costs, of \$288.6 million remain outstanding under the Amended Term Loan Credit Agreement. During fiscal year 2024, we recognized \$33.2 million of interest expense and \$1.4 million of OID and financing costs related to the Amended Term Loan Credit Agreement. During fiscal year 2023, we recognized \$36.1 million of interest expense and \$1.4 million of OID and financing costs related to the Amended Term Loan Credit Agreement. The OID and financing costs are amortized over the Amended Term Loan Credit Agreement's seven-year term and are reflected as a direct deduction of the face amount of the term loan in our consolidated balance sheets. We recognize interest payments, together with amortization of the OID and financing costs, in interest expense in our consolidated statements of operations and comprehensive income.

### ***Senior Secured Asset-Based Revolving Credit Facility***

In May 2015, we entered into a credit agreement for a senior secured asset-based revolving credit facility with Bank of America, N.A., which was subsequently amended in October 2017, June 2019, September 2019, June 2021, and April 2023

("ABL Facility"). Under the ABL Facility the aggregate commitments available are \$150.0 million (subject to a borrowing base), and we have the right to request additional commitments up to \$50 million plus the aggregate principal amount of any permanent principal reductions we may take (subject to customary conditions precedent). The principal amount of the outstanding loans are due and payable on June 14, 2026. The April 21, 2023 amendment to the ABL Facility replaced the LIBOR interest rate benchmark with the SOFR benchmark. All other material terms of the ABL Facility remained substantially the same after giving effect to the April 21, 2023 amendment. We elected to apply the practical expedients included in ASU 2020-04 and 2021-01, accordingly, the April 21, 2023 amendment did not have a material impact on our consolidated financial statements.

The borrowing base for the ABL Facility at any time equals the sum of 90% of eligible credit card receivables, plus 90% of the appraised net orderly liquidation value of eligible inventory and eligible in-transit inventory multiplied by the cost of such eligible inventory and eligible in-transit inventory (to be increased to 92.5% during the period beginning on September 1 of each year and ending on December 31 of each year). The ABL Facility includes borrowing capacity for letters of credit and for borrowings on same-day notice, referred to as Swing Line Loans, and is available in U.S. dollars.

Under the ABL Facility we have the right to request up to \$50.0 million of additional commitments plus the aggregate principal amount of any permanent principal reductions we may take plus the amount by which the borrowing base exceeds the aggregate commitments (subject to customary conditions precedent). The lenders under this facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to customary conditions precedent. If we were to request any such additional commitments and the existing lenders or new lenders were to agree to provide such commitments, the size of the ABL Facility could increase to up to \$200.0 million, but our ability to borrow under this facility would still be limited by the amount of the borrowing base.

Borrowings under the ABL Facility bear interest at an annual rate equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Bank of America, N.A., (2) the federal funds effective rate plus 0.50% and (3) a SOFR rate for an interest period of one month adjusted for certain costs, plus 1.00%, in each case, plus an applicable margin that ranges from 0.25% to 0.75% based on average daily availability; or (b) at a SOFR rate for the interest period relevant to such borrowing adjusted for certain costs ("Adjusted SOFR"), in each case plus an applicable margin that ranges from 1.25% to 1.75%, based on average daily availability. As of the end of fiscal year 2024, the applicable interest rate for borrowings under the ABL Facility was approximately 8% per annum.

If we elect the SOFR rate, interest is due and payable on the last day of each interest period, unless an interest period exceeds three months, then the respective dates that fall every three months after the beginning of the interest period shall also be interest payment dates. If we elect the base rate (including a Swing Line Loan), interest is due and payable on the first business day of each month and on the maturity date.

In addition to paying interest on outstanding principal under the ABL Facility we are required to pay a commitment fee in respect of unutilized commitments. The commitment fee ranges between 0.25% and 0.375% per annum of unutilized commitments and will be subject to adjustment each fiscal quarter based on the amount of unutilized commitments during the immediately preceding fiscal quarter. We must also pay customary letter of credit fees and agent fees.

If at any time the aggregate amount of outstanding loans, unreimbursed letter of credit drawings and undrawn letters of credit under the ABL Facility exceeds the lesser of (a) the commitment amount and (b) the borrowing base, we will be required to repay outstanding loans and/or cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount.

We may voluntarily reduce the unused portion of the commitment amount and repay outstanding loans at any time. Prepayment of the loans may be made without premium or penalty other than customary "breakage" costs with respect to SOFR loans.

All obligations under the ABL Facility are unconditionally guaranteed by substantially all of Torrid Intermediate LLC's existing majority-owned domestic subsidiaries and will be required to be guaranteed by certain of Torrid Intermediate LLC's future domestic majority-owned subsidiaries. All obligations under the ABL Facility and the guarantees of those obligations, will be secured, subject to certain exceptions, by substantially all of Torrid Intermediate LLC's assets.

The ABL Facility requires us to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 if we fail to maintain Specified Availability (as defined by the ABL Facility) of at least the greater of 10% of the Loan Cap, as defined by the ABL Facility and \$7.0 million. The ABL Facility contains a number of other covenants that, among other things and subject to certain exceptions, will restrict our ability and the ability of our subsidiaries to: incur additional indebtedness; pay dividends on

our capital stock or redeem, repurchase or retire our capital stock or our other indebtedness; make investments, loans and acquisitions; engage in transactions with our affiliates; sell assets, including capital stock of our subsidiaries; alter the business we conduct; consolidate or merge; and incur liens. As of the end of fiscal years 2024 and 2023, we were compliant with our debt covenants under the ABL Facility.

The ABL Facility specifically restricts dividends and distributions, aside from amounts to cover ordinary operating expenses and taxes, between our subsidiaries and to us. However, dividends and distributions are permitted at any time that either (1) availability under the ABL Facility is equal to or greater than 15% of the maximum borrowing amount on a pro forma basis and we are pro forma compliant with a 1.00 to 1.00 fixed charge coverage ratio or (2) availability under the ABL Facility is equal to or greater than 20% of the maximum borrowing amount on a pro forma basis. As of the end of fiscal years 2024 and 2023, the maximum restricted payments utilizing the ABL Facility that our subsidiaries could make from its net assets were \$102.8 million and \$103.2 million, respectively.

We consider the carrying amounts of the ABL Facility to approximate fair value because it is carried at a market observable interest rate that resets periodically and is categorized as Level 2 in the fair value hierarchy.

Availability under the ABL Facility at the end of fiscal year 2024 was \$109.5 million, which reflects no borrowings. Availability under the ABL Facility at the end of fiscal year 2023 was \$102.7 million, which reflects borrowings of \$7.3 million. Standby letters of credit issued and outstanding were \$11.4 million and \$11.4 million at the end of fiscal years 2024 and 2023, respectively. During the third quarter of fiscal year 2017, we incurred \$0.5 million of financing costs for the ABL Facility, which were reduced in fiscal year 2019 by \$0.1 million written off to account for the impact of our entry into the 1st Amendment. During the second quarter of fiscal year 2021, we incurred an additional \$0.7 million of financing costs in connection with our entry into the 3rd Amendment. These financing costs, together with the unamortized financing costs of \$0.1 million associated with the Original ABL Facility, are amortized over the five-year term of the ABL Facility and are reflected in prepaid expenses and other current assets and deposits and other noncurrent assets in our consolidated balance sheets. During fiscal years 2024, 2023 and 2022, we amortized financing costs of \$0.2 million in each period. During fiscal years 2024, 2023 and 2022, interest payments were \$0.9 million, \$1.6 million and \$1.8 million, respectively. We recognize amortization of financing costs and interest payments for the revolving credit facility in interest expense in our consolidated statements of operations and comprehensive income.

### Note 13. Income Taxes

#### *Income Before Provision for Income Taxes*

The domestic and foreign income before provision for income taxes during fiscal years 2024, 2023 and 2022 is as follows (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Domestic	\$ 17,424	\$ 17,604	\$ 69,273
Foreign	4,179	431	2,409
Income before provision for income taxes	<u>\$ 21,603</u>	<u>\$ 18,035</u>	<u>\$ 71,682</u>

### Provision for Income Taxes

The composition of the provision for income taxes during fiscal years 2024, 2023 and 2022 is as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Current:			
Federal	\$ 11,565	\$ 9,108	\$ 14,442
State	1,620	2,795	4,693
Foreign	21	186	487
	<u>\$ 13,206</u>	<u>\$ 12,089</u>	<u>\$ 19,622</u>
Deferred:			
Federal	\$ (7,387)	\$ (5,193)	\$ 1,632
State	(777)	(513)	4
Foreign	243	33	215
	<u>(7,921)</u>	<u>(5,673)</u>	<u>1,851</u>
Total income tax provision	<u>\$ 5,285</u>	<u>\$ 6,416</u>	<u>\$ 21,473</u>

Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	February 1, 2025	February 3, 2024
Deferred tax assets (liabilities):		
Inventory	\$ 1,483	\$ 1,254
Loyalty reserve	2,874	3,318
Accrued bonus	2,032	250
Lease liability	38,729	45,308
Share-based compensation	2,324	1,355
Interest expense limitation	5,658	3,840
Other deferred tax assets	7,335	7,211
ROU assets	(33,182)	(38,053)
Intangible assets	(2,065)	(2,062)
Depreciation	(6,531)	(11,877)
Other deferred tax liabilities	(2,037)	(1,863)
Total net deferred tax assets	<u>\$ 16,620</u>	<u>\$ 8,681</u>

A reconciliation of the provision for income taxes to the statutory tax rate is as follows:

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Statutory federal rate	21.0 %	21.0 %	21.0 %
State and local taxes, net of federal benefit	3.6	10.9	5.3
Share-based compensation	0.1	5.1	2.1
Liability for uncertain tax positions	(0.6)	(1.5)	(0.2)
Information technology services charge	—	—	0.4
Limitation on Section 162(m) officers	0.9	0.5	1.3
Foreign derived intangible income	(0.2)	(0.3)	(0.2)
Other differences, net	(0.3)	(0.1)	0.3
Effective income tax rate	<u>24.5 %</u>	<u>35.6 %</u>	<u>30.0 %</u>

Excess tax benefits or detriments associated with share-based payment awards are recognized as income tax benefits or expense in the consolidated statements of operations and comprehensive income. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. The income tax detriment resulting from share-based awards was \$1.8 million for fiscal year 2024 and is reflected as an increase to the income tax provision.

As of the end of fiscal year 2024, we had accumulated undistributed earnings and profits of our foreign subsidiary of approximately \$9.0 million. We continue to treat undistributed earnings of our foreign subsidiary as indefinitely reinvested according to our current operating plans and no deferred tax liability has been recorded for potential future taxes related to such earnings. According to current tax law, any future dividends paid from our foreign subsidiary will not be subject to income tax in the United States, except for withholding taxes and state taxes, which are not material. We have made a determination on our accounting policy choice to treat taxes related to GILTI as a period cost.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was enacted to reduce inflation and promote clean energy in the United States. Among other things, the IR Act introduced a 15% alternative minimum tax based on the adjusted financial statement income of corporations or their predecessors with a three-year taxable year average annual adjusted financial statement income in excess of \$1 billion and imposes a 1% excise tax on the fair market value of stock repurchases made by covered corporations after December 31, 2022. The IR Act also includes provisions intended to mitigate climate change by, among others, providing tax credit incentives for reductions in greenhouse gas emissions. We have considered the applicable IR Act tax law changes in our tax provision for the year ended February 1, 2025, and continue to evaluate the impact of this tax law changes on future periods.

### ***Uncertain Tax Positions***

The amount of income taxes we pay is subject to ongoing audits by taxing authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of the relevant risks, facts and circumstances existing at the time. We believe that we have adequately provided for reasonably foreseeable outcomes related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate. As of the end of fiscal year 2024, the total liability for income taxes associated with unrecognized tax benefits, including interest and penalties, was \$2.4 million (\$2.0 million, net of federal benefit). As of the end of fiscal year 2023, the total liability for income taxes associated with unrecognized tax benefits, including interest and penalties, was \$2.5 million (\$2.1 million, net of federal benefit). Our effective tax rate will be affected by any portion of this liability we may recognize.

We believe that it is reasonably possible that \$0.4 million (\$0.3 million net of federal benefit) of our liability for unrecognized tax benefits, of which the associated interest and penalties are not material, may be recognized in the next 12 months due to the expiration of statutes of limitations.

The following table reconciles the amount recorded for the liability for income taxes associated with unrecognized tax benefits as of the end of fiscal years 2024, 2023 and 2022 (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Unrecognized tax benefits at the beginning of the fiscal year	\$ 1,925	\$ 2,996	\$ 3,293
(Reductions) additions:			
Tax positions related to the current period	3	—	59
Tax positions related to the prior period	154	104	(116)
Tax positions settled or statute of limitations lapsed	(262)	(1,175)	(240)
Unrecognized tax benefits at the end of the fiscal year	<u>\$ 1,820</u>	<u>\$ 1,925</u>	<u>\$ 2,996</u>

Our continuing practice is to recognize interest and penalties related to unrecognized tax benefits as a tax expense. In fiscal years 2024, 2023 and 2022, tax expense related to interest and penalties was \$0.5 million, \$0.6 million and \$0.8 million, respectively.

We operate stores throughout the United States, Puerto Rico and Canada, and as a result, we file income tax returns in the United States federal jurisdiction and various state, local and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities. The federal statute of limitations period is three years and most states follow this limitations period with few exceptions. Consequently, tax years between 2021 and 2023 are open for examination.

#### Note 14. Share-Based Compensation

Our share-based compensation expense, by award type, consists of the following (in thousands):

	Fiscal Year Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Restricted stock units	\$ 2,391	\$ 2,405	\$ 1,818
Restricted stock awards	128	2,018	6,304
Performance-based restricted stock units	124	711	568
Stock options	1,787	1,537	972
Restricted cash units	3,009	1,209	—
Employee stock purchase plan	195	162	318
Share-based compensation expense before income taxes	7,634	8,042	9,980
Income tax detriment	1,831	923	340
Net share-based compensation expense	\$ 9,465	\$ 8,965	\$ 10,320

On June 22, 2021, our Board adopted the Torrid Holdings Inc. 2021 Long-Term Incentive Plan (the "2021 LTIP"), for employees, consultants and directors. The 2021 LTIP provides for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs") including performance-based restricted stock units ("PSUs"), stock awards, dividend equivalents, other stock-based awards, cash awards and substitute awards intended to align the interests of service providers, with those of our shareholders. As of the end of fiscal year 2024, 10,687,500 shares were authorized for issuance under the 2021 LTIP.

On June 22, 2021, our Board adopted the Torrid Holdings Inc. 2021 Employee Stock Purchase Plan (the "ESPP"), intended to qualify under Section 423 of the U.S. Internal Revenue Code of 1986, as amended, in order to provide all of our eligible employees with a further incentive towards ensuring our success and accomplishing our corporate goals. The ESPP allows eligible employees to contribute up to 15% of their base earnings towards purchases of common stock, subject to an annual maximum. The purchase price is 85% of the lower of (i) the fair market value of the stock on the date of enrollment and (ii) the fair market value of the stock on the last day of the related purchase period. As of the end of fiscal year 2024, 3,650,000 shares were authorized for issuance under the ESPP.

#### *RSUs*

RSUs are awarded to certain employees, non-employee directors and consultants and entitle the grantee to receive shares of common stock at the end of a vesting period, subject to the employee's continued employment or service as a director or consultant. In general, RSUs vest in equal installments each year over four years.

Pursuant to the agreements we entered into with certain members of our management, such employees received one-time grants of RSUs ("IPO Awards") in an aggregate amount equal to \$5.7 million. Fifty percent of the IPO Awards were fully vested on the date of grant, and the remaining 50% will vest in equal installments on the first, second and third anniversaries of the grant date. These members of our management must remain employed by us through each vesting date in order to vest in the applicable portions of their IPO Awards.

PSUs are awarded to certain employees, non-employee directors and consultants and entitle the grantee to receive shares of common stock based on the achievement of various company performance targets and market conditions. In general, PSUs vest in equal installments over a three-year period subject to the achievement of the performance targets or market conditions.

RSU activity, including IPO Awards and PSUs, under the 2021 LTIP consists of the following (in thousands except per share amounts):

	Fiscal Year Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Shares	Weighted average grant date value per share	Shares	Weighted average grant date value per share	Shares	Weighted average grant date value per share
Nonvested at the beginning of the fiscal year	1,953	\$ 4.14	1,386	\$ 6.55	278	\$ 26.75
Granted	659	\$ 4.67	1,312	\$ 3.13	1,371	\$ 5.07
Vested	(541)	\$ 4.72	(249)	\$ 8.57	(66)	\$ 25.65
Forfeited	(588)	\$ 3.76	(496)	\$ 5.98	(197)	\$ 18.07
Nonvested at the end of the fiscal year	<u>1,483</u>	\$ 4.32	<u>1,953</u>	\$ 4.14	<u>1,386</u>	\$ 6.55

As of the end of fiscal year 2024, unrecognized compensation expense related to unvested RSUs, including PSUs, was \$4.0 million, which is expected to be recognized over a weighted average period of approximately 2.0 years. The total fair value of RSUs which vested during fiscal years 2024, 2023 and 2022 was \$3.1 million, \$0.8 million and \$0.3 million, respectively.

The weighted average grant date fair value of the PSUs was estimated at the grant date using a Monte Carlo simulation following a Geometric Brownian Motion with the following weighted average assumptions:

	Fiscal Year Ended		
	February 1, 2025 <sup>(1)</sup>	February 3, 2024	January 28, 2023
Dividend yield	— %	— %	— %
Expected volatility <sup>(2)</sup>	— %	68.4 %	70.7 %
Risk-free interest rate <sup>(3)</sup>	— %	3.8 %	3.2 %
Expected term <sup>(4)</sup>		3 years	3 years
Grant date fair value per share	\$ —	\$ 1.66	\$ 4.15

(1) We did not grant any PSUs in fiscal year 2024.

(2) The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the PSUs.

(3) The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the PSUs.

(4) The expected term of the PSUs represents the time period from the grant date and the full vesting date.

### **Restricted Stock Awards**

Restricted stock awards ("RSAs") are awarded to certain employees, non-employee directors and consultants, subject to the employee's continued employment or service as a director or consultant. RSAs vest over periods ranging from two to four years, subject to the employee's continued employment or service as an employee, non-employee director or consultant, as applicable, on each vesting date.

RSA activity under the 2021 LTIP consists of the following (in thousands except per share amounts):

	Fiscal Year Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Shares	Weighted average grant date fair value per share	Shares	Weighted average grant date fair value per share	Shares	Weighted average grant date fair value per share
Nonvested at the beginning of the fiscal year	5	\$ 27.00	211	\$ 27.00	532	\$ 27.00
Granted	—		—		—	
Vested	(5)	\$ 27.00	(102)	\$ 27.00	(241)	\$ 27.00
Forfeited	—	\$ —	(104)	\$ 27.00	(80)	\$ 27.00
Nonvested at the end of the fiscal year	<u>—</u>	\$ —	<u>5</u>	\$ 27.00	<u>211</u>	\$ 27.00

As of the end of fiscal year 2024, there was no unrecognized compensation expense related to unvested RSAs. The total vesting date fair value of RSAs which vested during fiscal year 2024 was not material. The total vesting date fair value of RSAs which vested during fiscal years 2023 and 2022 was \$0.3 million and \$1.4 million, respectively.

### Stock Options

Stock options generally vest in equal installments each year over four years and generally expire 10 years from the grant date.

Stock option activity under the 2021 LTIP consists of the following (in thousands except per share and contractual life amounts):

	Fiscal Year Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share
Outstanding at the beginning of the fiscal year	2,352	\$ 4.98	1,444	\$ 7.38	337	\$ 21.03
Granted	1,048	\$ 4.60	1,514	\$ 3.19	1,420	\$ 5.58
Exercised	(133)	\$ 3.52	—		—	
Expired / forfeited	(559)	\$ 4.70	(606)	\$ 6.56	(313)	\$ 13.90
Outstanding at the end of the fiscal year	<u>2,708</u>	\$ 4.95	<u>2,352</u>	\$ 4.98	<u>1,444</u>	\$ 7.38
Vested and expected to vest at the end of the fiscal year	2,708	\$ 4.95	2,352	\$ 4.98	1,444	\$ 7.38
Exercisable at the end of the fiscal year	677	\$ 6.41	307	\$ 8.73	44	\$ 21.03

The aggregate intrinsic value of options outstanding as of the end of fiscal year 2024 was approximately \$7.1 million and the weighted-average remaining contractual term was 8.3 years. The aggregate intrinsic value of options vested and expected to vest as of the end of fiscal year 2024 was \$7.1 million and the weighted-average remaining contractual term was 8.3 years. The aggregate intrinsic value of options exercisable as of the end of fiscal year 2024 was approximately \$1.5 million and the weighted-average remaining contractual term was 7.6 years.

The weighted average grant date fair value of stock option awards granted during fiscal year 2024, 2023 and 2022 was \$2.77, \$1.91 and \$3.25 per option, respectively, and was estimated at the grant date using the OPM with the following weighted average assumptions:

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Dividend yield	— %	— %	— %
Expected volatility <sup>(1)</sup>	59.1 %	60.4 %	59.0 %
Risk-free interest rate <sup>(2)</sup>	4.4 %	3.7 %	3.1 %
Expected term <sup>(3)</sup>	6.25 years	6.25 years	6.25 years
Grant date fair value per share	\$ 2.77	\$ 1.91	\$ 3.25

(1) The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the stock options.

(2) The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the stock options.

(3) The expected term of the stock options represents the estimated period of time until exercise and is calculated using the simplified method.

As of the end of fiscal year 2024, unrecognized compensation expense related to unvested stock options was \$4.1 million, which is expected to be recognized over a weighted average period of approximately 2.6 years.

### ***RCUs***

RCUs are awarded to certain employees, non-employee directors and consultants and represent the right to receive a cash payment at the end of a vesting period, subject to the employee's continued employment or service as a director or consultant. In general, RCUs vest in equal installments each year over four years. RCUs are cash-settled with the value of each vested RCU equal to the lower of the closing price per share of our common stock on the vesting date or a specified per share price cap. During fiscal year 2024, we made cash payments totaling \$1.3 million associated with vested RCUs. We determined that RCUs are in-substance liabilities accounted for as liability instruments in accordance with ASC 718, *Compensation—Stock Compensation*, due to this cash settlement feature. RCUs are remeasured based on the closing price per share of our common stock at the end of each reporting period. As of the end of fiscal year 2024, the liability associated with unvested RCUs was \$2.9 million, which is included in accrued and other current liabilities in the consolidated balance sheet.

### **Note 15. Other Noncurrent Liabilities**

Other noncurrent liabilities consist of the following (in thousands):

	<b>February 1, 2025</b>	<b>February 3, 2024</b>
Noncurrent portion of lease incentives	\$ 271	\$ 730
Noncurrent income taxes payable	2,366	2,517
Deferred PLCC Funds	2,958	3,458
Other noncurrent liabilities	\$ 5,595	\$ 6,705

### **Note 16. Commitments and Contingencies**

#### ***Operating Lease Agreements***

We have entered into operating lease agreements for retail, distribution and office space; and vehicles and equipment, under primarily non-cancelable leases with terms ranging from approximately one to 17 years. Please refer to "Note 9—Leases" for further discussion regarding our leases.

#### ***Litigation***

In April 2024, a class action complaint was filed in the Court captioned Crystal Jillson and Carmen Perez v. Torrid LLC. The complaint alleges misleading and unlawful pricing, sales, and discounting practices on our website under multiple legal

theories including violation of California’s Unfair Competition Law, California False Advertising Law and California Consumer Legal Remedies Act. We intend to vigorously defend ourselves against the complaint.

In October 2024, we were notified by a third-party vendor that it had observed a potentially unauthorized access to our data stored in a data warehouse. We have been named as a defendant in six pending class action lawsuits alleging that we failed to employ adequate security measures to protect the data stored in the data warehouse. On February 25, 2025, the United States District Court of the Central District of California granted a motion to consolidate the six lawsuits, and plaintiffs are required to file a single consolidated class action complaint no later than April 28, 2025. We intend to vigorously defend ourselves in this matter.

From time to time, we are involved in other matters of litigation that arise in the ordinary course of business. Though significant litigation or awards against us could seriously harm our business and financial results, we do not at this time expect these other matters of litigation to have a material adverse effect on our consolidated financial statements.

### ***Indemnities, Commitments and Guarantees***

During the ordinary course of business, we have made certain other indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities include those given to various lessors in connection with facility leases for certain claims arising from such facility or lease and indemnities to our Board and officers to the maximum extent permitted. Commitments include those given to various merchandise vendors and suppliers. From time to time, we have issued guarantees in the form of standby letters of credit as security for workers’ compensation claims. (Our letters of credit are discussed in more detail in "Note 12—Debt Financing Arrangements"). The durations of these indemnities, commitments and guarantees vary. Some of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and guarantees in the accompanying consolidated financial statements as no demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated financial statements.

### **Note 17. Share Repurchases**

On December 6, 2021, our Board authorized a share repurchase program under which we may purchase up to \$100.0 million of our outstanding common stock. Repurchases may be made from time to time, depending upon a variety of factors, including share price, corporate and regulatory requirements, and other market and business conditions, as determined by us. We may purchase shares of our common stock in the open market at current market prices at the time of purchase, in privately negotiated transactions, or by other means. The authorization does not, however, obligate us to acquire any particular amount of shares, and the share repurchase program may be suspended or terminated at any time at our discretion. As of February 1, 2025, we had approximately \$44.9 million remaining under the share repurchase program.

Share repurchase activity consists of the following (in thousands except share and per share amounts):

	<b>Fiscal Year Ended</b>		
	<b>February 1, 2025</b>	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Number of shares repurchased	—	—	4,464,367
Total cost	\$ —	\$ —	\$ 31,700
Average per share cost including commissions	\$ —	\$ —	\$ 7.10

### **Note 18. Earnings Per Share**

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is applicable only in periods of net income and is computed by dividing net income by the weighted average number of common shares outstanding for the period, inclusive of potentially dilutive common shares outstanding for the period. Periods of net loss require the diluted computation to be the same as the basic computation. During fiscal years 2024, 2023, and 2022, there were approximately 1.1 million, 0.4 million, and 0.1 million potentially dilutive common share equivalents outstanding that were included in the computation of diluted earnings per share, respectively. During fiscal year 2024, there were approximately 0.1 million RSAs and RSUs, including PSUs, and approximately 1.6 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved. During fiscal year 2023, there were approximately 0.6 million RSAs and RSUs, including PSUs, and approximately 2.3 million

stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive or were PSUs with performance conditions that had not yet been achieved. During fiscal year 2022, there were approximately 0.9 million RSAs and RSUs and approximately 0.9 million stock options outstanding, which were excluded from the computation of diluted earnings per share as those awards would have been anti-dilutive.

#### Note 19. Fair Value Measurements

We carry certain of our assets and liabilities at fair value in accordance with GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value require us to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs other than quoted prices that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, including interest rates and yield curves, and market corroborated inputs.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These are valued based on our estimates and assumptions that market participants would use in pricing the asset or liability.

Financial assets and liabilities measured at fair value on a recurring basis as of the end of fiscal year 2024 consisted of the following (in thousands):

	February 1, 2025	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Money market funds (cash equivalent)	\$ 31,727	\$ 31,727	\$ —	\$ —
<b>Total assets</b>	<b>\$ 31,727</b>	<b>\$ 31,727</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Deferred compensation plan liability (current)	\$ 1,767	\$ —	\$ 1,767	\$ —
Deferred compensation plan liability (noncurrent)	3,913	—	3,913	—
<b>Total liabilities</b>	<b>\$ 5,680</b>	<b>\$ —</b>	<b>\$ 5,680</b>	<b>\$ —</b>

Financial assets and liabilities measured at fair value on a recurring basis as of the end of fiscal year 2023 consisted of the following (in thousands):

	February 3, 2024	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Money market funds (cash equivalent)	\$ 33	\$ 33	\$ —	\$ —
<b>Total assets</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Deferred compensation plan liability (noncurrent)	\$ 5,474	\$ —	\$ 5,474	\$ —
<b>Total liabilities</b>	<b>\$ 5,474</b>	<b>\$ —</b>	<b>\$ 5,474</b>	<b>\$ —</b>

The fair value of our money market funds is based on quoted prices in active markets. The deferred compensation plan liability represents the amount that would be earned by participants if the funds were invested in securities traded in active markets. The fair value of the deferred compensation plan liability is determined based on quoted prices of similar assets that are traded in observable markets, or represents the cash withheld by participants prior to any investment activity.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures*****Management's Evaluation of Disclosure Controls and Procedures***

We, under the supervision of and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of February 1, 2025, to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

***Management's Report on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal control over financial reporting as of February 1, 2025 based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of February 1, 2025.

The effectiveness of our internal control over financial reporting as of February 1, 2025 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting during the fiscal quarter ended February 1, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

On March 29, 2025, our Board adopted and approved, effective immediately, the Torrid Holdings Inc. Executive Severance Plan (the "Executive Severance Plan"), which is intended to constitute an "employee welfare benefit plan" as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. The Executive Severance Plan provides financial and transitional assistance to a select group of management or highly compensated employees who separate from the Company, or the Company's direct and indirect subsidiaries, due to certain terminations of employment. The conditions under which a termination occurs, either by the Company (without cause), or by the eligible employee (for good reason), are pursuant to the Executive Severance Plan, which entitles the eligible employees to severance benefits, continuation payments, and outplacement benefits. The Executive Severance Plan is administered by the Compensation Committee of the Board and shall continue in full force and effect until it is amended, changed, replaced, extended or terminated by the action of the Compensation Committee of the Board. Nothing in the Executive Severance Plan adversely affects the rights an individual employee may have to severance benefits pursuant to any employment agreement or offer letter between such employee and the Company, provided that no employee is eligible to receive severance benefits under the Executive Severance Plan that would be duplicative of any benefits the employee is eligible to receive under his or her employment agreement or offer letter with the Company.

The foregoing description of the Executive Severance Plan is not complete and is qualified in its entirety by reference to the complete text of the Executive Severance Plan, which is filed as Exhibit 10.40 hereto and is incorporated herein by reference.

During the three months ended February 1, 2025, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## Part III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item is incorporated herein by reference to the sections entitled "Board of Directors and Corporate Governance" in the 2024 Proxy Statement.

We have adopted a code of ethics, our Code of Business Conduct and Ethics, which applies to all employees including our principal executive officer, principal financial officer and persons performing similar functions. Our Code of Business Conduct and Ethics is available on our website, [www.torrid.com](http://www.torrid.com), under "Investors, Governance, Governance Documents, Code of Business Conduct." Any amendments and waivers to our Code of Business Conduct and Ethics will also be available on the website.

### **Item 11. Executive Compensation**

The information required by this item is incorporated herein by reference to the sections entitled "Executive and Director Compensation" in the 2024 Proxy Statement.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated herein by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" in the 2024 Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated herein by reference to the sections entitled "Certain Relationships and Related Party Transactions" in the 2024 Proxy Statement.

### **Item 14. Principal Accountant Fees and Services**

The information required by this item is incorporated herein by reference to the sections entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" in the 2024 Proxy Statement.

## Part IV

### Item 15. Exhibit and Financial Statement Schedules

(a) Financial Statements

See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

(b) Exhibits

The exhibit index attached hereto is incorporated herein by reference.

(c) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable, or because the information required is included in the consolidated financial statements and accompanying notes.

## Exhibit Index

Exhibit Number	Description
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Torrid Holdings Inc. (Incorporated by reference to Exhibit 3.1 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2021).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of Torrid Holdings Inc. (Incorporated by reference to Exhibit 3.2 to Torrid's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2023).</u></a>
4.1*	<a href="#"><u>Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.</u></a>
10.1	<a href="#"><u>Term Loan Credit Agreement, dated June 14, 2019, among Torrid Inc., Torrid LLC, Cortland Capital Market Services LLC, as administrative agent and collateral agent, KKR Credit Advisors (US) LLC, as structuring advisor, KKR Capital Markets LLC, as sole lead arrange and bookrunner and the lenders party thereto. (Incorporated by reference to Exhibit 10.1 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.2	<a href="#"><u>Amendment No. 1 to the Credit Agreement, dated September 17, 2020, among Torrid Intermediate LLC (f/k/a Torrid Inc.), Torrid LLC, Cortland Capital Market Services LLC, as administrative agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.2 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.3	<a href="#"><u>Amended and Restated Credit Agreement, dated October 23, 2017, among Torrid LLC, the borrowers and guarantors named therein, Bank of America, N.A. Wells Fargo Bank, National Association, as joint lead arrangers and joint bookrunning managers, and the other lenders party thereto. (Incorporated by reference to Exhibit 10.3 to Torrid's Amendment No. 2 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 30, 2021).</u></a>
10.4	<a href="#"><u>Amendment No. 1 to the Amended and Restated Credit Agreement, dated June 14, 2019, among Torrid Inc., Torrid LLC, Bank of America, N.A., as administrative and collateral agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.4 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.5	<a href="#"><u>Amendment No. 2 to the Amended and Restated Credit Agreement, dated September 4, 2019, Torrid LLC, Torrid Intermediate LLC (f/k/a Torrid Inc.), Bank of America, N.A., as administrative and collateral agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.5 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.6	<a href="#"><u>Amended and Restated Services Agreement, dated March 21, 2019, between Torrid LLC and Hot Topic Inc. (Incorporated by reference to Exhibit 10.6 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.7	<a href="#"><u>Amendment to Amended and Restated Services Agreement, dated August 1, 2019, between Torrid LLC and Hot Topic Inc. (Incorporated by reference to Exhibit 10.7 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.8	<a href="#"><u>Services Agreement, dated August 1, 2019, between Torrid LLC and Hot Topic Inc. (Incorporated by reference to Exhibit 10.8 to Torrid's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 7, 2021).</u></a>
10.9	<a href="#"><u>Stockholders' Agreement (Incorporated by reference to Exhibit 10.2 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2021).</u></a>
10.10	<a href="#"><u>Registration Rights Agreement (Incorporated by reference to Exhibit 10.1 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2021).</u></a>
10.11+	<a href="#"><u>Torrid Holdings Inc. Long-term Incentive Plan. (Incorporated by reference to Exhibit 10.15 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.12	<a href="#"><u>Credit Agreement, dated June 14, 2021, among Torrid LLC, Torrid Intermediate LLC, Bank of America, N.A., as administrative and collateral agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.16 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.13	<a href="#"><u>Amendment No. 3 to the Amended and Restated Credit Agreement, dated June 14, 2021, among Torrid LLC, the other borrowers party thereto, Torrid Intermediate LLC (f/k/a Torrid Inc.), the other guarantors party thereto, Bank of America, N.A., as administrative and collateral agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.17 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.14+	<a href="#"><u>Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 10.18 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>

<b>Exhibit Number</b>	<b>Description</b>
10.15+	<a href="#"><u>Form of Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10.19 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.16+	<a href="#"><u>Form of Nonqualified Stock Option Agreement. (Incorporated by reference to Exhibit 10.20 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.17+	<a href="#"><u>Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.21 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.18+	<a href="#"><u>Form of Director and Officer Indemnification Agreement. (Incorporated by reference to Exhibit 10.22 to Torrid's Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 23, 2021).</u></a>
10.19+	<a href="#"><u>Employment Agreement by and between Lisa M. Harper and Torrid Holdings Inc., dated as of May 3, 2022 (Incorporated by reference to Exhibit 10.2 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2022).</u></a>
10.20+	<a href="#"><u>Performance Stock Unit Agreement by and between Lisa M. Harper and Torrid Holdings Inc., dated as of May 3, 2022 (Incorporated by reference to Exhibit 10.3 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2022).</u></a>
10.21+	<a href="#"><u>First Amendment to the Services Agreement between Torrid LLC and Hot Topic Inc., dated July 31, 2022 (Incorporated by reference to Exhibit 10.5 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on September 7, 2022).</u></a>
10.22+	<a href="#"><u>Form of Performance Stock Unit Agreement (Incorporated by reference to Exhibit 10.6 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on September 7, 2022).</u></a>
10.23+	<a href="#"><u>Second Amendment to the Services Agreement between Torrid LLC and Hot Topic Inc., dated September 30, 2022 (Incorporated by reference to Exhibit 10.2 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on December 8, 2022).</u></a>
10.24+	<a href="#"><u>Third Amendment to the Services Agreement between Torrid LLC and Hot Topic Inc., dated December 1, 2022 (Incorporated by reference to Exhibit 10.3 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on December 8, 2022).</u></a>
10.25	<a href="#"><u>Amendment No. 4 to the Credit Agreement, dated April 21, 2023, among Torrid Intermediate LLC (f/k/a Torrid Inc.), Torrid LLC, Cortland Capital Market Services LLC, as administrative agent, and the lenders party thereto. (Incorporated by reference to Exhibit 10.1 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 7, 2023).</u></a>
10.26	<a href="#"><u>Amendment No. 1 to the Term Loan Credit Agreement, dated May 24, 2023, among Torrid Inc., Torrid LLC, Cortland Capital Market Services LLC, as administrative agent and collateral agent, KKR Credit Advisors (US) LLC, as structuring advisor, KKR Capital Markets LLC, as sole lead arrange and bookrunner and the lenders party thereto. (Incorporated by reference to Exhibit 10.2 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 7, 2023).</u></a>
10.27+	<a href="#"><u>Separation Agreement by and between Anne Stephenson and Torrid Holdings Inc., dated as of March 31, 2023. (Incorporated by reference to Exhibit 10.3 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 7, 2023).</u></a>
10.28	<a href="#"><u>Second Amendment to the Amended and Restated Services Agreement, dated August 1, 2023, between Torrid LLC and Hot Topic Inc. (Incorporated by reference to Exhibit 10.1 to Torrid's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on December 7, 2023).</u></a>
10.29+	<a href="#"><u>Promotion Letter by and between Torrid Holdings Inc. and Paula Dempsey, dated December 4, 2023.</u></a>
10.30	<a href="#"><u>Fourth Amendment to the Services Agreement between Torrid LLC and Hot Topic Inc., dated December 11, 2023.</u></a>
10.31	<a href="#"><u>Amendment No. 2 to the Employment Agreement by and among Torrid Holdings Inc., Torrid LLC and Elizabeth Munoz-Guzman, dated August 31, 2023 (Incorporated by reference to Exhibit 10.1 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 1, 2023).</u></a>
10.32	<a href="#"><u>Amendment No. 1 to Employment Agreement by and among Torrid LLC, Torrid Holdings Inc. and Elizabeth Munoz, dated as of May 2, 2022 (Incorporated by reference to Exhibit 10.1 to Torrid's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2022).</u></a>
10.33+	<a href="#"><u>Employment Agreement by and between Torrid Holdings Inc. and Mark Mizicko, dated March 23, 2023.</u></a>
10.34*	<a href="#"><u>Third Amendment to the Amended and Restated Services Agreement, dated May 3, 2024, between Torrid LLC and Hot Topic, Inc.</u></a>
10.35*	<a href="#"><u>Fifth Amendment to the Services Agreement, dated May 30, 2024, between Torrid LLC and Hot Topic, Inc.</u></a>
10.36*	<a href="#"><u>Consulting Agreement, dated June 17, 2024, between Torrid Administration, Inc. and Alpine Retail Group, LLC.</u></a>

Exhibit Number	Description
10.37+*	<a href="#">Employment Offer &amp; Agreement between Torrid Administration, Inc. and Hyon Park, dated August 2, 2022.</a>
10.38+*	<a href="#">Promotion Letter by and between Torrid Holdings Inc. and Hyon Park, dated June 6, 2024.</a>
10.39+*	<a href="#">Separation Agreement and Release by and among Torrid Holdings Inc., Torrid Administration, Inc., Torrid LLC and Elizabeth Munoz Guzman, dated October 4, 2024.</a>
10.40+*	<a href="#">Executive Severance Plan</a>
19*	<a href="#">Insider Trading Policy.</a>
21.1*	<a href="#">List of subsidiaries of Torrid Holdings Inc.</a>
23*	<a href="#">Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.</a>
31.1**	<a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2**	<a href="#">Certification of Principal Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
97	<a href="#">Compensation Recovery Policy.</a>
101*	Interactive Data Files (formatted as Inline XBRL)
104*	Cover Page Interactive Data Files (Embedded within the Inline XBRL document and included in Exhibit 101)

+ Indicates a management contract or compensatory plan or arrangement.

\* Filed herewith

\*\* Furnished herewith

#### Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 1, 2025.

Torrid Holdings Inc.

By: /S/ LISA HARPER  
Name: Lisa Harper  
Title: Chief Executive Officer and Director  
(Principal Executive Officer)

By: /S/ PAULA DEMPSEY  
Name: Paula Dempsey  
Title: Chief Financial Officer  
(Principal Financial Officer)

By: /S/ CHINWE ABAELU  
Name: Chinwe Abaelu  
Title: SVP, Chief Accounting Officer  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ LISA HARPER</u> Lisa Harper	Chief Executive Officer and Director (Principal Executive Officer)	April 1, 2025
<u>/S/ PAULA DEMPSEY</u> Paula Dempsey	Chief Financial Officer (Principal Financial Officer)	April 1, 2025
<u>/S/ CHINWE ABAELU</u> Chinwe Abaelu	SVP, Chief Accounting Officer (Principal Accounting Officer)	April 1, 2025
<u>/S/ STEFAN L. KALUZNY</u> Stefan L. Kaluzny	Chairman of the Board and Director	April 1, 2025
<u>/S/ DARY KOPELIOFF</u> Dary Kopelioff	Director	April 1, 2025
<u>/S/ THEO KILLION</u> Theo Killion	Director	April 1, 2025
<u>/S/ VALERIA RICO NIKOLOV</u> Valeria Rico Nikolov	Director	April 1, 2025
<u>/S/ MICHAEL SHAFFER</u> Michael Shaffer	Director	April 1, 2025

## DESCRIPTION OF CAPITAL STOCK

### General

In connection with our initial public offering (“IPO”), we filed with the office of the Secretary of the State of Delaware our amended and restated certificate of incorporation and adopted our bylaws, effective upon the consummation of our IPO. Below is a summary of the material terms and provisions of our certificate of incorporation and our bylaws affecting the rights of our stockholders upon the consummation of our IPO, as well as relevant provisions of Delaware law affecting the rights of our stockholders. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation, our bylaws and the Delaware General Corporation Law (the “DGCL”). Copies of our certificate of incorporation and bylaws have been filed with the SEC as exhibits to our Current Report on Form 8-K filed on July 6, 2021. References in this section to the “Company,” “we,” “us” and “our” refer to Torrid Holdings Inc. and not to any of its subsidiaries.

### Authorized Capital

Our authorized capital stock consists of 1.0 billion shares of common stock, par value \$0.01 per share, and 5.0 million shares of preferred stock, par value \$0.01 per share. As of March 28, 2022, there were 105,856,729 shares of our common stock outstanding, held of record by 36 stockholders and no shares of preferred stock outstanding.

### Common Stock

#### *Voting Rights*

Each share of common stock entitles the holder to one vote with respect to each matter presented to our stockholders on which the holders of common stock are entitled to vote. Subject to any rights that may be applicable to any then outstanding preferred stock, our common stock votes as a single class on all matters relating to the election and removal of directors on our board of directors and as provided by law. Holders of our common stock do not have cumulative voting rights. Except in respect of matters relating to the election or removal of directors on our board of directors and as otherwise provided in our certificate of incorporation or required by law, all matters to be voted on by our stockholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of election of directors, all matters to be voted on by our stockholders must be approved by a plurality of the votes entitled to be cast by all shares of common stock.

#### *Dividend Rights*

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. Because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

#### *Liquidation Rights*

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to stockholders after payment of our debts and other liabilities. If we have any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences. In either such case, we must pay the applicable distribution to the holders of our preferred stock before we may pay distributions to the holders of our common stock.

#### *Other Rights*

Our stockholders have no preemptive, conversion or other rights to subscribe for additional shares. All outstanding shares are validly issued, fully paid and nonassessable. No redemption or sinking fund provisions are applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

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## **Preferred Stock**

Our certificate of incorporation authorizes our board of directors to provide for the issuance of shares of preferred stock in one or more series and to fix the powers (including voting powers, if any), preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference and to fix the number of shares to be included in any such series without any further vote or action by our stockholders. Any preferred stock so issued may rank senior to our common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up, or both. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any of the preferred stock.

### ***Corporate Opportunity***

As permitted under the DGCL, in our certificate of incorporation, we renounce any interest or expectancy in, or any offer of an opportunity to participate in, specified business opportunities that are presented to us or one or more of our officers, directors or stockholders. In recognition that (i) directors, principals, members, associated funds, employees, officers and/or other representatives of Sycamore Partners Management, L.P., Sycamore Partners Torrid, L.L.C. and each of their respective affiliates (the "Sycamore Investors") may serve as directors and/or officers of ours, and the Sycamore Investors, not including us (the "Sycamore Entities"), may engage in similar activities or lines of business that we do, and (ii) members of our board of directors who are not employees of the Company ("Non-Employee Directors" and, collectively with the Sycamore Entities, the "Identified Persons") and their respective affiliates may engage in similar activities or lines of business that we do, our certificate of incorporation provides for the allocation of certain corporate opportunities between us and the Identified Persons. Specifically, none of the Identified Persons have any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business in which we or any of our affiliates now engage in or propose to engage in or otherwise competing with us or any of our affiliates. In the event that a Identified Person acquires knowledge of a potential transaction or matter which may be a corporate opportunity for such person and us or any of our affiliates, we will not have any expectancy in such corporate opportunity, and the Identified Person will not have any duty to present such corporate opportunity to us or our affiliates and may pursue or acquire such corporate opportunity for itself or direct such opportunity to another person. A corporate opportunity that a Non-Employee Director acquires knowledge of will not belong to us unless the corporate opportunity at issue is expressly offered in writing to such person solely in his or her capacity as a director or officer of ours. In addition, the following corporate opportunities will not be deemed to be a potential Corporate Opportunity for the Company: (1) those we are not financially able, contractually permitted or legally able to undertake; (2) those not in our line of business; (3) those of no practical advantage to us; and (4) those in which we have no interest or reasonable expectancy. Except with respect to the Identified Persons, the corporate opportunity doctrine applies as construed pursuant to applicable Delaware laws, without limitation.

### ***Antitakeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws***

Our certificate of incorporation and our bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

### **Action By Written Consent, Special Meeting of Stockholders and Advance Notice Requirements for Stockholder Proposals**

Our certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting from and after the date on which the Sycamore Investors cease to beneficially own at least 50% of the total voting power of all then outstanding shares of our common stock (the "Trigger Event"). Our certificate of incorporation and bylaws also provides that, except as otherwise required by law and subject to the rights of the holders of any series of preferred stock, special meetings of the stockholders can be called by or at the direction of our board of directors or the chairman of our board of directors, including at the request of holders of not less than a majority of the combined voting power of our common stock, and, from and after the Trigger Event, only by or at the direction of our board of directors or the chairman of our board of directors. Except as described above, stockholders will not be permitted to call a special meeting or to require our board of directors to call a special meeting.

In addition, our bylaws require advance notice procedures for stockholder proposals to be brought before an annual meeting of the stockholders, including the nomination of directors. Stockholders at an annual meeting may only consider the proposals specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors, or by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered a timely written notice in proper form to our secretary, of the stockholder's intention to bring such business before the meeting. Prior to the Trigger Event, the Sycamore Investors will not be required to comply with the advance notice procedures applicable to other stockholders.

These provisions could have the effect of delaying until the next stockholder meeting any stockholder actions, even if they are favored by the holders of a majority of our outstanding voting securities.

### **Classified Board of Directors**

Our certificate of incorporation provides that our board of directors is divided into three classes of directors, with the classes as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board of directors.

### **Removal of Directors**

Under the DGCL, unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation provides that directors (other than the directors elected by the holders of any series of preferred stock, voting separately as a series or together with one or more other such series, as the case may be) may be removed with or without cause at any time upon the affirmative vote of holders of at least a majority of the votes to which all the stockholders would be entitled to cast until the Trigger Event. From and after the Trigger Event, directors may only be removed from office for cause and only upon the affirmative vote of at least 75% of the voting power of all the then-outstanding shares of our capital stock entitled to vote thereon, voting together as a single class.

### **Amendment to Certificate of Incorporation and Bylaws**

The DGCL provides generally that the affirmative vote of a majority of the outstanding stock entitled to vote on amendments to a corporation's certificate of incorporation or bylaws is required to approve such amendment, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our bylaws may be amended, altered, changed or repealed by a majority vote of our board of directors, provided that, in addition to any other vote otherwise required by law, from and after the Trigger Event, the affirmative vote of at least 75% of the voting power of our outstanding shares of common stock will be required to amend, alter, change or repeal our bylaws. Additionally, from and after the Trigger Event, the affirmative vote of at least 75% of the voting power of the outstanding shares of common stock entitled to vote on the adoption, alteration, amendment or repeal of our certificate of incorporation, voting as a single class, will be required to amend or repeal or to adopt any provision inconsistent with the following provisions of our certificate of incorporation.

- the provision requiring a 75% supermajority vote for stockholders to amend our bylaws;
- the provisions providing for a classified board of directors (the election and term of our directors);
- the provisions regarding removal of directors;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;
- the provisions regarding filling vacancies on our board of directors and newly created directorships;
- the provisions regarding competition and corporate opportunities;
- the provisions regarding Section 203 of the DGCL;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director; and

- the amendment provision requiring that the above provisions be amended only with a 75% supermajority vote.

This requirement of a supermajority vote to approve amendments to our certificate of incorporation and bylaws could enable a minority of our stockholders to exercise veto power over any such amendments.

#### **Delaware Anti-Takeover Statute**

Section 203 of the DGCL provides that if a person acquires 15% or more of the voting stock of a Delaware corporation, such person becomes an “interested stockholder” and may not engage in certain “business combinations” with the corporation for a period of three years from the time such person acquired 15% or more of the corporation’s voting stock, unless: (1) our board of directors approves the acquisition of stock or the merger transaction before the time that the person becomes an interested stockholder; (2) the interested stockholder owns at least 85% of the outstanding voting stock of the corporation at the time the merger transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans); or (3) the merger transaction is approved by our board of directors and by the affirmative vote at a meeting, not by written consent, of stockholders of 2/3 of the holders of the outstanding voting stock which is not owned by the interested stockholder. A Delaware corporation may elect in its certificate of incorporation or bylaws not to be governed by this particular Delaware law.

We have elected in our certificate of incorporation to opt out of Section 203 of the DGCL.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Equiniti Trust Company, LLC (“EQ”), formerly American Stock Transfer & Trust Company.

#### **Listing**

Our common stock is listed on NYSE under the symbol “CURV.”

**TORRID HOLDINGS INC.  
EXECUTIVE SEVERANCE PLAN  
AND  
SUMMARY PLAN DESCRIPTION**

**Effective March 29, 2025**

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**TORRID HOLDINGS INC.**  
**EXECUTIVE SEVERANCE PLAN**  
**AND**  
**SUMMARY PLAN DESCRIPTION**

**ARTICLE I. INTRODUCTION**

Torrid Holdings Inc. (the “*Company*”) hereby establishes and adopts the Torrid Holdings Inc. Executive Severance Plan (the “*Plan*”), effective as of March 29, 2025 (the “*Effective Date*”), to provide financial and transitional assistance to certain eligible Employees (as defined below) who separate from the Company or an Affiliate (as defined below) due to a termination of employment by the Company without Cause (as defined below) or by the Employee for Good Reason (as defined below) at any time.

The Plan is intended to constitute an “employee welfare benefit plan,” as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan is intended to be a “top hat” plan maintained primarily for a select group of management or highly compensated employees.

Except as otherwise provided below, as of the Effective Date, the Plan replaces any and all severance pay plans, policies, practices, arrangements or programs, written or unwritten, that the Company may have had in effect for its employees from time to time prior to the Effective Date; any Employee who is eligible for the Plan whose employment is terminated on or after the Effective Date shall not be entitled to any severance benefits other than those set forth herein. Notwithstanding the foregoing, nothing in the Plan shall adversely affect the rights an individual Employee may have to severance payments under any written agreement executed by and between the Company and that Employee (a “*Severance Agreement*”) and any Employee who is a party to a Severance Agreement that is in effect on the date he or she suffers a termination of employment shall not be entitled to receive severance benefits pursuant to the Plan that would be duplicative of any benefits such Employee is entitled to receive under his or her Severance Agreement. For purposes of clarity, severance payments for purposes of the foregoing sentence shall not include bonus payments (including, without limitation, retention bonus payments) that become eligible for payment in the event such Employee is terminated by the Company prior to the date such bonus would otherwise be paid.

**ARTICLE II. DEFINITIONS**

The words used in the Plan shall have the respective meanings set forth below unless the context clearly indicates otherwise. Except as otherwise indicated by the context, any masculine terminology used herein also includes the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural, and vice versa.

**Section 2.1** *Administrator* means the Compensation Committee.

**Section 2.2** *Affiliate* means any Subsidiary or Parent of the Company that has been designated to participate in the Plan by the Administrator, and has adopted the Plan pursuant to Article V hereof.

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**Section 2.3** *Annual Base Salary* means the Participant's annual base salary as in effect immediately prior to the Participant's Separation from Service (or, if the Participant's Separation from Service is with Good Reason because of a material reduction in the Participant's annual base salary as described in Section 2.15(i) below, immediately prior to such reduction). For purposes of clarity, if a Participant is on an approved short-term disability leave or on designated leave pursuant to the Family and Medical Leave Act or other similar law, such Participant's severance benefits shall be based upon the Participant's annual base salary immediately preceding the inception of the leave.

**Section 2.4** *Appeals Administrator* means an Appeals Committee of the Company, or, if the Claim for benefits hereunder affects a direct report of an Appeals Committee member, such entity or individual as may be designated by the Compensation Committee.

**Section 2.5** *Board* means the Board of Directors of the Company.

**Section 2.6** *Cause* shall have the meaning ascribed to such term in the Torrid Holdings Inc. 2021 Long-Term Incentive Plan, as amended.

**Section 2.7** *Change in Control* shall have the meaning ascribed to such term in the Torrid Holdings Inc. 2021 Long-Term Incentive Plan, as amended.

**Section 2.8** *Change in Control Period* means the 24 month period immediately following the closing date of a Change in Control.

**Section 2.9** *Claim* means any claim, liability or obligation of any nature, arising out of or relating to the Plan or an alleged breach of the Plan or any Severance Benefit.

**Section 2.10** *Code* means the Internal Revenue Code of 1986, as amended from time to time. References to any Section of the Internal Revenue Code shall include any successor provision thereto.

**Section 2.11** *Company* means Torrid Holdings Inc., its successors and assigns and Affiliates or Subsidiaries of the Company.

**Section 2.12** *Compensation Committee* means the committee designated by the Board of Directors.

**Section 2.13** *Employee* means any person paid through the payroll department of the Company (as opposed to the accounts payable department of the Company) and who receives from the Company an annual IRS Form W-2; provided, however, that the term "Employee" shall not include any person who has entered into an employment agreement, change-in-control agreement, independent contractor agreement, consulting agreement, franchise agreement or any similar agreement with the Company, nor the employees of any such person, regardless of whether that person (including his or her employees) is later found to be an employee by any court of law or regulatory authority.

**Section 2.14** *ERISA* means the Employee Retirement Income Security Act of 1974, as amended.

**Section 2.15** *Executive* means any Employee who is a senior vice president or other higher corporate executive of the Company.

**Section 2.16** *Good Reason* means the occurrence of any of the following events without the Participant's consent:

- (a) a material reduction in the Participant's duties, authority, or responsibilities relative to the Participant's duties, authority, or responsibilities in effect immediately prior to such reduction;
- (b) a material reduction of the Participant's Annual Base Salary (as initially set forth herein or as the same may be increased from time to time);
- (c) any material breach by the Company of any written agreement by and between the Company and the Participant; or
- (d) the Company requires the Participant to relocate the Participant's principal work location to a location in excess of 50 miles from the Participant's principal work location immediately prior to the change in work location or, if the Participant solely works remotely, the Company's requires the Participant to relocate the Participant's principal work location in excess of 50 miles from the Participant's agreed upon remote work location.

Notwithstanding the foregoing, a termination by the Participant shall only be deemed for Good Reason if: (A) the Participant gives the Company written notice of the intent to terminate for Good Reason within 30 days following the first occurrence of the condition(s) that the Participant believes constitutes Good Reason, which notice shall describe such condition(s); (B) the Company fails to remedy such condition(s) within 30 days following receipt of the written notice (the "*Cure Period*"); and (C) the Participant terminates the Participant's employment within 30 days following the end of the Cure Period.

**Section 2.17** *Outplacement Period* means the number of months that a Participant's outplacement benefits are payable. Notwithstanding the foregoing, a Participant's outplacement benefits shall terminate immediately, and such Participant shall not be entitled to any additional payments under the Plan on the date such Participant fails to comply with the provisions of any written agreement in effect between the Participant and the Company or a Subsidiary that contains restrictive covenants (e.g., non-competition, confidentiality and/or non-solicitation provisions).

**Section 2.18** *Parent* means an entity which directly or indirectly holds a majority of the voting power or profits or capital interest of the Company.

**Section 2.19** *Participant* means any Executive whose title is listed on Exhibit A hereto or is otherwise designated in writing by the Compensation Committee as eligible to participate in the Plan.

**Section 2.20** *Plan* means the Torrid Holdings Inc. Executive Severance Plan.

**Section 2.21** *Qualifying Termination* means the Company causes a Participant's involuntary Separation from Service without Cause or a Participant incurs a Separation from Service for Good Reason, provided that such termination (a) occurs within the 90 day period immediately after the initiation of discussions leading to termination, and (b) can be demonstrated to have occurred at the request or initiation of parties involved. A Qualifying Termination shall not include a Participant's Separation from Service due to his or her death, Total and Permanent Disability, resignation for any reason (other than with Good Reason), retirement, or commencement of a leave of absence.

**Section 2.22** ***Separation from Service*** means a termination of services provided by an Employee to the Company whether voluntarily or involuntarily, other than for death, or Total and Permanent Disability, as determined by the Administrator in accordance with Treas. Reg. § 1.409A-1(h). In determining whether an Employee has experienced a Separation from Service, the following provisions shall apply:

(a) A Separation from Service shall occur when such Employee has experienced a termination of employment with the Company. An Employee shall be considered to have experienced a termination of employment when the facts and circumstances indicate that the Employee and the Company reasonably anticipate that either (i) no further services will be performed for the Company after a certain date, or (ii) that the level of bona fide services the Employee will perform for the Company after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by such Employee (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the Company if the Employee has been providing services to the Company less than 36 months).

(b) If an Employee is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between the Employee and the Company shall be treated as continuing intact, provided that the period of such leave does not exceed six months, or if longer, so long as the Employee retains a right to reemployment with the Company under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds six months and the Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of the Plan as of the first day immediately following the end of such six month period. In applying the provisions of this Section 2.22, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform services for the Company.

**Section 2.23** ***Severance Benefit*** means a benefit to which an Employee may become entitled pursuant to Article III hereof.

**Section 2.24** ***Severance Period*** means the number of months that a Participant's Severance Benefits are payable, which shall equal the number of months of cash Severance Benefits that a Participant is eligible to receive under the Plan (for instance, if a Participant's Severance Multiple set forth in Exhibit A is one, then such Participant's Severance Period would be 12 months). Notwithstanding the foregoing, a Participant's Severance Period shall terminate immediately, and such Participant shall not be entitled to any additional payments under the Plan on the date such Participant fails to comply with the provisions of any written agreement in effect between the Participant and the Company or a Subsidiary that contains restrictive covenants (e.g., non-competition, confidentiality and/or non-solicitation provisions).

**Section 2.25** ***Specified Employee*** means any Employee who is determined to be a "key employee" (as defined under Section 416(i) of the Code without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Administrator in accordance with Treas. Reg. § 1.409A-1(i). In determining whether an Employee is a Specified Employee, the following provisions shall apply:

(a) The Administrator's identification of the individuals who fall within the definition of "key employee" under Section 416(i) of the Code (without regard to paragraph (5) thereof shall be based upon the 12 month period ending on each December 31<sup>st</sup> (referred to below as the "identification date"). In applying the applicable provisions of Section 416(i) of the Code to identify such individuals, "compensation" shall be determined in accordance with Treas. Reg. § 1.415(c)-2 (a) without regard to (i) any safe harbor provided in Treas. Reg. § 1.415(c)-2(d), (ii) any of the special timing rules provided in Treas. Reg. § 1.415(c)-2(e), and (iii) any of the special rules provided in Treas. Reg. § 1.415(c)-2(g); and

(b) Each Employee who is among the individuals identified as a "key employee" in accordance with part (a) of this Section 2.25 shall be treated as a Specified Employee for purposes of the Plan if such Employee experiences a Separation of Service during the 12 month period that begins on the April 1<sup>st</sup> following the applicable identification date.

**Section 2.26** *Subsidiary* means any entity in which the Company, directly or indirectly, holds a majority of the voting power or profits or capital interest of such entity.

**Section 2.27** *Total and Permanent Disability* means, with respect to a Participant, that he or she is considered to have a disability that entitles such Participant to receive long-term disability benefits under the Company's long-term disability ("*LTD*") insurance plan or policy; provided, that in the event that the Participant is not being covered as an employee at the time of the Participant's impairment under such LTD plan or policy, then "Total and Permanent Disability" shall mean that the Participant is considered to have a disability that entitles the Participant to receive benefits from the U.S. Social Security Administration.

### **ARTICLE III: ELIGIBILITY AND BENEFITS**

#### **Section 3.1** *Eligibility for Severance Benefits.*

(a) A Participant shall be entitled to receive a Severance Benefit (in accordance with Section 3.2), Benefits Continuation Payments (in accordance with Section 3.3), and Outplacement Benefits (in accordance with Section 3.4) only if the Administrator, in its reasonable discretion, determines that:

(i) the Participant's employment with the Company or an Affiliate has been terminated as the result of a Qualifying Termination.

(ii) the Severance Benefit described herein is not otherwise duplicative of payments already owed to the Participant under an employment, pre-existing retention, severance, change-in-control, or other special compensation agreement or pursuant to any applicable laws.

(iii) the Participant has not otherwise received and accepted an offer of employment with (A) the Company, (B) an Affiliate, (C) another company providing services to the Company or an Affiliate, or (D) any other company that entered into an agreement with the Company or an Affiliate to purchase, acquire, or transfer the stock or assets of the Company, an Affiliate, or a group, function or part of the Company or an Affiliate.

(iv) the Participant has not otherwise declined an offer of employment, the terms of which would have permitted the Participant to continue employment within 50 miles of the location(s) in which the Participant performed substantially all of his or her services immediately prior to the Qualifying Termination, with (A) the Company, (B) an Affiliate, (C) another company providing services to the Company or an Affiliate, or (D) any other company that entered into an agreement with the Company or an Affiliate to purchase, acquire, or transfer the stock or assets of the Company, an Affiliate, or a group, function or part of the Company or an Affiliate; provided, that if such Participant's Separation from Service occurs during the Change in Control Period, the Participant shall not be required to accept such offer of employment if the terms of such offer would constitute Good Reason and the Participant has complied with the requirements of the Plan to trigger a Separation from Service for Good Reason.

(v) the Participant continues to comply with the provisions of any written agreement in effect between the Participant and the Company (or any of its Affiliates) that contains restrictive covenants (e.g., non-competition, confidentiality and/or non-solicitation provisions).

(vi) the Participant has executed and timely provided to the Administrator the Company's standard form of release not to sue (a copy of which is available for review from the Administrator upon request) and such release has become effective and irrevocable within 30 days of the Employee's Separation from Service (or such longer period that is required by applicable law) (the "**Release**").

(b) Notwithstanding anything herein to the contrary, if a Participant has otherwise satisfied the criteria described in Section 3.1(a) above and is rehired by the Company or an Affiliate, such Participant's entitlement to further Severance Benefit payments shall cease immediately, unless the Administrator, in its sole and absolute discretion, determines that the relationship between the former Employee and the Company or Affiliate for whom services are being provided constitutes a non-employee consulting relationship and that continued payment of such benefits is permitted by applicable law without adverse consequences to either the Company or the Participant, including, without limitation, Section 409A of the Code, as determined by the Administrator in its sole discretion. Regardless of the nature of a former Employee's relationship with the Company or Affiliate, if such former Employee provides services to or for the Company or an Affiliate following a Qualifying Termination, such former Employee shall not be obligated to repay any Severance Benefits that have been paid pursuant to the Plan.

### **Section 3.2 Severance Benefits.**

(a) Severance benefits payable to a Participant who has satisfied the applicable requirements reflected in Section 3.1 above shall be based upon the amounts determined in Section 3.2(b) below and, except as otherwise provided by this Section 3.2, shall be paid in substantially equal installments in accordance with the Company's regular payroll procedures for the Participant's Severance Period, with the first payment beginning on the first payroll date immediately following the date that the Release becomes irrevocable; provided, however, that if the period of time described in Section 3.1(a)(vi) for returning the Release begins in one taxable year and ends in a second taxable year, such payment shall not commence until the first payroll date in the second taxable year; provided however, in the event the Participant's Separation from

Service occurs during the Change in Control Period, the amount of each Participant's Severance Benefit shall be payable in a lump sum on the first date such Severance Benefit would have otherwise been payable under this Section 3.2(a) had the Change in Control not occurred. Notwithstanding the foregoing, if the Participant is a Specified Employee, to the extent any amount payable pursuant to this Section 3.2 is subject to, and not otherwise exempt from the requirements of Section 409A of the Code, then to the extent required to comply with Section 409A of the Code, no payment of such amount shall be made before the first day after the end of the six month period immediately following the date on which the Participant experiences a Separation from Service, or if earlier, on the date of the Participant's death.

(b) The amount of each Participant's Severance Benefit shall equal the severance multiple set forth in the Severance Pay Table in Exhibit A that corresponds to the Participant's position at the time of the Participant's Separation from Service, multiplied by the Participant's Annual Base Salary immediately prior to the Participant's Separation from Service. In addition, in the event the Participant's Separation from Service occurs during the Change in Control Period, the Participant shall be eligible to receive an annual incentive bonus for the year in which such Separation from Service occurs (pro-rated based on the number of days the Participant was employed during the year) subject to achievement of any applicable performance metrics relating to the annual incentive bonus for such year, payable at the same time that annual bonuses are paid by the Company to other similarly-situated employees for such year, provided that the Participant has signed and not revoked the Release.

(c) Each amount that is paid to an Employee pursuant to this Section 3.2 shall be treated as a separate payment for purposes of Section 409A of the Code, shall be subject to all applicable income and employment tax withholdings, and shall be subject to reduction to the extent required by Section 7.8 below.

**Section 3.3 Benefit Continuation.** A Participant who incurs a Separation from Service will have the right to choose the continuation of any applicable group health benefit coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"). If any such Participant timely elects to continue such Participant's coverage pursuant to COBRA and has also satisfied the applicable requirements reflected in Section 3.1 above, then in addition to any amounts payable to such Participant under Section 3.2 and provided such Participant timely executes and does not revoke the Release, the Company shall pay the full COBRA premiums for coverage the Participant elects on the Participant's behalf during each month until the end of such Participant's Severance Period (or, if earlier, until the 18<sup>th</sup> month of the Severance Period or such date that such Participant's COBRA coverage terminates for any reason), with the first payment of premiums commencing on the date that the payment of the Severance Benefits under Section 3.2(a) commence. less all required taxes and withholdings. For purposes of clarity, each Participant shall be solely responsible for electing COBRA benefits. Further, to the extent such group health benefits are self-insured or it is otherwise necessary to avoid penalties for the Participant or the Company, as determined by the Company in its sole discretion, the Company's payment of any premiums under this Section 3.3 shall be treated as a taxable payment to the Participant. To the extent such payment of premiums is subject to taxation, the Company shall deduct any required taxes and withholdings from the Severance Benefits payable.

**Section 3.4 Outplacement Benefits.** Any Participant who has satisfied the applicable requirements reflected in Section 3.1 above and who has timely executed and not revoked the Release shall be eligible to receive outplacement counseling services for an outplacement firm selected by the

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Company during such Participant's Outplacement Period, as set forth on Exhibit A, provided, that in no event shall the aggregate value of any outplacement counseling services exceed \$20,000.

**ARTICLE IV: CLAIMS PROCEDURES**

Section 4.1 *Initial Claim*. If an individual makes a written request alleging a right to receive benefits under the Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Administrator shall treat it as a Claim for benefits. All Claims for benefits under the Plan shall be sent in writing to the Administrator and must be received within 30 days after the effective date of the eligible Employee's termination of employment. If the Administrator, in its sole and absolute discretion, determines that a claimant is not entitled to receive all or any part of the benefits claimed, the Administrator will inform the claimant in writing of its determination and an explanation regarding the reason for its determination.

**Section 4.2 *Initial Claim Determination***.

(a) Once the Administrator makes a determination regarding a Claim, the Administrator will send, by means of the U.S. mail, hand delivery or e-mail, a written notice providing:

(i) the Administrator's determination,

(ii) the basis for the determination (along with appropriate references to pertinent provisions on which the denial is based),

(iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material is necessary, and

(iv) the procedure that must be followed to obtain a review of the determination, including a description of the appeals procedure and how to bring a civil action for benefits under section 502(a) of ERISA.

(b) The initial Claim determination notice described above will be provided within a reasonable period of time, but no later than 90 days from the day the Administrator received the Claim, unless grounds for an extension (reflected in Section 4.2(c) below) exist.

(c) Grounds for an extension may arise in certain instances when the Administrator, for reasons beyond its control, cannot make a determination within the initial 90-day period. In such situations, the Administrator, acting in its sole and absolute discretion, may extend the initial 90-day period for up to an additional 90 days (for a total of 180 days); provided the Administrator:

(i) determines that an extension is necessary due to matters beyond its control, and

(ii) provides the claimant with written notice (which may be communicated by mail, hand delivery, or e-mail) prior to the expiration of the initial determination period that:

- (A) an extension is necessary,
- (B) the reason for the extension, and
- (C) when a determination is expected to be rendered.

**Section 4.3 *Appeal of a Denied Claim.***

(a) If a Claim for benefits is denied, either in whole or in part, and the claimant wants to contest such denial, the claimant must appeal the Administrator's denial by requesting a review of the Claim by the Appeals Administrator. A claimant has the following rights if a Claim for benefits is denied (whether in whole or in part):

- (i) an opportunity to request an appeal,
- (ii) the ability to submit written comments, documents, records and other information in connection with the appeal,  
and
- (iii) reasonable access to, and copies of, all documents, records, and other information relevant to the denied Claim at no charge.

(b) If a claimant chooses to file an appeal of a Claim that was denied in whole or in part, the request for review must be received within 60 days of the date in which the claimant received notice from the Administrator indicating that the initial Claim was denied.

(c) The review of an initial adverse determination by the Appeals Administrator will take into account all comments, documents, records and other information that has been submitted, without regard to whether such information was submitted and considered by the Administrator in the initial determination.

(d) In reviewing appeals, no deference will be given to an initial adverse benefit determination by the Administrator, and the review itself will be conducted by an appropriate named fiduciary who is neither the individual who made the adverse benefit determination that is the subject of the appeal nor the subordinate of such individual.

(e) If, following an appeal, a Claim is denied, either in whole or in part, after a review of the appeal and any additional information that a claimant has submitted, a notice containing the following information (which will be provided in writing by U.S. mail, hand delivery, or e-mail) will be provided within a reasonable period of time, but not later than 60 days from the date that a request for a review was received, unless grounds for an extension reflected in Section 4.3(f) below exist:

- (i) the specific reason or reasons for the decision, including any adverse determinations,
- (ii) references to the specific provisions on which the determination was based,

(iii) a statement describing how to request reasonable access to, and copies of, all documents, records, and other information that is relevant to the denied Claim (free of charge),

(iv) a description of any voluntary appeals procedure, if any, and how to obtain information about such procedure, and

(v) the ability to bring a cause of action for benefits under section 502(a) of ERISA.

(f) Grounds for an extension may arise in certain instances when, due to events beyond the Appeals Administrator's control, a decision cannot be made within the initial 60-day period. In such situations, the initial 60-day period may be extended for up to an additional 60 days (for a total of 120 days); provided:

(i) a determination is made that an extension is necessary due to matters beyond the Appeals Administrator's control, and

(ii) the claimant is provided with written notice (which may be communicated by mail, hand delivery, or e-mail) prior to the expiration of the initial determination period that:

(A) an extension is necessary,

(B) the reason for the extension, and

(C) when a determination is expected to be rendered.

#### **ARTICLE V: ADOPTION OF THE PLAN BY AFFILIATES**

The Plan may be adopted by any Affiliate if the Compensation Committee or its delegate approves such adoption. Upon such adoption, the provisions of the Plan shall be fully applicable to the Employees of that Affiliate. At any time that an Affiliate ceases to qualify as an Affiliate, it shall no longer be eligible to participate hereunder and any Employees in its employ shall no longer be eligible to receive benefits under the Plan.

#### **ARTICLE VI: DURATION, AMENDMENT AND TERMINATION**

**Section 6.1 Duration.** The Plan shall continue in full force and effect from the Effective Date until terminated by action of the Compensation Committee or its delegate.

**Section 6.2 Termination and Amendment.** Although the Company hopes and expects to continue the Plan, the Plan may be amended, changed, replaced, extended or terminated by the Compensation Committee or its delegate at any time, in its sole and absolute discretion. The Compensation Committee or its delegate shall have full authority to amend any provision of the Plan to reduce, eliminate or alter benefits payable hereunder, or to alter, in any way, the criteria for eligibility to participate herein.

**Section 6.3 Form of Amendment.** The form of any Amendment of the Plan shall be a written instrument signed by any person authorized to sign by the Compensation Committee or its delegate. An Amendment of the Plan in accordance with the terms hereof shall automatically effect a corresponding amendment to the rights of all Employees hereunder.

## **ARTICLE VII: MISCELLANEOUS**

**Section 7.1 Employment Status.** The Plan does not constitute a contract of employment or impose upon the Company or any Affiliate any obligation to retain the Employee as an employee, to change or not change the status of the Employee's employment, or to change the Company's policies or those of its Affiliates regarding termination of employment.

**Section 7.2 Validity, Severability, and No Waiver.** The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The failure of the Company or a Participant to insist upon strict adherence to any term of the Plan on any occasion shall not be considered as a waiver of the rights of the Company or such Participant or deprive the Company or such Participant of the right thereafter to insist upon strict adherence to that term or any other term of the Plan. No failure or delay by the Company or any Participant in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

**Section 7.3 Indemnification of Administrator and Board.** No member of the Board or the Compensation Committee, nor the Administrator, any Participant or Employee of the Company acting on behalf of the Board or the Compensation Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Compensation Committee, each Participant, and each Employee of the Company acting on behalf of the Board or the Compensation Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation to the fullest extent provided by law. Except to the extent required by any unwaivable requirement under applicable law, no member of the Board or the Compensation Committee (and no Affiliate) shall have any duties or liabilities, including without limitation any fiduciary duties, to any Participant (or any person claiming by and through any Participant) as a result of the Plan, any Severance Benefit or any Claim arising hereunder.

**Section 7.4 Governing Law, Waiver of Jury Trial.** To the extent not preempted by ERISA, the Plan shall be governed by, construed, and enforced in accordance with the laws of the State of California (excluding any conflict of laws, rule or principle of California law that might refer the governance, construction, or interpretation of the Plan to the laws of another state). A Participant's sole remedy for any Claim shall be against the Company, and no Participant shall have any claim or right of any nature against any Affiliate or any stockholder or existing or former director, Participant or Employee of the Company or any Affiliate. The individuals and entities described above in this Section 7.4 (other than the Company) shall be third-party beneficiaries of the Plan for purposes of enforcing the terms of this Section 7.4. By participating in the Plan, each Participant and the Company hereby (i) irrevocably consent to, and agree not to object or assert any defense or challenge to, the jurisdiction and venue of a state district court of competent jurisdiction in Dallas County, California or the United States District

Court for the Northern District of California, and agree that any claim which, subject to Article IV above, may be brought in a court of law or equity may be brought in any such court, and (ii) knowingly, voluntarily and intentionally waive any rights such party may have to a trial by jury in respect of any litigation based hereon or arising out of or in connection with the Plan. This provision is a material inducement for Participant to be a Participant hereunder. Notwithstanding any provision to the contrary in any other agreements entered into between the Company and Participant, any dispute or claim arising from or relating to the Plan shall not be required to be submitted to a final, binding arbitration.

**Section 7.5 *Funding.*** The Plan is funded through the general assets of the Company and all payments of Severance Benefits with respect to a particular Employee shall be paid from the general assets of the Company. Neither the Company nor the Administrator shall have any obligation to establish a trust or fund for the payment of benefits under the Plan or to insure any of the benefits under the Plan. None of the Participants, members of the Board of Directors, or agents of the Company, any Affiliate or the Administrator guarantees in any manner the payment of benefits hereunder.

**Section 7.6 *Authority of the Administrator.*** The Administrator, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations, as necessary or appropriate for the administration of the Plan, and (iii) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Administrator shall be final, binding, and conclusive on all interested parties. The Administrator's discretion set forth herein shall not be limited by any provision of the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary. The Administrator may delegate to employees of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any employees of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

**Section 7.7 *Section 409A of the Code.*** The Company intends for the Plan, and any payments made pursuant to the Plan, to be exempt from the requirements of Section 409A of the Code as "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and the Administrator shall interpret the Plan at all times in accordance with such intent.

**Section 7.8 *Section 280G.*** In the event that any severance and other benefits provided to or for the benefit of the Participant or his or her legal representatives and dependents pursuant to the Plan and any other agreement, benefit, plan, or policy of the Company (the Plan and such other agreements, benefits, plans, and policies collectively being referred to herein as the "***Change in Control Arrangements***") constitute "parachute payments" within the meaning of Section 280G(b)(2)(A)(i) of the Code (such severance and other benefits being referred to herein as the "***Payments***"), the Company will provide the Participant with a computation of (i) the maximum amount of "***Payments***" due to the Participant under the Change in Control Arrangements that could be made without the imposition of the excise tax under Section 4999 of the Code (said maximum amount being referred to as the "***Capped Amount***"); (ii) the value of all Payments that could be made pursuant to the terms of the Change in Control Arrangements (all said payments, distributions and benefits being referred to as the "***Uncapped Payments***"); (iii) the dollar amount of excise tax (if any) which the Participant would become obligated to pay pursuant to Section 4999 of the Code as a result of receipt of the Uncapped Payments (the "***Excise Tax Amount***"); and (iv) the net value of the Uncapped Payments after reduction by (A) the Excise Tax Amount, (B) the estimated income taxes payable by the Participant on the difference between the Uncapped Payments and the Capped Amount, assuming that the Participant is paying the highest

marginal tax rate for state, local and federal income taxes, and (C) the estimated hospital insurance taxes payable by the Participant on the difference between the Uncapped Payments and the Capped Amount based on the hospital insurance tax rate under Section 3101(b)(1) of the Code and the additional tax for income in excess of \$200,000 under Section 3101(b)(2) of the Code (the “*Net Uncapped Amount*”). If the Capped Amount is greater than the Net Uncapped Amount, the Participant shall be entitled to receive or commence to receive Payments equal to the Capped Amount; or if the Net Uncapped Amount is greater than the Capped Amount, the Participant shall be entitled to receive or commence to receive Payments equal to the Uncapped Payments. If the Participant receives the Uncapped Payments, then the Participant shall be solely responsible for the payment of all income and excise taxes due from the Participant and attributable to such Uncapped Payments, with no right of additional payment from the Company as reimbursement for any taxes. If the Participant receives the Capped Amount, the Participant shall forfeit the Severance Benefit and, if necessary, forfeit any other cash payments that the Executive may receive in connection with the Change in Control, including, if applicable, any bonus (in the order of latest scheduled to earliest scheduled payments), and if necessary, forfeit any equity awards (in the order of highest to lowest value for purposes of Code Section 280G); provided that such forfeiture be made in a manner that is compliant with Section 409A of the Code (to the extent applicable). Any determination required under this Section 7.8 shall be made in writing by independent public accountants selected by the Company (the “*Accountants*”), whose determination shall be conclusive and binding upon the Participant and the Company for all purposes. For purposes of making the calculations required by this Section 7.8, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 7.8. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 7.8.

**Section 7.9 No Obligation to Seek Other Employment or to Otherwise Mitigate Damages.** The Participant will not be required to mitigate damages or the amount of any payment provided for under the Plan by seeking other employment or otherwise. The amount of any payment provided for under the Plan will not be reduced by any compensation or benefits earned by the Participant as the result of employment by another employer or otherwise after the Participant’s Separation from Service.

**Section 7.10 Recoupment.** The Company may recoup all or any portion of any amounts payable pursuant to this Plan, including without limitation the Severance Benefits, in the event of a restatement of the Company’s financial statements or the extent required by applicable law or any applicable securities exchange listing standards or as otherwise determined by the Board (or a committee thereof) in accordance with the Company’s clawback policy, if any, as may be approved by the Company’s Board from time to time.

## **ARTICLE VIII: ERISA RIGHTS STATEMENT**

As an Employee in the Plan, you are entitled to certain rights and protection under ERISA. ERISA provides that all plan participants shall be entitled to:

### ***Receive Information About Your Plan and Benefits***

Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a summary of the plans' annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

### ***Prudent Actions by Plan Fiduciaries***

In addition to creating rights for plan participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

### ***Enforce Your Rights***

If your Claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of the plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a Claim for benefits which is denied or ignored, in whole or in part, and you disagree with that denial, you must file an appeal of that denial in accordance with the claims procedures described in Article IV above. After your appeal is denied in accordance with the claims procedures, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it determines that your claim is frivolous.

### *Assistance with Your Questions*

If you have any questions about your plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

### **ARTICLE IX: GENERAL INFORMATION**

**Section 9.1** *Official Plan Name.* Torrid Holdings Inc. Executive Severance Plan

**Section 9.2** *Plan Sponsor and Plan Administrator.* Torrid Holdings Inc.

**Section 9.3** *The Company Identification.* 84-3517567

**Section 9.4** *Plan Number.* 503

**Section 9.5** *Plan Year.* January 1 through December 31

**Section 9.6** *Type of Plan.* Welfare benefit plan providing severance benefits to certain employees in the event of a termination without Cause or a termination with Good Reason.

**Section 9.7** *Type of Administration.* The Plan is administered by the Plan Administrator.

**Section 9.8** *Claims Administrator.* The Plan Administrator for Torrid Holdings Inc. Executive Severance Plan:  
Torrid Holdings Inc.  
Chief Human Resources Officer/Chief Legal Officer and Corporate Secretary

**Section 9.9** *Agent for Service of Legal Process.* Torrid Holdings Inc.

**Section 9.10** *Funding.* The Plan is funded through the general assets of the Company.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed this 31st day of March, 2025.

**TORRID HOLDINGS INC.**

\_\_\_\_\_  
Name: Lisa M. Harper

Title: Chief Executive Officer

**EXHIBIT A**

**SEVERANCE PAY TABLE**

<b>Participant's Position</b>	<b>Severance Multiple</b>	<b>Outplacement Period</b>
Chief Financial Officer, Chief Marketing Officer, Chief Human Resources Officer and Chief Legal Officer, Presidents, and Executive Vice Presidents	[1]	9 months

If the Participant's Separation from Service occurs:

Severance Benefit equals (i) Severance Multiple for the Participant's position, multiplied by (ii) the Participant's Annual Base Salary immediately prior to the Participant's Separation from Service.

## INSIDER TRADING POLICY

### Policy: **PURPOSE**

This Insider Trading Policy (the “Policy”) provides guidelines with respect to transactions in the securities of Torrid Holdings Inc. (the “Company”) and the handling of confidential information about the Company and the companies with which the Company does business. The Company’s Board of Directors (the “Board”) has adopted this Policy to promote compliance with federal, state and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information. Regulators have adopted sophisticated surveillance techniques to identify insider trading transactions, and it is important to the Company to avoid even the appearance of impropriety.

### **BACKGROUND**

The antifraud provisions of U.S. federal securities laws prohibit directors, officers, employees and other individuals who possess material nonpublic information from trading on the basis of that information. Transactions will be considered “on the basis of” material nonpublic information if the person engaged in the transaction was aware of the material nonpublic information at the time of the transaction. It is not a defense that the person did not “use” the information for purposes of the transaction.

Disclosing material nonpublic information directly or indirectly to others who then trade based on that information or making recommendations or expressing opinions as to transactions in securities while aware of material nonpublic information (which is sometime referred to as “tipping”) is also illegal. Both the person who provides the information, recommendation or opinion and the person who trades based on it may be liable.

These illegal activities are commonly referred to as “insider trading.” State securities laws and securities laws of other jurisdictions also impose restrictions on insider trading.

In addition, a company, as well as individual directors, officers and other supervisory personnel, may be subject to liability as “controlling persons” for failure to take appropriate steps to prevent insider trading by those under their supervision, influence or control.

The Securities and Exchange Commission (the “SEC”), the Financial Industry Regulatory Authority and other authorities use sophisticated electronic surveillance techniques to investigate and detect insider trading, and the SEC and the U.S. Department of Justice pursue insider trading violations vigorously. Cases involving trading through foreign accounts, trading by family members and friends and trading involving only a small number of shares have been successfully prosecuted.

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## PERSONS SUBJECT TO THE POLICY

This Policy applies to all directors, officers and employees of the Company and its subsidiaries. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person's household and entities controlled by a person covered by this Policy, as described below. You are expected to comply with this Policy until such time as you are no longer affiliated with the Company *and* you no longer possess any material nonpublic information subject to this Policy. In addition, if you are listed on Schedule I attached hereto and subject to a trading blackout under this Policy at the time you cease to be affiliated with the Company, you are expected to abide by the applicable trading restrictions until at least the end of the relevant blackout period.

Please direct any questions or requests as to any of the matters discussed in this Policy to the General Counsel of the Company. The General Counsel is generally responsible for the administration of this Policy. The General Counsel may select others to assist with the execution of his or her duties.

## TRANSACTIONS SUBJECT TO THE POLICY

This Policy applies to *all* transactions *involving* the Company's securities (collectively referred to in this Policy as "Company Securities"), including the Company's common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to Company Securities. Transactions subject to this Policy include purchases and sales of Company Securities as well as *bona fide* gifts of Company Securities to persons and entities who are not covered by this Policy.

## INDIVIDUAL RESPONSIBILITY

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also complies with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the General Counsel or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or

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## INSIDER TRADING

applicable securities laws, as described below in more detail under the heading “Consequences of Violations.”

### STATEMENT OF POLICY

It is the policy of the Company that no director, officer, or other employee of the Company (or any other person designated by this Policy or by the General Counsel as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly or indirectly through family members or other persons or entities:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings “Transactions Under Company Plans and Certain Other Transactions”, “Transactions Not Involving a Purchase or Sale”, and “Rule 10b5-1 Plans”;
2. Recommend the purchase or sale of any Company Securities;
3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company’s policies regarding the protection or authorized external disclosure of information regarding the Company; or
4. Assist anyone engaged in the above activities. In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company’s securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein.. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company’s reputation for adhering to the highest standards of conduct.

### DEFINITION OF MATERIAL NONPUBLIC INFORMATION

Material Information: Information is considered “material” if a reasonable investor would consider that information important in making a decision to buy,

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## INSIDER TRADING

hold or sell securities. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
  - Changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
  - A pending or proposed merger, acquisition or tender offer;
  - A pending or proposed acquisition or disposition of a significant asset;
  - A pending or proposed joint venture;
  - A Company restructuring;
  - Significant related party transactions;
  - A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
  - Bank borrowings or other financing transactions out of the ordinary course;
  - The establishment of a repurchase program for Company Securities;
  - A change in the Company's pricing or cost structure;
  - Major marketing changes;
  - A change in executive management;
  - A change in auditors or notification that the auditor's reports may no longer be relied upon;
  - Development of a significant new product, process, or service;
  - The gain or loss of a significant payor or supplier;
  - Significant events concerning the Company's physical assets;
  - Pending or threatened significant litigation, or the resolution of such litigation;
  - Regulatory approvals or changes in regulations and any analysis of how they affect the Company;
  - Impending bankruptcy or the existence of severe liquidity problems;
  - Significant cybersecurity incidents; and
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## INSIDER TRADING

- The imposition of a ban on trading in Company Securities or the securities of another company.

If you are unsure whether information is material, you should either consult the General Counsel before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.

When Information is Considered Public: Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the Dow Jones “broad tape,” newswire services, a broadcast on widely- available radio or television programs, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC’s website. By contrast, information would likely not be considered widely disseminated if it is available only to the Company’s employees, or if it is only available to a select group of analysts, brokers and institutional investors.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after the second trading day after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday, you should not trade in Company Securities until Thursday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

### **TRANSACTIONS BY FAMILY MEMBERS AND OTHERS**

This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as “Family Members”). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

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### TRANSACTIONS BY ENTITIES THAT YOU INFLUENCE OR CONTROL

This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as “Controlled Entities”), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account.

### TRANSACTIONS UNDER COMPANY PLANS AND CERTAIN OTHER TRANSACTIONS

This Policy does not apply in the case of the following transactions, except as specifically noted:

1. Stock Option Exercises: This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company’s plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of, or the tax liability associated with, an option.
  2. Restricted Stock Awards: This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of the Company Securities received upon such vesting.
  3. 401(k) and Defined Contribution Plans: This Policy does not apply to purchases of Company Securities in the Company’s 401(k) and defined contribution plans resulting from your periodic contribution of money to the plans pursuant to your payroll deduction elections. This Policy does apply, however, to certain elections you may make under such plans, including: (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund; (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund; (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Company stock fund balance; and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.
  4. Employee Stock Purchase Plan: This Policy does not apply to purchases of Company Securities in any employee stock purchase plan resulting from your periodic or lump sum contribution of money to the plan pursuant to the election you made at the time of your enrollment in such plan. This
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## INSIDER TRADING

Policy does apply, however, to your initial election to participate in such plan, changes to your election to participate in such plan for any enrollment period, and to your sales of Company Securities purchased pursuant to such plan.

5. Dividend Reinvestment Plan: This Policy does not apply to purchases of Company Securities under any Company dividend reinvestment plan resulting from your reinvestment of dividends paid on Company Securities. This Policy does apply, however, to voluntary purchases of Company Securities resulting from additional contributions you choose to make to the dividend reinvestment plan, and to your election to participate in such plan or increase your level of participation in such plan. This Policy also applies to your sale of any Company Securities purchased pursuant to such plan.
6. Other Similar Transactions: Any other purchase of Company Securities from the Company or sales of Company Securities to the Company are not subject to this Policy.
7. Mutual Funds: Transactions in mutual funds that are invested in Company Securities are not transactions subject to this Policy.

### SPECIAL AND PROHIBITED TRANSACTIONS

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. It therefore is the Company's policy that any persons covered by this Policy may not engage in any of the following transactions, or should otherwise consider the Company's preferences as described below:

Short-Term Trading: Short-term trading of Company Securities may be distracting to the person and may unduly focus the person on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any director, officer or other employee of the Company who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or vice versa).

Short Sales: Short sales of Company Securities (*i.e.*, the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited. In addition, Section 16(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") prohibits officers and directors from engaging in short

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## INSIDER TRADING

sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned “Hedging Transactions.”)

Publicly-Traded Options: Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director’s, officer’s or other employee’s attention on short-term performance at the expense of the Company’s long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy. (Option positions arising from certain types of hedging transactions are governed by the next paragraph below.)

Hedging Transactions: Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a director, officer or employee to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company’s other shareholders. Therefore, the Company prohibits you from engaging in such transactions.

Margin Accounts and Pledged Securities: Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer’s consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledger is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, directors, officers and other employees are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral for a loan. (Pledges of Company Securities arising from certain types of hedging transactions are governed by the paragraph above captioned “Hedging Transactions.”)

Standing and Limit Orders: Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined below under the heading “Pre-Clearance and Blackouts.”

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### **PRE-CLEARANCE & BLACKOUTS**

The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below.

Pre-Clearance Procedures: Directors, officers, accounting employees with the title of vice president or higher, investor relations employees that assist with earnings releases, legal department employees that assist with preparing SEC filings, any employees on the Company's disclosure committee, and any persons designated by the General Counsel as being subject to these procedures, as well as the Family Members and Controlled Entities of such persons ("Covered Senior Persons") may not engage in any transaction in Company Securities without first obtaining pre-clearance of the transaction from the General Counsel. A request for pre-clearance should be submitted to the General Counsel at least two business days in advance of the proposed transaction. The General Counsel is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company Securities and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company and should describe fully those circumstances to the General Counsel. The requestor should also indicate whether he or she has effected any non-exempt "opposite-way" transactions within the past six months and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale.

If a person seeks pre-clearance and permission to engage in the transaction is granted, then such trade must be effected within five business days of receipt of pre-clearance unless an exception is granted. Such person must promptly notify the General Counsel following the completion of the transaction. A person who has not effected a transaction within the time limit may not engage in such transaction without again obtaining pre-clearance of the transaction from the General Counsel.

Quarterly Blackout Periods: Covered Senior Persons may not conduct any transactions involving the Company's Securities (other than as specified by this Policy), during a "Blackout Period" beginning fourteen calendar days prior to the end of each fiscal quarter and ending on the second full trading day following the date of the public release of the Company's earnings results for that quarter. In other words, these persons may only conduct transactions in Company Securities during the "Window Period" beginning after the close of trading on the second

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## INSIDER TRADING

full trading day following the public release of the Company's quarterly earnings and ending fourteen days prior to the close of the next fiscal quarter.

Event-Specific Blackout Periods: From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees, such as a cybersecurity incident. So long as the event remains material and nonpublic, the persons designated by the General Counsel may not trade Company Securities. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the General Counsel, designated persons should refrain from trading in Company Securities even sooner than the typical Blackout Period described above. In that situation, the General Counsel may notify these persons that they should not trade in the Company's Securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Company as a whole and should not be communicated to any other person. Even if the General Counsel has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information.

Regulation BTR Blackouts: Directors and executive officers may also be subject to trading blackouts pursuant to Regulation Blackout Trading Restriction ("Regulation BTR"), under U.S. federal securities laws. In general, Regulation BTR prohibits any director or executive officer from engaging in certain transactions involving Company securities during periods when 401(k) plan participants are prevented from purchasing, selling or otherwise acquiring or transferring an interest in certain securities held in individual account plans. Any profits realized from a transaction that violates Regulation BTR are recoverable by the Company, regardless of the intentions of the director or officer effecting the transaction. In addition, individuals who engage in such transactions are subject to sanction by the SEC, as well as potential criminal liability. The Company has provided, or will provide, separate memoranda and other appropriate materials to its directors and executive officers regarding compliance with Regulation BTR. The Company will notify directors and officers if they are subject to a blackout trading restriction under Regulation BTR. Failure to comply with an applicable trading blackout in accordance with Regulation BTR is a violation of law and this Policy.

No "Safe Harbors": There are no unconditional "safe harbors" for trades made at particular times, and all persons subject to this Policy should exercise good judgment at all times. Even when a quarterly blackout period is not in effect, you may be prohibited from engaging in transactions involving the Company Securities because you possess material nonpublic information, are subject to a special blackout period or are otherwise restricted under this Policy.

Exceptions. The quarterly trading restrictions and event-driven trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the headings "Transactions Under Company Plans and Certain Other Transactions" and "Transactions Not Involving a Purchase or Sale."

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## INSIDER TRADING

Further, the requirement for pre-clearance, the quarterly trading restrictions and event-driven trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described under the heading “Rule 10b5-1 Plans.”

### **RULE 10B5-1 PLANS**

Rule 10b5-1 under the Exchange Act provides an affirmative defense to insider trading allegations under federal law. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets the conditions specified in the Rule (a “Rule 10b5-1 Plan”). If the plan meets the requirements of Rule 10b5-1, Company Securities may be purchased or sold without regard to certain insider trading restrictions described in this Policy.

To comply with this Policy, the adoption, modification or early termination of a Rule 10b5-1 Plan must be approved by the General Counsel, and all Rule 10b5-1 Plans must meet the requirements of Rule 10b5-1. Any Rule 10b5-1 Plan must be submitted for approval five days prior to the entry into the Rule 10b5-1 Plan, and any proposed modifications or terminations thereof must be submitted for approval at least three days prior to the consummation of such actions. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

A Rule 10b5-1 Plan may be entered into or modified only (i) at a time when the person entering into, or modifying the plan is not aware of material nonpublic information about the Company or Company Securities and (ii) in the case of Covered Senior Persons, during an open “Window Period” as set forth in this Policy. Once a Rule 10b5-1 Plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The Rule 10b5-1 Plan must either specify the amount, pricing and timing of transactions in advance (including by use of a formula) or delegate discretion on these matters to an independent third party in accordance with the requirements of Rule 10b5-1.

Once a Rule 10b5-1 Plan is pre-cleared and is adopted or modified, it is subject to a “cooling-off” period before execution of the first trade. The “cooling-off” period for directors and officers subject to Section 16 of the Exchange Act ends on the later of: (1) 90 days following the Rule 10b5-1 Plan adoption or modification or (2) two business days following the disclosure in Form 10-Q or Form 10-K of the Company’s financial results for the fiscal quarter in which the Rule 10b5-1 Plan was adopted or modified (however, the cooling-off period will not exceed 120 days following plan adoption or modification). For all other individuals, a 30-day cooling-off period is required.

A person may not enter into overlapping Rule 10b5-1 Plans (subject to certain exceptions) and may only enter into one single-trade Rule 10b5-1 Plan during any 12-month period (subject to certain exceptions). Directors and officers subject to Section 16 of the Exchange Act must include a representation in their Rule 10b5-

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## INSIDER TRADING

1 Plan certifying that: (i) they are not aware of any material nonpublic information; and (ii) they are adopting the Rule 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the prohibitions in Rule 10b-5.

All persons entering into a Rule 10b5-1 Plan must act in good faith with respect to that plan.

### POST-TERMINATION TRANSACTIONS

This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company Securities until that information has become public or is no longer material. The pre-clearance procedures specified under the heading “Pre-Clearance and Blackouts” above, however, will cease to apply to transactions in Company Securities upon the expiration of any Blackout Period or other Company-imposed trading restrictions applicable at the time of the termination of service.

### CONSEQUENCES OF VIOLATIONS

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company’s Securities, is prohibited by federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions.

Punishment for insider trading violations is severe and could include significant fines and imprisonment. As of the effective date of this Policy, potential penalties for insider trading violations under U.S. federal securities laws include:

- damages in a private lawsuit;
- disgorging any profits made or losses avoided;
- imprisonment;
- substantial criminal fines;
- substantial civil fines based on the profit gained or loss avoided;
- a bar against serving as an officer or director of a public company; and
- an injunction against future violations.

Civil and criminal penalties also apply to tipping. The SEC has imposed large penalties in tipping cases even when the disclosing person did not trade or gain any benefit from another person’s trading. Regulators have also prosecuted insider trading violations where an employee or insider has traded in the stock of

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## **INSIDER TRADING**

another related company based on material nonpublic information learned in connection with their employment or role as an insider.

While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other “controlling persons” if they fail to take reasonable steps to prevent insider trading by company personnel. As of the effective date of this policy, the penalty for “controlling person liability” includes civil fines, as well as potential criminal fines and imprisonment. If the Company has a reasonable basis to conclude that an employee, officer, director, or consultant has failed to comply with this Policy, such person may be subject to disciplinary action by the Company, up to and including dismissal for cause if the person is an employee or officer, or subject to termination of services if the person is a director or consultant, regardless of whether or not failure to comply with this Policy results in a violation of law. It is not necessary for the Company to wait for the filing or conclusion of any civil or criminal action against an alleged violator before taking disciplinary action. In addition, the Company may give stop transfer and other instructions to the Company’s transfer agent to enforce compliance with this Policy.

Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person’s reputation and irreparably damage a career.

## **COMPANY ASSISTANCE**

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the General Counsel, who can be reached by telephone at (626) 667-1002 or by e-mail at [TorridLegal@torrid.com](mailto:TorridLegal@torrid.com).

TORRID HOLDINGS INC.  
List of Subsidiaries as of February 1, 2025

<u>Subsidiary</u>	<u>Jurisdiction of organization</u>
Torrid Parent Inc.	Delaware
Torrid Intermediate LLC	Delaware
Torrid LLC	California
Torrid Administration, Inc.	California
Torrid Merchandising, Inc.	California
Torrid Ohio, LLC	Ohio
Torrid Canada Inc.	Canada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-277148) and Form S-8 (No. 333-257738) of Torrid Holdings Inc. of our report dated April 1, 2025 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Los Angeles, California  
April 1, 2025

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

I, Lisa Harper, certify that:

1. I have reviewed this Annual Report on Form 10-K of Torrid Holdings 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 the registrant's board of directors (or persons performing the equivalent functions):
-

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2025 By: /s/ Lisa Harper

Lisa Harper  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Paula Dempsey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Torrid Holdings 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 the registrant's board of directors (or persons performing the equivalent functions):
-

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2025 By: /s/ Paula Dempsey

Paula Dempsey  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report of Torrid Holdings Inc. (the “Company”) on Form 10-K for the year ended February 1, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lisa Harper, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: April 1, 2025 By: /s/ Lisa Harper

Lisa Harper  
Chief Executive Officer and Director  
(Principal Executive Officer)

**CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report of Torrid Holdings Inc. (the “Company”) on Form 10-K for the year ended February 1, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paula Dempsey, Chief Finance Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: April 1, 2025 By: /s/ Paula Dempsey

Paula Dempsey  
Chief Financial Officer  
(Principal Financial Officer)