

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended April 30, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40204

**JOANN Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**46-1095540**  
(I.R.S. Employer  
Identification No.)

**5555 Darrow Road, Hudson, Ohio**  
(Address of principal executive offices)

**44236**  
(Zip Code)

Registrant's telephone number, including area code: (330) 656-2600

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	JOAN	The Nasdaq Global Market

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of May 27, 2022, the registrant had 40,667,434 shares of common stock, par value \$0.01 per share, outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in 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”). You can generally identify forward-looking statements by our use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “seek,” “vision,” or “should,” or the negative thereof or other variations thereon or comparable terminology. Forward-looking statements include those we make regarding the following matters:

- inflationary pressures, and their impact on our ability to control costs and on our customers level of discretionary income to spend on Creative Products;
- our ability to anticipate and effectively respond to disruptions or inefficiencies in our distribution network, e-commerce fulfillment function and transportation system, including availability and cost of import and domestic freight;
- the effects of potential changes to U.S. trade regulations and policies, including tariffs, on our business;
- developments involving our competitors and our industry;
- potential future impacts of the COVID-19 pandemic, including effects on supply chain costs and capacity;
- our ability to timely identify or effectively respond to consumer trends, and the potential effects of that ability on our relationship with our customers, the demand for our products and our market share;
- our expectations regarding the seasonality of our business;
- our ability to manage the distinct risks facing our e-commerce business and maintain a relevant omni-channel experience for our customers;
- our ability to maintain or negotiate favorable lease terms for our store locations;
- our ability to execute on our growth strategy to renovate and improve the performance of our existing store locations;
- our ability to attract and retain a qualified management team and other team members while controlling our labor costs;
- the impact of our debt and lease obligations on our ability to raise additional capital to fund our operations and maintain flexibility in operating our business;
- our reliance on and relationships with third party service providers;
- our reliance on and relationships with foreign suppliers and their ability to supply us with adequate, timely and cost-effective products for resale;
- our ability, and our third party service providers’ ability, to maintain security and prevent unauthorized access to electronic and other confidential information;
- the impacts of potential disruptions to our information systems, including our websites and mobile applications;
- our ability to respond to risks associated with existing and future payment options;
- our ability to maintain and enhance a strong brand image;
- our ability to maintain adequate insurance coverage;
- our status as a “controlled company” and control of us as a public company by affiliates of Leonard Green & Partners, L.P.;
- the impact of evolving governmental laws and regulations and the outcomes of legal proceedings; and
- the amount and timing of repurchases of our common stock, if any.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. Furthermore, the potential impact of the COVID-19 pandemic on our business operations and financial results and on the world economy as a whole may heighten the risks and uncertainties that affect our forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q are not guarantees of future performance and our actual results of operations, financial condition and liquidity and the development of the industry in which we operate, may differ materially from the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q. In addition, even if our results of operations, financial condition and liquidity and events in the industry in which we operate, are consistent with the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q, they may not be predictive of results or developments in future periods. Any forward-looking statement that we make in this Quarterly Report on Form 10-Q speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

JOANN Inc.  
Consolidated Balance Sheets

	(Unaudited)		January 29, 2022
	April 30, 2022	May 1, 2021	
	(In millions)		
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 22.3	\$ 22.7	\$ 22.5
Inventories	674.5	539.3	658.6
Prepaid expenses and other current assets	58.2	66.6	39.2
Total current assets	755.0	628.6	720.3
Property, equipment and leasehold improvements, net	263.1	282.0	256.8
Operating lease assets	803.2	828.2	818.0
Goodwill, net	162.0	162.0	162.0
Intangible assets, net	373.6	375.5	370.3
Other assets	35.4	25.2	34.8
Total assets	<u>\$ 2,392.3</u>	<u>\$ 2,301.5</u>	<u>\$ 2,362.2</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 194.0	\$ 205.1	\$ 253.8
Accrued expenses	127.4	127.1	142.4
Current portion of operating lease liabilities	169.5	180.4	173.8
Current portion of long-term debt	6.8	—	6.8
Total current liabilities	497.7	512.6	576.8
Long-term debt, net	931.0	760.4	778.6
Long-term operating lease liabilities	725.5	755.2	733.0
Long-term deferred income taxes	88.8	86.9	87.7
Other long-term liabilities	34.3	51.2	36.3
Shareholders' equity:			
Common stock, stated value \$0.01 per share; 200.0 million authorized; issued 44.1 million shares at April 30, 2022, May 1, 2021 and January 29, 2022	0.4	0.4	0.4
Additional paid-in capital	203.7	202.2	203.3
Retained (deficit)	(64.5)	(53.9)	(24.9)
Accumulated other comprehensive income (loss)	5.3	(0.2)	1.8
Treasury stock at cost; 3.4 million shares at April 30, 2022, 1.9 million shares at May 1, 2021 and 3.5 million shares at January 29, 2022	(29.9)	(13.3)	(30.8)
Total shareholders' equity	115.0	135.2	149.8
Total liabilities and shareholders' equity	<u>\$ 2,392.3</u>	<u>\$ 2,301.5</u>	<u>\$ 2,362.2</u>

*See notes to unaudited consolidated financial statements.*

**JOANN Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
	(In millions except per share data)	
Net sales	\$ 498.0	\$ 574.4
Cost of sales	257.3	271.7
Selling, general and administrative expenses	259.1	249.9
Depreciation and amortization	20.1	20.4
Operating profit (loss)	(38.5)	32.4
Interest expense, net	11.2	13.2
Debt related (gain)	—	(0.1)
Step acquisition write-off	1.0	—
Income (loss) before income taxes	(50.7)	19.3
Income tax provision (benefit)	(15.6)	4.2
Net income (loss)	\$ (35.1)	\$ 15.1
Other comprehensive income:		
Cash flow hedges	4.7	0.2
Income tax provision on cash flow hedges	(1.2)	(0.1)
Other comprehensive income	3.5	0.1
Comprehensive income (loss)	\$ (31.6)	\$ 15.2
Earnings (loss) per common share:		
Basic	\$ (0.86)	\$ 0.39
Diluted	\$ (0.86)	\$ 0.38
Weighted-average common shares outstanding:		
Basic	40.6	38.4
Diluted	40.6	39.7

*See notes to unaudited consolidated financial statements.*

**JOANN Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
	(In millions)	
Net cash provided by (used for) operating activities:		
Net income (loss)	\$ (35.1)	\$ 15.1
Adjustments to reconcile net income (loss) to net cash (used for) operating activities:		
Non-cash operating lease expense	41.4	39.3
Depreciation and amortization	20.1	20.4
Deferred income taxes	(0.1)	(0.4)
Stock-based compensation expense	1.0	0.6
Amortization of deferred financing costs and original issue discount	0.5	0.8
Debt related (gain)	—	(0.1)
Step acquisition write-off	1.0	—
Changes in operating assets and liabilities:		
Decrease (increase) in inventories	(15.9)	16.6
Decrease (increase) in prepaid expenses and other current assets	(18.9)	6.1
(Decrease) in accounts payable	(59.8)	(45.0)
(Decrease) in accrued expenses	(16.3)	(47.5)
(Decrease) in operating lease liabilities	(38.5)	(48.5)
(Decrease) in other long-term liabilities	(3.7)	(1.5)
Other, net	2.1	0.6
Net cash (used for) operating activities	(122.2)	(43.5)
Net cash (used for) investing activities:		
Capital expenditures	(19.3)	(10.5)
Acquisitions	(4.3)	—
Other investing activities	—	(0.2)
Net cash (used for) investing activities	(23.6)	(10.7)
Net cash provided by (used for) financing activities:		
Term loan payments	(3.4)	(70.9)
Borrowings on revolving credit facility	221.7	147.6
Payments on revolving credit facility	(66.2)	(102.1)
Purchase and retirement of debt	—	(0.9)
Principal payments on finance lease obligations	(2.3)	(1.2)
Issuance of common stock, net of underwriting commissions and offering costs	—	77.0
Proceeds from exercise of stock options	0.4	—
Payments of taxes related to the net issuance of team member stock awards	(0.1)	—
Dividends paid	(4.5)	—
Net cash provided by financing activities	145.6	49.5
Net (decrease) in cash and cash equivalents	(0.2)	(4.7)
Cash and cash equivalents at beginning of period	22.5	27.4
Cash and cash equivalents at end of period	\$ 22.3	\$ 22.7
Cash paid during the period for:		
Interest	\$ 10.4	\$ 12.8
Income taxes, net of refunds	(0.4)	(0.3)

*See notes to unaudited consolidated financial statements.*

**JOANN Inc.**  
**Consolidated Statements of Shareholders' Equity**  
**(Unaudited)**

	Thirteen Weeks Ended							Total Shareholders' Equity
	Net Common Shares	Treasury Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock	Retained (Deficit)	Accumulated Other Comprehensive Income (Loss)	
					(In millions)			
Balance, January 30, 2021	34.9	1.9	\$ 0.3	\$ 124.7	\$ (13.3)	\$ (69.0)	\$ (0.3)	\$ 42.4
Net income	—	—	—	—	—	15.1	—	15.1
Other comprehensive income	—	—	—	—	—	—	0.1	0.1
Issuance of common stock, net	7.1	—	0.1	76.9	—	—	—	77.0
Stock-based compensation	—	—	—	0.6	—	—	—	0.6
Exercise of stock options	0.2	—	—	—	—	—	—	—
Balance, May 1, 2021	<u>42.2</u>	<u>1.9</u>	<u>\$ 0.4</u>	<u>\$ 202.2</u>	<u>\$ (13.3)</u>	<u>\$ (53.9)</u>	<u>\$ (0.2)</u>	<u>\$ 135.2</u>
Balance, January 29, 2022	40.6	3.5	\$ 0.4	\$ 203.3	\$ (30.8)	\$ (24.9)	\$ 1.8	\$ 149.8
Net (loss)	—	—	—	—	—	(35.1)	—	(35.1)
Other comprehensive income	—	—	—	—	—	—	3.5	3.5
Dividends – \$0.11 per share	—	—	—	—	—	(4.5)	—	(4.5)
Stock-based compensation	—	—	—	1.0	—	—	—	1.0
Exercise of stock options	—	—	—	0.1	0.3	—	—	0.4
Vesting of restricted stock units	0.1	(0.1)	—	(0.7)	0.6	—	—	(0.1)
Balance, April 30, 2022	<u>40.7</u>	<u>3.4</u>	<u>\$ 0.4</u>	<u>\$ 203.7</u>	<u>\$ (29.9)</u>	<u>\$ (64.5)</u>	<u>\$ 5.3</u>	<u>\$ 115.0</u>

*See notes to unaudited consolidated financial statements.*

**JOANN Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1—Significant Accounting Policies**

***Nature of Operations***

JOANN (as defined below) is the nation’s category leader in sewing and fabrics (collectively, “Sewing”) and one of the fastest growing competitors in the arts and crafts category. The Company is well-positioned in the marketplace and has multiple competitive advantages, including a broad assortment, established omni-channel platform, multi-faceted digital interface with customers and skilled and knowledgeable team members. As a well-established and trusted brand for over 75 years, the Company believes it has a deep understanding of its customers, what inspires their creativity and what fuels their incredibly diverse projects. Since 2016, the Company has embarked on a strategy to transform JOANN, which has helped it pivot from a traditional retailer to a fully-integrated, digitally-connected provider of Creative Products. As of April 30, 2022, the Company operated 846 store locations in 49 states.

***Basis of Presentation***

The accompanying Consolidated Financial Statements and these notes are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. The Consolidated Financial Statements reflect all normal, recurring adjustments which management believes are necessary to present fairly the Company’s financial condition, results of operations and cash flows for all periods presented. The Consolidated Financial Statements, however, do not include all information necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying Consolidated Financial Statements and these notes should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended January 29, 2022.

***Consolidation***

The Consolidated Financial Statements include the accounts of JOANN Inc. (the “Holding Company”), Needle Holdings LLC (“Needle Holdings”) and Jo-Ann Stores, LLC and its wholly-owned subsidiaries (collectively, “JOANN”). All of the entities referenced in the prior sentence hereinafter will be referred to collectively as the “Company” and are all controlled by affiliates of Leonard Green & Partners, L.P. (“LGP”). All intercompany accounts and transactions have been eliminated upon consolidation.

The Holding Company has no operating activities and is limited to the issuance of shares of common stock and stock-based awards, the repurchase of common shares, the issuance and repurchase of debt, the receipt and payment of dividends or distributions and the payment of interest expense. The authorized, issued and outstanding common shares and treasury shares shown on the Consolidated Balance Sheets are of the Holding Company. Likewise, Needle Holdings has no operating activities and is limited to the issuance of initial shares of common stock and stock-based awards and the payment of dividends or distributions.

***Fiscal Periods***

The Company’s fiscal year ends on the Saturday closest to January 31 and refers to the year in which the period ends (e.g., fiscal 2023 refers to the fiscal year ending January 28, 2023). Fiscal years consist of 52 weeks, unless noted otherwise. The fiscal quarters ended April 30, 2022 and May 1, 2021 were both comprised of 13 weeks.

***Seasonality***

Typical of most retail companies, the Company’s business is seasonal, with the majority of revenues and operating profits generated in the second half of the fiscal year. Accordingly, earnings or losses for a particular interim period are not necessarily indicative of full-year results.

***Initial Public Offering***

On March 11, 2021, the Company’s registration statement on Form S-1 (File No. 333-253121) relating to its initial public offering was declared effective by the SEC. The Company’s shares of common stock began trading on the Nasdaq Global Market on March 12, 2021. The public offering price of the shares sold in the initial public offering was \$12.00 per share. The initial public offering closed on March 11, 2021 and included 5,468,750 shares of common stock. As part of the Company’s initial public offering, the underwriters were provided with an option to purchase 1,640,625 additional shares at the initial public offering price. This option was exercised on



April 13, 2021. In aggregate, the shares issued in the offering, including the exercise of the underwriters' option, generated \$76.9 million in net proceeds, which amount is net of \$5.7 million in underwriters' discount and commissions and \$2.7 million in offering costs incurred.

On March 19, 2021, in connection with the closing of the initial public offering, the Company used all net proceeds received from the initial public offering and borrowings from the Revolving Credit Facility (as defined below) to repay all of the outstanding borrowings and accrued interest under the Term Loan due 2024 (as defined below) totaling \$72.7 million. Following such repayment, all obligations under the Term Loan due 2024 have been terminated.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

### *Recently Issued Accounting Guidance*

There are no recently issued accounting pronouncements that the Company has not yet adopted which would have a material impact on the Consolidated Financial Statements.

### *Related Party Transactions*

Prior to the completion of the Company's initial public offering, the Company paid a monthly management fee to LGP, which is included in selling, general and administrative ("SG&A") expenses on the accompanying Consolidated Statements of Comprehensive Income (Loss). Payment of the monthly management fee was discontinued upon the completion of the Company's initial public offering in March 2021, as LGP no longer provides managerial services to the Company in any form.

The Company paid a management fee of \$0.4 million for the thirteen weeks ended May 1, 2021, but paid no such fee for the thirteen weeks ended April 30, 2022.

During the thirteen weeks ended April 30, 2022, the Company paid dividends of \$3.1 million to LGP as part of the Company's quarterly dividend payments.

## **Note 2—Financing**

Long-term debt consisted of the following:

	<u>April 30, 2022</u>	<u>May 1, 2021</u>	<u>January 29, 2022</u>
	(In millions)		
Second Amended Revolving Credit Facility	\$ 276.5	\$ 131.0	\$ 121.0
Term Loan due 2023	—	635.3	—
Term Loan due 2024	—	—	—
Term Loan due 2028	669.9	—	673.3
<b>Total debt</b>	<u>946.4</u>	<u>766.3</u>	<u>794.3</u>
Less unamortized discount and debt costs	(8.6)	(5.9)	(8.9)
<b>Total debt, net</b>	<u>937.8</u>	<u>760.4</u>	<u>785.4</u>
Less current portion of debt	(6.8)	—	(6.8)
<b>Long-term debt, net</b>	<u>\$ 931.0</u>	<u>\$ 760.4</u>	<u>\$ 778.6</u>

### *Revolving Credit Facility*

On October 21, 2016, the Company entered into an asset-based revolving credit facility agreement (the "Revolving Credit Facility"), which originally provided for senior secured financing of up to \$400.0 million, subject to a borrowing base, maturing on October 20, 2021. On November 25, 2020, the Company entered into an agreement to amend various terms of the Revolving Credit

Facility (as amended, the “First Amended Revolving Credit Facility”), which provides for senior secured financing of up to \$500.0 million, subject to a borrowing base, maturing on November 25, 2025.

On December 22, 2021, the Company entered into an agreement to amend various terms of the First Amended Revolving Credit Facility (as amended, the “Second Amended Revolving Credit Facility”), which provides for senior secured financing of up to \$500.0 million, subject to a borrowing base, maturing on December 22, 2026. No changes were made to the borrowing base formula. The Second Amended Revolving Credit Facility is secured by a first priority security interest in JOANN’s inventory, accounts receivable and related assets with a second priority interest in all other assets, excluding real estate. It also continues to be guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions.

Under the Second Amended Revolving Credit Facility, base rate loans bear an additional margin of 0.50% when average historical excess capacity is less than 40.00% of the maximum credit and 0.25% when average historical excess capacity is greater than or equal to 40.00% of the maximum credit. Eurodollar rate loans bear an additional margin of 1.50% when average historical excess capacity is less than 40.00% of the maximum credit and 1.25% when average historical excess capacity is greater than or equal to 40.00% of the maximum credit. Unused commitment fees on the Second Amended Revolving Credit Facility are calculated based on a rate of 0.20% per annum. In the event LIBOR ceases to be available during the term of the facility, the facility provides procedures to determine a “LIBOR Successor Rate.” The Company has the option to request an increase in the size of the Second Amended Revolving Credit Facility up to \$150.0 million (for a total facility of \$650.0 million) in increments of \$20.0 million, provided that no default exists or would arise from the increase. However, the lenders under the Second Amended Revolving Credit Facility are under no obligation to provide any such additional amounts.

As of April 30, 2022, there were \$276.5 million of borrowings on the Second Amended Revolving Credit Facility and the Company’s outstanding letters of credit obligation was \$18.1 million. As of April 30, 2022, the Company’s excess availability on the Second Amended Revolving Credit Facility was \$122.7 million. During the first quarter of fiscal 2023, the weighted average interest rate for borrowings under the Second Amended Revolving Credit Facility was 1.63%, compared to 2.84% for the first quarter of fiscal 2022. As of May 1, 2021, the Company had \$131.0 million of borrowings on the Second Amended Revolving Credit Facility and the Company’s outstanding letters of credit obligation was \$24.8 million. As of May 1, 2021, the Company’s excess availability on the Second Amended Revolving Credit Facility was \$215.5 million.

### ***Term Loan Due 2023***

On October 21, 2016, the Company entered into a \$725.0 million senior secured term loan facility (the “Term Loan due 2023”) which was issued at 98.0% of face value. The Term Loan due 2023 facility was with a syndicate of lenders and was secured by substantially all the assets of JOANN, excluding the Revolving Credit Facility collateral, and had a second priority security interest in the Revolving Credit Facility collateral. It was guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions. The weighted average interest rate for borrowings under the Term Loan due 2023 was 6.08% for the first quarter of fiscal 2022.

The Term Loan due 2023 was refinanced on July 7, 2021 with the Amendment No. 2 to the Company’s Credit Agreement (see Term Loan Due 2028 below). A write-off of the deferred charges and original issue discount, totaling \$3.1 million, associated with the original debt issuance was recognized in debt related (gain) within the accompanying Consolidated Statements of Comprehensive Income (Loss) in the second quarter of fiscal 2022 as a result of the refinancing.

### ***Term Loan Due 2024***

On May 21, 2018, the Company entered into a \$225.0 million term loan facility (the “Term Loan due 2024”), which was issued at 98.5% of face value. The Term Loan due 2024 was with a syndicate of lenders. The Term Loan due 2024 was secured by a second priority security interest in all the assets of JOANN, excluding the Revolving Credit Facility collateral, and had a third priority security interest in the Revolving Credit Facility collateral. It was guaranteed by existing and future wholly-owned subsidiaries of JOANN, subject to certain exceptions. During the first quarter of fiscal 2022, the weighted average interest rate for borrowings under the Term Loan due 2024 was 10.39%.

On March 19, 2021, in connection with the closing of the initial public offering, the Company used all net proceeds received from the initial public offering and borrowings from the Revolving Credit Facility to repay all of the outstanding borrowings and accrued interest under the Term Loan due 2024 totaling \$72.7 million. Following such repayment, all obligations under the Term Loan due 2024 were terminated in the first quarter of fiscal 2022. A write-off of the deferred charges and original issue discount, totaling \$0.9 million, associated with the original debt issuance was recognized in debt related (gain) within the accompanying Consolidated Statements of Comprehensive Income (Loss) in the first quarter of fiscal 2021 as a result of the repayment.

### ***Term Loan Due 2028***

On July 7, 2021, the Company entered into the Amendment No. 2 (“Amendment No. 2”) to the Credit Agreement, dated as of October 21, 2016. Amendment No. 2, among other things, provided for a new \$675 million incremental first-lien term loan credit facility with a maturity date of July 7, 2028 (the “Term Loan due 2028” and, together with the Term Loan due 2023 and Term Loan due 2024, the “Term Loans”). The Term Loan due 2028 was issued at 99.5% of face value and was used to refinance the Company’s outstanding Term Loan due 2023, as well as to reduce amounts borrowed under the Revolving Credit Facility, and pay related fees and expenses. The Amendment No. 2 reduced the applicable interest rates for Eurodollar rate loans and base rate loans from 5.00% and 4.00% to 4.75% and 3.75%, respectively, and reduced the LIBOR floor from 1.00% to 0.75%. Other than the changes described above, all other material provisions of the Credit Agreement remain unchanged. During the first quarter of fiscal 2023, the weighted average interest rate for borrowings under the Term Loan due 2028 was 5.60%.

The Term Loan due 2028 was issued at a \$3.4 million discount. A portion of the discount in the amount of \$3.1 million was recorded as a reduction of debt and set up to amortize over the life of the Term Loan due 2028 and \$0.3 million of the discount was charged to earnings. The total fees and expenses associated with the Term Loan due 2028 were \$6.8 million, which fees represent banking, legal and other professional services. The Company capitalized \$3.8 million of these fees as a reduction of debt and the remaining fees were charged to earnings.

### ***Covenants***

The covenants contained in the credit agreements restrict JOANN’s ability to pay dividends or make other distributions; accordingly, any dividends may only be made in accordance with such covenants. Among other restrictions, the credit agreements permit the public parent company to pay dividends on its common stock in amounts not to exceed the greater of 6% per annum of the net proceeds received by, or contributed to Jo-Ann Stores, LLC from any such public offering of common stock of Jo-Ann Stores, LLC or its direct or indirect parent company, or 7% of Market Capitalization (as defined in the credit agreements). So long as there is no event of default, the credit agreements also allow dividends in amounts up to \$100 million, which amount can increase if certain other conditions are satisfied, including if JOANN’s leverage does not exceed certain thresholds. Additionally, the Second Amended Revolving Credit Facility allows for unlimited dividends, so long as there is no event of default and the Company’s excess availability after giving pro forma effect for the thirty-day period immediately preceding such payment shall be greater than (a) the greater of 12.5% of the maximum credit and \$40 million and the consolidated fixed charge coverage ratio shall be greater than or equal to 1.0 to 1.0 or (b) 17.5% of the maximum credit calculated. At April 30, 2022, the Company was in compliance with all covenants under its credit agreements.

For further details on the Company’s debt, see Note 2 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended January 29, 2022.

### **Note 3—Derivative Instruments**

The Company is exposed to certain market risks during the normal course of its business arising from adverse changes in interest rates. The Company’s exposure to interest rate risk results primarily from its variable-rate borrowings. The Company may selectively use derivative financial instruments to manage the risks from fluctuations in interest rates. The Company does not purchase or hold derivatives for trading or speculative purposes. Fluctuations in interest rates can be volatile, and the Company’s risk management activities do not totally eliminate these risks. Consequently, these fluctuations could have a significant effect on the Company’s financial results.

### ***Interest Rate Swap***

In August 2021, the Company entered into an interest rate swap agreement with U.S. Bank N.A., which has a \$200 million notional value with an effective date of October 26, 2023 and a maturity date of October 26, 2025. Beginning in January 2024, the Company receives 1-month, 3-month or 6-month LIBOR, at the Company’s election, subject to a 0.75% floor, and pays a fixed rate of interest of 1.43% per annum on a quarterly basis. In connection with the execution of the interest rate swap agreement, no cash was exchanged between the Company and the counterparty. The fair value of the interest rate swap as of April 30, 2022 was \$7.1 million and is presented within other assets in the accompanying Consolidated Balance Sheet.

The Company designated its interest rate swap as a cash flow hedge and structured it to be highly effective. Unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulated other comprehensive income (loss), net of tax. In the event of early termination of the interest rate swap, the Company will receive from or pay to the counterparty the fair value of the interest rate swap agreement, and the unrealized gain or loss outstanding will be recognized in earnings.

The impacts of the Company's derivative instruments on the accompanying Consolidated Statements of Comprehensive Income (Loss) for the thirteen weeks ended April 30, 2022 and May 1, 2021 are presented in the table below:

	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
	(In millions)	
Gain recognized in other comprehensive income, gross of income taxes	\$ 4.7	\$ —

#### Note 4—Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and

Level 3 – Unobservable inputs in which there is little or no market data which require the reporting entity to develop its own assumptions.

The valuations of the Company's interest rate derivatives are measured as the present value of all expected future cash flows based on LIBOR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty which is a Level 2 fair value measurement. The carrying and fair value of the Company's interest rate derivatives were as follows:

Instrument	Balance Sheet Location	April 30, 2022	May 1, 2021
		(In millions)	
Interest rate swap	Other assets	\$ 7.1	\$ —

The fair values of cash and cash equivalents, accounts payable and borrowings on the Company's Second Amended Revolving Credit Facility approximated their carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy.

Long-term debt is presented at carrying value in the Company's Consolidated Balance Sheets. The fair value of the Company's Term Loans was determined based on quoted market prices or recent trades of these debt instruments in less active markets. If the Company's long-term debt was recorded at fair value, it would be classified as Level 2 in the fair value hierarchy. The following provides the carrying and fair values of the Company's Term Loans as of April 30, 2022 and May 1, 2021:

	April 30, 2022		May 1, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions)			
Term Loan due 2023 (a)	\$ —	\$ —	\$ 629.4	\$ 626.4
Term Loan due 2024 (a)	—	—	—	—
Term Loan due 2028 (a)	661.2	554.7	—	—

(a) Net of deferred financing costs and original issue discount.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of

impairment). The fair values are determined based on either a market approach, an income approach, in which the Company utilizes internal cash flow projections over the life of the underlying assets discounted using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model, or a combination of both. These measures of fair value and related inputs are considered a Level 3 approach under the fair value hierarchy.

The Company uses the end of the period when determining the timing of transfers between levels. There were no transfers between levels during the periods presented.

#### Note 5—Goodwill and Other Intangible Assets

The carrying amount of goodwill at April 30, 2022 and May 1, 2021, was as follows:

	April 30, 2022	May 1, 2021
	(In millions)	
Goodwill, gross	\$ 643.8	\$ 643.8
Accumulated impairment	(481.8)	(481.8)
Goodwill, net	<u>\$ 162.0</u>	<u>\$ 162.0</u>

The carrying amount and accumulated amortization of identifiable intangible assets at April 30, 2022 and May 1, 2021 was as follows:

	Estimated Life in Years	April 30, 2022		May 1, 2021	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In millions)					
Indefinite-lived intangible assets:					
JOANN trade name	—	\$ 325.0	\$ —	\$ 325.0	\$ —
Joann.com domain name	—	10.0	—	10.0	—
Intangible assets subject to amortization:					
Creativebug trade name	10	0.1	(0.1)	0.1	—
Technology	3	5.3	(0.3)	—	—
Customer relationships	16	110.0	(76.4)	110.0	(69.6)
Total intangible assets		<u>\$ 450.4</u>	<u>\$ (76.8)</u>	<u>\$ 445.1</u>	<u>\$ (69.6)</u>

The Company recognized intangible asset amortization of \$2.0 million and \$1.7 million for the thirteen weeks ended April 30, 2022 and May 1, 2021, respectively. The weighted average amortization period of amortizable intangible assets as of April 30, 2022 approximated 4.6 years.

On March 4, 2022, the Company purchased the remaining equity interest in WeaveUp, Inc. ("WeaveUp") for \$4.3 million. Acquisition-related costs of \$0.1 million were recognized in SG&A expenses within the accompanying Consolidated Statements of Comprehensive Income (Loss). Prior to the closing of the acquisition, the Company recorded its 12.3% equity investment in WeaveUp at cost and adjusted for observable transactions for same or similar investments in WeaveUp, as applicable (referred to as the measurement alternative). Using step acquisition accounting, the Company decreased the value of its previously held equity investment to its fair value of \$1.0 million which resulted in a loss of \$1.0 million. The fair value of the previously held equity investment was determined using Level 3 valuation techniques. The loss was recorded as step acquisition write-off within the Consolidated Statements of Comprehensive Income (Loss).

An intangible asset for WeaveUp's developed technology with a preliminary value of \$5.3 million was recorded as a result of the acquisition. The intangible asset will be amortized over its estimated useful life of 3 years. The other assets and liabilities acquired in the purchase of WeaveUp were not material.

## Note 6—Income Taxes

### Effective Tax Rate

The effective income tax rate for the first quarter of fiscal 2023 was 30.8%, which was an income tax benefit on a pre-tax book loss, compared to 21.8% for the first quarter of fiscal 2022, which was an income tax provision on pre-tax book income. The change in the effective tax rate was caused by the fact that the rate fluctuated between benefit and provision status. Specifically, favorable permanent book-tax differences and tax credits increased the benefit rate for the first quarter of fiscal 2023 and decreased the provision rate for the first quarter of fiscal 2022 relative to the statutory rate. In addition, there was a revaluation of the deferred tax liability due to favorable state tax law changes, which reduced the effective tax rate for the first quarter of fiscal 2022.

The effective tax rate is subject to change based on the mix of income from different state jurisdictions, which tax at different rates, as well as the change in status or outcome of uncertain tax positions. The Company evaluates its effective tax rate on a quarterly basis and updates its estimate of the full-year effective rate as necessary.

### Reserves for Uncertain Tax Positions

At the end of the first quarter of fiscal 2023, unrecognized tax benefits were \$1.2 million, of which \$0.9 million would affect the effective tax rate, if recognized. The Company records interest and penalties on uncertain tax positions as a component of the income tax provision. The total amount of interest and penalties accrued at the end of the first quarter of fiscal 2023 was \$0.1 million compared to \$0.2 million of interest and penalties accrued as of the end of the first quarter of fiscal 2022. Within the next 12 months, it is reasonably possible that uncertain tax positions could be reduced by approximately \$0.4 million resulting from resolution or closure of tax examinations. Any increase in the amount of uncertain tax positions within the next 12 months is expected to be insignificant.

## Note 7—Earnings (Loss) Per Share

Basic earnings (loss) per share is computed based upon the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed based upon the weighted-average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. Treasury stock is excluded from the denominator in calculating both basic and diluted earnings (loss) per share.

The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted earnings (loss) per share and the stock-based awards excluded from the calculation of diluted earnings (loss) per share because their effect would have been antidilutive for the thirteen weeks ended April 30, 2022 and May 1, 2021:

	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
	(In millions except per share data)	
Net income (loss)	\$ (35.1)	\$ 15.1
Weighted-average common shares outstanding – Basic	40.6	38.4
Effect of dilutive stock-based awards	—	1.3
Weighted-average common shares outstanding – Diluted	40.6	39.7
Basic earnings (loss) per common share	\$ (0.86)	\$ 0.39
Diluted earnings (loss) per common share	\$ (0.86)	\$ 0.38
Antidilutive stock-based awards excluded from diluted calculation	4.2	1.4

**Note 8—Segments and Disaggregated Revenue**

The Company conducts its business activities and reports financial results as one operating segment and one reportable segment, which includes the Company's store locations and integrated omni-channel operations. Due to its integrated omni-channel strategy, the Company views omni-channel sales as an extension of its physical store locations. The presentation of financial results as one reportable segment is consistent with the way the Company operates its business and is consistent with the manner in which the Chief Operating Decision Maker ("CODM") makes decisions about allocating resources and assessing performance. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of its operations.

The following table shows revenue by product category:

	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
	(In millions)	
Sewing	225.4	\$ 258.3
Arts and Crafts and Home Décor	263.7	304.8
Other	8.9	11.3
Total	<u>\$ 498.0</u>	<u>\$ 574.4</u>

**Note 9—Commitments and Contingencies**

The Company is involved in various litigation matters in the ordinary course of its business. The Company is not currently involved in any litigation that it expects, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and the related notes thereto and the Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022. Some of the information included in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the “Cautionary Note Regarding Forward-Looking Statements” section in this Quarterly Report on Form 10-Q and the “Summary Risk Factors” and “Risk Factors” sections of our Annual Report on Form 10-K for the fiscal year ended January 29, 2022 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Our fiscal year ends on the Saturday closest to January 31 and refers to the year in which the period ends (e.g., fiscal 2023 refers to the year ending January 28, 2023). Fiscal years consist of 52 weeks, unless noted otherwise. The fiscal quarters ended April 30, 2022 and May 1, 2021 were both comprised of 13 weeks.

### JOANN Overview

JOANN is the nation’s category leader in Sewing and one of the fastest growing competitors in the arts and crafts category. We are well-positioned in the marketplace and have multiple competitive advantages, including a broad assortment, established omni-channel platform, multi-faceted digital interface with customers and skilled and knowledgeable team members. As a well-established and trusted brand for over 75 years, we believe we have a deep understanding of our customers, what inspires their creativity and what fuels their incredibly diverse projects. Since 2016, we have embarked on a strategy to transform JOANN, which has helped us pivot from a traditional retailer to a fully-integrated, digitally-connected provider of Creative Products.

### Highlights for the Thirteen Weeks Ended April 30, 2022

- Net sales decreased 13.3% compared to the first quarter of fiscal 2022, to \$498.0 million, with total comparable sales decreasing 12.9% compared with a total comparable sales increase of 15.0% in the same period in fiscal 2022.
- Gross profit decreased 20.5% compared to the same period in the prior fiscal year, to \$240.7 million, at a rate to net sales of 48.3%, which was a 440 basis point decrease compared to the same period in the prior fiscal year.
- Net loss was \$35.1 million in the first quarter of fiscal 2023, compared to net income of \$15.1 million in the same period in the prior fiscal year.
- We declared and paid a quarterly cash dividend of \$4.5 million.
- We acquired the remaining outstanding shares of WeaveUp during the first quarter of fiscal 2023 for \$4.3 million.

### Effects of COVID-19 on Our Business

The COVID-19 pandemic continues to evolve and disrupt normal activities in many segments of the global economy. We continue to follow recommended actions of government authorities and health officials in order to protect the health and well-being of our team members, customers and their families worldwide. As of April 30, 2022, we operated 846 store locations in 49 states and all store locations were open and fully operational. The extent of the impact of the COVID-19 pandemic on our operations will depend upon ongoing developments, such as the recent increases in cases in China and the shutdown measures being taken by the Chinese government in response, changes in consumer confidence and spending habits, the extent of any recession resulting from the pandemic and the cost and efficiency of our global supply chain, particularly availability of and rates paid for ocean freight and incremental costs incurred due to congested U.S. ports and availability of domestic trucking. See Part 1, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022 for further information regarding the risks associated with the impact of the COVID-19 pandemic on our business.



## Total Comparable Sales

Total comparable sales are an important measure throughout the retail industry. This measure allows us to evaluate how our store location base and e-commerce business are performing by measuring the change in period-over-period net sales in store locations that have been open for the applicable period. We define total comparable sales as net sales for store locations that have been open for at least 13 months and have not been relocated, expanded or downsized in the last 13 months. In addition, total comparable sales include our e-commerce sales generated via joann.com (online sales for all products) and creativebug.com (online sales of digital videos for crafting projects). There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. As a result, data in this Quarterly Report on Form 10-Q regarding our total comparable sales may not be comparable to similar data made available by other retailers.

## Non-GAAP Financial Measures

### Adjusted EBITDA

We present Adjusted EBITDA, which is not a recognized financial measure under GAAP, because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted EBITDA in connection with establishing discretionary annual incentive compensation; supplementing GAAP measures of performance in the evaluation of the effectiveness of our business strategies; making budgeting decisions; comparing our performance against that of other peer companies using similar measures; and because our credit facilities use measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

We define Adjusted EBITDA as net income (loss) plus income tax provision (benefit), interest expense, net and depreciation and amortization, as further adjusted to eliminate the impact of certain non-cash items and other items that we do not consider indicative of our ongoing operating performance, including debt related gains and losses, step acquisition write-offs, costs related to strategic initiatives, COVID-19 costs, technology development expenses, stock-based compensation expense, sponsor management fees and other one-time costs. Our adjustments for COVID-19 related costs include, as a separate line item, excess import freight costs. The excess import freight costs are directly attributable to surging market demand for shipping capacity as economies begin to recover from the COVID-19 pandemic, as well as actions taken by government and industry leaders designed to protect against further spread of the virus, which have disrupted the efficient operation of domestic and international supply chains. These COVID-19 related conditions have produced an imbalance of ocean freight capacity and related demand, as well as port congestion and other supply chain disruptions that are adding significant cost to the Company's procurement of imported merchandise. These excess import freight costs include significantly higher rates paid per container to ocean carriers, as well as fees paid due to congested ports that we do not normally incur. In a normative operating environment, the Company would procure 70% to 80% of its needs for ocean freight under negotiated contract rates, with the balance procured in a brokered market, typically at no more than a 10% - 15% premium to our contract rates. Accordingly, we established a standard cost ("standard cost") assuming those contract capacities, established rates and typical premium in the brokered market for peak volume needs not covered under our contracts. Negotiation of our current contract rates were finalized in May 2021, and we are currently in annual negotiations with numerous ocean carriers on updated rates. In the current COVID-19 impacted operating environment, our contracted capacity has consistently not been met by our carriers, and rates paid on the open market have escalated to up to an average of nearly 200% above our contract rates and in some cases over 300% greater. The amount of excess import freight costs included as an adjustment to arrive at Adjusted EBITDA is calculated by subtracting, from our actual import freight costs, our standard cost for the applicable period. We are identifying these COVID-19 related excess import freight costs as a separate line item in the table below due to their magnitude and to distinguish them from other COVID-19 related costs we have previously excluded in calculating Adjusted EBITDA.

Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;
- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term compensation;

- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as supplemental information.

The following is a reconciliation of our net income (loss) to Adjusted EBITDA for the periods presented:

(In millions)	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
Net income (loss)	\$ (35.1)	\$ 15.1
Income tax provision (benefit)	(15.6)	4.2
Interest expense, net	11.2	13.2
Depreciation and amortization (1)	20.6	20.6
Debt related (gain) (2)	—	(0.1)
Step acquisition write-off (3)	1.0	—
Strategic initiatives (4)	2.1	0.3
Excess import freight costs (5)	28.9	—
Other COVID-19 costs (6)	—	1.3
Technology development expense (7)	2.1	1.8
Stock-based compensation expense	1.0	0.6
Sponsor management fee (8)	—	0.4
Other (9)	2.4	0.1
Adjusted EBITDA	<u>\$ 18.6</u>	<u>\$ 57.5</u>

- “Depreciation and amortization” represents depreciation, amortization of intangible assets and amortization of content costs.
- “Debt related (gain)” represents losses and gains associated with debt repurchases below par and the write off of unamortized fees and original issue discount associated with debt refinancings.
- “Step acquisition write-off” represents a loss of \$1.0 million as a result of a decrease in the value of our previously held equity investment in WeaveUp to its fair value using step acquisition accounting.
- “Strategic initiatives” represents non-recurring costs, such as third-party consulting costs and one-time start-up costs, that are not part of our ongoing operations and are incurred to execute differentiated, project-based strategic initiatives.
- As discussed in greater detail above, “Excess import freight costs” represents excess inbound freight costs (compared to our standard costs based on recently negotiated carrier rates) due to increasing freight rates, in particular the significant transitory impact of constrained ocean freight capacity and incremental domestic transportation costs incurred due to unprecedented congestion in U.S. ports arising from surging market demand for shipping capacity as economies begin to recover from the COVID-19 pandemic.
- “Other COVID-19 costs” represents costs incurred for store location cleaning supplies and deep clean services.
- “Technology development expense” represents one-time IT project management and implementation expenses, such as temporary labor costs, third-party consulting fees and user fees incurred during the development period of a new software application, that are not part of our ongoing operations and are typically redundant during the initial implementation of software applications or other technology systems across different functional operations of our business before they are in productive use.
- “Sponsor management fee” represents management fees paid to our sponsor, LGP (or advisory affiliates thereof), in accordance with our management services agreement. The management fee was discontinued upon the completion of our initial public offering in March 2021, as LGP no longer provides managerial services to us in any form.
- “Other” represents the one-time impact of severance, certain legal matters, executive leadership transition and business transition activities.

## Results of Operations

The following tables summarize key components of our results of operations for the periods indicated. The following discussion should be read in conjunction with our Consolidated Financial Statements and related notes.

### Consolidated Income Data:

(In millions)	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
Net sales	\$ 498.0	\$ 574.4
Gross profit	240.7	302.7
SG&A expenses	259.1	249.9
Operating profit (loss)	(38.5)	32.4
Net income (loss)	(35.1)	15.1

### Other Operational Data:

(In millions)	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
Total increase (decrease) in comparable sales vs. prior year	(12.9)%	15.0%
Gross margin	48.3%	52.7%
SG&A expenses as a % of net sales	52.0%	43.5%
Operating profit (loss) as a % of net sales	(7.7)%	5.6%
Adjusted EBITDA (1)	\$ 18.6	\$ 57.5
Pre-opening and closing costs excluding loss on disposal of fixed assets	3.7	1.8
Adjusted EBITDA as a % of net sales	3.7%	10.0%
Total store location count at end of period	846	855

(1) See “Non-GAAP Financial Measures” for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss).

### Comparison of the Thirteen Weeks ended April 30, 2022 and May 1, 2021

#### Net Sales

Net sales were \$498.0 million for the thirteen weeks ended April 30, 2022, a decrease of \$76.4 million or 13.3% compared to the same period in fiscal 2022. Total comparable sales for the thirteen weeks ended April 30, 2022 decreased 12.9% compared with a total comparable sales increase of 15.0% in the same period in fiscal 2022. The total comparable sales decrease resulted primarily from a decrease in transaction volume. On a category basis, declines in sales were more pronounced in our Craft Technology business, which was unusually strong in the first quarter last year driven by new product launches. In addition, higher customer discretionary spending driven by government stimulus payments had a favorable impact on net sales in the first quarter of fiscal 2022.

#### Gross Profit

Gross profit was \$240.7 million for the thirteen weeks ended April 30, 2022, a decrease of \$62.0 million or 20.5% compared to the same period in fiscal 2022. Gross margin was 48.3% for the thirteen weeks ended April 30, 2022, a decrease of 440 basis points compared to the thirteen weeks ended May 1, 2021. The decrease in gross profit was primarily driven by our decline in total comparable sales along with higher supply chain costs, driven primarily by excess import freight. We believe that the increase in ocean freight and related port congestion costs were transitory and had an impact of approximately 580 basis points on gross margin. These negative factors were partially offset by improved pricing efficiency and lower levels of overall clearance markdowns due to improved inventory quality.

#### Selling, General and Administrative Expenses

SG&A expenses were \$259.1 million for the thirteen weeks ended April 30, 2022, an increase of \$9.2 million or 3.7% compared to the same period in fiscal 2022. The increase was primarily driven by incremental distribution costs associated with handling of later arriving spring merchandise as well as incremental operating costs for our new multi-purpose distribution center located in West

Jefferson, Ohio. We also had increases in spending on strategic initiatives including pre-opening costs associated with our new and remodeled store locations as well as investments in several emerging businesses, which we are referring to as our "Blue Ocean" initiatives. We have also experienced inflationary pressures in energy, commodity and labor costs that have been partially offset by improved operating efficiencies and lower incentive compensation costs. As a percentage of net sales, SG&A expenses for the thirteen weeks ended April 30, 2022 were 52.0%, an increase of 850 basis points compared to the same period in fiscal 2022. The increase as a percentage of sales was primarily driven by the factors listed above as well as the 13.3% decrease in net sales in the first quarter of fiscal 2023 compared to the first quarter of fiscal 2022.

#### ***Depreciation and Amortization***

Depreciation and amortization expense was \$20.1 million in the thirteen weeks ended April 30, 2022, a decrease of \$0.3 million compared to the same period in fiscal 2022. This decrease was driven by lower depreciation after the sale and leaseback of our distribution center in Opelika, Alabama in the second quarter of fiscal 2022, partially offset by investments in our multi-purpose distribution center as well as store location refresh and technology projects in fiscal 2022.

#### ***Interest Expense***

Interest expense for the thirteen weeks ended April 30, 2022 was \$11.2 million, a decrease of \$2.0 million compared to the same period in fiscal 2022. The decrease in interest expense was primarily due to lower interest rates as a result of the repayment of the Term Loan due 2024 during the first quarter of fiscal 2022 and our Term Loan Due 2023 refinancing in the second quarter of fiscal 2022. The average debt level in the thirteen weeks ended April 30, 2022 was \$892.9 million compared to \$820.6 million in the thirteen weeks ended May 1, 2021. The weighted average interest rate was 4.62% and 5.70% for the thirteen weeks ended April 30, 2022 and May 1, 2021, respectively.

We had \$946.4 million of debt outstanding (face value) as of April 30, 2022 versus \$766.3 million as of May 1, 2021.

#### ***Debt Related (Gain)***

During the first quarter of fiscal 2022, we repurchased \$1.9 million in face value of the Term Loan due 2024 at an average of 53% of par, resulting in a \$1.0 million gain, which is included in debt related (gain) within the accompanying Consolidated Statements of Comprehensive Income (Loss). A write-off of the deferred charges and original issue discount, totaling less than \$0.1 million, associated with the original debt issuance was recognized as an offset to debt related (gain). Also offsetting the gain was a \$0.9 million write-off of the original issue discount and deferred issuance costs related to the paydown of the Term Loan due 2024. The Term Loan due 2024 was retired at face value.

#### ***Income Taxes***

The effective income tax rate for the first quarter of fiscal 2023 was 30.8%, which was an income tax benefit on a pre-tax book loss, compared to 21.8% for the first quarter of fiscal 2022, which was an income tax provision on pre-tax book income. The change in the effective tax rate was caused by the fact that the rate fluctuated between benefit and provision status. Specifically, favorable permanent book-tax differences and tax credits increased the benefit rate for the first quarter of fiscal 2023 and decreased the provision rate for the first quarter of fiscal 2022 relative to the statutory rate. In addition, there was a revaluation of the deferred tax liability due to favorable state tax law changes, which reduced the effective tax rate for the first quarter of fiscal 2022.

#### ***Net Income (Loss)***

Net loss was \$35.1 million for the thirteen weeks ended April 30, 2022, a decrease of \$50.2 million compared to the net income in the same period in fiscal 2022. The decrease was driven by the factors described above.

#### ***Adjusted EBITDA***

Adjusted EBITDA (as defined above) decreased 67.7% to \$18.6 million or 3.7% of net sales for the thirteen weeks ended April 30, 2022 compared to \$57.5 million or 10.0% of net sales for the same period in fiscal 2022. Our decrease in Adjusted EBITDA of \$38.9 million and lower Adjusted EBITDA as a percentage of net sales of 630 basis points was driven primarily by the decline in total comparable sales.

## Liquidity and Capital Resources

We have three principal sources of liquidity: cash and cash equivalents on hand, cash from operations and available borrowings under our Second Amended Revolving Credit Facility. We believe that our cash and cash equivalents on hand, cash from operations and availability under our Second Amended Revolving Credit Facility will be sufficient to cover our working capital, capital expenditure and debt service requirement needs as well as dividend payments and share repurchases for the foreseeable future. Subject to market conditions, we may from time to time repurchase our outstanding debt. As of April 30, 2022, we were in compliance with all covenants under our debt facilities and notes. For the four quarters ended April 30, 2022, our net cash used for operating activities was \$102.3 million and our Credit Facility Adjusted EBITDA was \$214.3 million.

We define “Credit Facility Adjusted EBITDA” as Adjusted EBITDA (as defined above) plus pre-opening and closing costs excluding loss on disposal of fixed assets, which is calculated consistently with our calculation of Adjusted EBITDA under our Second Amended Revolving Credit Facility and Term Loan due 2028 (collectively, the “Credit Facilities”). We reference Credit Facility Adjusted EBITDA because it is a measure that is calculated in accordance with our Credit Facilities and used to determine our compliance with certain ratios in our Credit Facilities, tested each quarter on the basis of the preceding four quarters. For example, we are permitted to prepay debt and make distributions on account of equity up to a certain amount under our Term Loan due 2028 if our ratio of consolidated net debt to Credit Facility Adjusted EBITDA for the prior four quarters as of the quarterly test is not greater than 4.90 to 1.0 and our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA for such period is not greater than 3.60 to 1.0. As of April 30, 2022, our ratio of consolidated net debt to Credit Facility Adjusted EBITDA was 4.4 to 1.0, and of consolidated senior secured net debt to Credit Facility Adjusted EBITDA was 4.4 to 1.0. Other provisions in our Credit Facilities utilize ratios including Credit Facility Adjusted EBITDA for calculating permitted limits for us to incur additional debt and make certain investments. Additionally, our ratio of consolidated senior secured net debt to Credit Facility Adjusted EBITDA is measured once per year following the completion of our annual Consolidated Financial Statements and determines what percentage of our excess cash flow (as defined in our Term Loan due 2028) we are required to apply for the repayment of principal on our Term Loan due 2028, ranging from 50% of excess cash flow for ratios in excess of 2.50x to 0% of excess cash flow for ratios of less than 2.00x. Accordingly, we believe that Credit Facility Adjusted EBITDA is material to an investor’s understanding of our financial condition and liquidity.

(In millions)	Four Quarters Ended April 30, 2022	
Net cash used for operating activities	\$	(102.3)
Non-cash operating lease expense		(164.7)
Depreciation and amortization excluding content cost amortization		(79.8)
Deferred income taxes		0.1
Stock-based compensation expense		(2.9)
Amortization of deferred financing costs and original issue discount		(2.2)
Debt related loss		(3.4)
Gain on sale leaseback		24.5
Step acquisition write-off		(1.0)
Loss on disposal and impairment of other fixed assets		(0.9)
Change in operating assets and liabilities		339.1
Net income	\$	6.5
Income tax benefit		(6.8)
Interest expense, net		49.2
Depreciation and amortization		80.8
Debt related loss		3.4
Gain on sale leaseback		(24.5)
Step acquisition write-off		1.0
Strategic initiatives		5.5
Excess import freight costs		75.5
Other COVID-19 costs		0.2
Technology development expense		9.3
Stock-based compensation expense		2.9
Loss on disposal and impairment of fixed and operating lease assets		1.1
Other		(0.5)
Adjusted EBITDA	\$	203.6
Pre-opening and closing costs excluding loss on disposal of fixed assets		10.7
Credit Facility Adjusted EBITDA	\$	214.3

Our capital requirements are primarily for capital expenditures in connection with new store location openings, store location remodels, investments in information technology, investments in distribution centers and working capital requirements for seasonal inventory build. These requirements fluctuate during the year and reach their highest levels during the second and third fiscal quarters as we increase our inventory in preparation for our peak selling season during the months of September through December and complete most of our capital spending projects.

The following table provides a summary of our cash provided by (used for) operating, investing and financing activities for the thirteen weeks ended April 30, 2022 and May 1, 2021:

(In millions)	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
Net cash (used for) operating activities	\$ (122.2)	\$ (43.5)
Net cash (used for) investing activities	(23.6)	(10.7)
Net cash provided by financing activities	145.6	49.5
Net (decrease) in cash and cash equivalents	<u>\$ (0.2)</u>	<u>\$ (4.7)</u>

#### *Net Cash (Used for) Operating Activities*

Net cash used for operating activities was \$122.2 million in the thirteen weeks ended April 30, 2022, compared with \$43.5 million of net cash used for operating activities in the thirteen weeks ended May 1, 2021. The increase in net cash used for operating activities was primarily due to our total comparable sales decline, changes in inventory due to lower balances in fiscal 2022 and higher per unit product costs, most notably, increased import freight costs in fiscal 2023, as well as the timing of vendor payments. These items were partially offset by the repayment of deferred cash payments negotiated with our landlords as a result of the COVID-19 pandemic and payment of fiscal 2021 incentive compensation to salaried store support center and distribution center team members as well as store and district managers in fiscal 2022.

#### *Net Cash (Used for) Investing Activities*

Cash used for investing activities in fiscal 2023 and 2022 consisted primarily of capital expenditures, the majority of which were focused on strategic initiatives including: new store location openings, store location remodels and refreshes and information technology investments, particularly those supporting our omni-channel platforms and other customer facing systems. We also incurred capital outlays for equipment and facility management in our distribution centers, store locations and corporate offices.

Specifically, investment for each refresh project is tailored to each store location's needs and unit economics. We have four general levels of investment and project scope tailored to what would benefit each store location, with future investment expected to range from \$150,000 for the lightest-touch refreshes to \$3 million for the relatively few but most-extensive refreshes. Over 80% of our existing store locations are refresh project targets over the next seven to ten years and we expect investments in relation to these future refresh projects to remain consistent with our capital expenditures in connection with completed refresh projects.

Historical capital expenditures for the thirteen weeks ended April 30, 2022 and May 1, 2021 are summarized as follows:

(In millions)	Thirteen Weeks Ended	
	April 30, 2022	May 1, 2021
Store locations	\$ 15.2	\$ 5.4
Distribution centers	1.5	3.3
Information technology	2.5	1.6
Other	0.1	0.2
Total capital expenditures	<u>19.3</u>	<u>10.5</u>
Landlord contributions	(5.0)	(0.3)
Total capital expenditures, net of landlord contributions	<u>\$ 14.3</u>	<u>\$ 10.2</u>

The increase in capital expenditures for store locations was primarily driven by an increase in new store location and refresh projects planned for fiscal 2023.

Additionally, we purchased the remaining outstanding stock of WeaveUp for \$4.3 million in the first quarter of fiscal 2023.

### ***Net Cash Provided by Financing Activities***

Net cash provided by financing activities was \$145.6 million during the thirteen weeks ended April 30, 2022 compared with \$49.5 million of net cash provided by financing activities during the thirteen weeks ended May 1, 2021. Net cash provided by financing activities for the first thirteen weeks of fiscal 2023 was the result of net borrowings from the Second Amended Revolving Credit Facility. This inflow of cash was partially offset by cash used to make payments on our Term Loan Due 2028 and finance lease obligations, as well as to pay dividends totaling \$4.5 million during the thirteen weeks ended April 30, 2022. As of April 30, 2022, we had the ability to borrow an additional \$122.7 million under the Second Amended Revolving Credit Facility subject to the facility's borrowing base calculation.

Net cash provided by financing activities for the first quarter of fiscal 2022 was the result of net proceeds received from the initial public offering and borrowings from the Second Amended Revolving Credit Facility to repay all of the outstanding borrowings and accrued interest under the Term Loan due 2024 totaling \$72.7 million.

### **Off-Balance Sheet Transactions**

Our liquidity is currently not dependent on the use of off-balance sheet transactions other than letters of credit, which are typical in a retail environment.

### **Seasonality**

Our business exhibits seasonality, which is typical for most retail companies. Our net sales are stronger in the second half of the year than the first half of the year. Net income is highest during the months of September through December when sales volumes provide significant operating leverage. Working capital needed to finance our operations fluctuates during the year and reaches its highest levels during the second and third fiscal quarters as we increase our inventory in preparation for our peak selling season.

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

Accounting policies and estimates are considered critical when they require management to make subjective and complex judgments, estimates and assumptions about matters that have a material impact on the presentation of our financial statements and accompanying notes. For a description of our critical accounting policies and estimates, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

See Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022. During the thirteen weeks ended April 30, 2022, there have been no material changes in our exposure to market risk.

**Item 4. Controls and Procedures.*****Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of April 30, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of April 30, 2022, our disclosure controls and procedures were effective.

***Changes in Internal Control over Financial Reporting***

There were no material changes in our internal control over financial reporting that occurred during the thirteen weeks ended April 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Limitations on Effectiveness of Controls and Procedures***

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.



**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The information required to be set forth under this heading is incorporated by reference from Note 9, Commitments and Contingencies, to the Consolidated Financial Statements included in Part I, Item 1.

**Item 1A. Risk Factors.**

There have been no material changes from the risk factors disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended January 29, 2022.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
10.1*#	<a href="#">Form of RSU Award Agreement to certain employees under the 2021 Equity Incentive Plan (effective February 2022)</a>
10.2*#	<a href="#">Form of RSU Award Agreement to non-employee directors under the 2021 Equity Incentive Plan (effective February 2022)</a>
31.1*	<a href="#">Certification of Principal 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.</a>
31.2*	<a href="#">Certification of Principal 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.</a>
32.1**	<a href="#">Certification of 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 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>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* Furnished herewith.

# Management contract or compensatory plan or arrangement

**SIGNATURES**

Pursuant to the requirements 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.

JOANN Inc.  
Registrant

Date: June 3, 2022

By: /s/ Matt Susz

Matt Susz  
Executive Vice President, Chief Financial Officer  
*(principal financial officer)*

**JOANN INC.**  
**2021 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK UNIT GRANT NOTICE**

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “Grant Notice”) have the meanings given to them in the JOANN Inc. 2021 Equity Incentive Plan (the “Plan”) of JOANN Inc. (the “Company”). The Company hereby grants to the participant listed below (“Participant”) the Restricted Stock Units described in this Grant Notice (the “RSUs”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”), both of which are incorporated into this Grant Notice by reference.

**Participant:** [NAME]

**Grant Date:** [DATE]

**Number of Restricted Stock Units:** [NUMBER]

**Vesting Commencement Date:** [DATE]

**Vesting Schedule:** Subject to the Participant’s continued status as an Employee, Consultant or Non-Employee Director, the RSUs shall vest and become exercisable with respect to 33% of the Shares subject thereto (rounded down to the next whole number of Shares) on each of the first three (3) anniversaries of the Vesting Commencement Date, so that all of the Shares shall be vested on the third anniversary of the Vesting Commencement Date.

**Withholding Tax Provisions:** By accepting this Award electronically through the Plan service provider’s online grant acceptance policy, the Participant understands and agrees that as a condition of the grant of the RSUs hereunder, but subject to the last sentence of this paragraph, the Participant is required to accept the Company’s determination from time to time of the method(s) by which all applicable withholding obligations with respect to any taxable events arising in connection with the RSUs will be satisfied (the “Withholding Methods”). Such Withholding Methods may include, at the determination of the Company, some or all of the following: (1) cash, wire transfer of immediately available funds or check; (2) Shares or cash otherwise deliverable pursuant to the settlement of the RSUs or Shares held for such minimum period of time as may be established by the Administrator, in each case, having a fair market value on the date of delivery equal to the aggregate payments required; (3) payment from a broker-assisted market sale (as reasonably acceptable to the Company) with respect to Shares otherwise deliverable pursuant to the settlement of the RSUs; or (4) any other form of legal consideration acceptable to the Administrator in its sole discretion. The Withholding Methods will otherwise be conducted in accordance with Section 10.2 of the Plan (except that, for purposes of clarification, such determination of the Withholding Methods shall not be made by the Participant or subject to affirmative election on the part of the Participant). **Notwithstanding anything in this paragraph to the contrary, if the Participant is subject to Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Withholding Methods applicable to these RSUs shall consist solely of the mandatory withholding of Shares or cash otherwise deliverable pursuant to the settlement of the RSUs having a fair market value on the date of delivery equal to the aggregate payments required.**

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By accepting this Award electronically through the Plan service provider's online grant acceptance policy, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

**JOANN INC.**

**PARTICIPANT**

By:  
Print Name: Ann Aber  
Title: SVP, General Counsel & Secretary

By:  
Print Name: [NAME]

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

Section I.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

(a) “Cause” shall mean a Participating Company having “Cause” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have “Cause” to terminate the Participant’s employment upon: (i) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant’s illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (ii) the Participant’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (iii) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (iv) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (v) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) “Cessation Date” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “CIC Qualifying Termination” shall mean Termination of Service of Participant by any Participating Company without Cause or by Participant for Good Reason during the twelve (12) month period immediately following a Change in Control.

(d) “Good Reason” shall mean a Participant having “Good Reason” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participant shall have “Good Reason” to terminate the Participant’s employment upon, on or after a Change in Control, (i) any material adverse change by the Participating Companies in Participant’s job title, duties, responsibility or authority; (ii) failure by the Participating Companies to pay Participant any amount of Participant’s annual base salary or bonus when due; (iii) any material diminution of Participant’s annual base salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Participating Companies); (iv) any material reduction in Participant’s short-term incentive compensation opportunities; (v) the termination or denial of Participant’s right to participate in

material employment related benefits that are offered to similarly-situated employees of the Participating Companies; (vi) the movement of Participant's principal location of work to a new location that is in excess of 50 miles from Participant's principal location of work as of the date hereof without Participant's consent; or (vii) failure by the Company to require any successor to assume and agree to perform the Company's obligations under this any employment or severance agreement with the Participant; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Participant notifies the Company in writing of the event that is purported to constitute Good Reason (which notice is provided not later than the 30<sup>th</sup> day following the occurrence of the event purported to constitute Good Reason) and then only if the Company fails to cure such event within 30 days after the Company's receipt of such written notice.

(e) "Participating Company" shall mean the Company or any of its parents or Subsidiaries.

Section I.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock ("Stock") to be issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

Section I.3 Consideration to the Company. In consideration of the grant of the RSUs by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

## ARTICLE II.

### AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS

#### Section II.1 Award of RSUs and Dividend Equivalents.

(a) In consideration of Participant's past and/or continued employment with or service to any Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 12 of the Plan. Each RSU represents the right to receive one Share at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the amount of cash that is paid for an applicable quarter as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant as of the date of payment of any such dividend. The Dividend Equivalents granted hereunder shall be paid in cash and subject to the same vesting, distribution/payment timing, adjustment and other provisions (other than payment in Shares) which apply to the underlying RSUs to which such Dividend Equivalents relate.

#### Section II.2 Vesting of RSUs and Dividend Equivalents.

(c) Subject to Participant's continued employment with or service to the Participating Companies on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in

such amounts and at such times as are set forth in the Grant Notice. Dividend Equivalents accrued pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such Dividend Equivalents relate vests.

(d) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(a) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event of a CIC Qualifying Termination, the RSUs shall become vested in full on the date of such CIC Qualifying Termination.

Section II.3 Distribution or Payment of RSUs.

(c) Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, no later than March 15<sup>th</sup> of the calendar year following the year in which such vesting occurred (for the avoidance of doubt, this deadline is intended to comply with the "short-term deferral" exemption from Section 409A). Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(d) All distributions made in Shares shall be made by the Company in the form of whole Shares unless otherwise determined by the Administrator. The Administrator shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

Section II.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, and (d) the receipt of full payment of any applicable withholding tax in accordance with Section 2.5 by the Participating Company with respect to which the applicable withholding obligation arises.

Section II.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(c) As set forth in Section 10.2 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to any taxable event arising in connection with the RSUs. In satisfaction of such tax withholding obligations, and in accordance with the Withholding Tax Provisions included in the Grant Notice, the Participant will be bound by the Withholding Methods determination as described in the Grant Notice



(d) The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the RSUs to, or to cause any such Shares to be held in book-entry form by, Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(a) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any other Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

Section II.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### ARTICLE III.

Section III.1 Restrictive Covenants. In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants contained in this Article III.

(c) Obligation to Maintain Confidentiality. Participant agrees not to divulge to third parties, or use in a manner not authorized by the Company, any confidential or Company proprietary information gathered or learned by Participant during his or her employment with the Participating Companies or their respective affiliates. "Confidential Information" includes, but is not limited to, information in oral, written or recorded form regarding business plans, trade or business secrets, Company financial records, supplier contracts or relationships, or any other information that the Company does not regularly disclose to the public. To the extent that Participant has any doubt as to whether information constitutes Confidential Information, Participant agrees to obtain advice from the Company's General Counsel prior to divulging or using such information. Participant understands and agrees that divulging such information to third parties, or using such information in an unauthorized manner, would cause serious competitive harm to the Company. Confidential Information shall exclude: (i) information that is generally known by or available for use by the public, (ii) information that was known by Participant prior to his or her employment with the Company (including its predecessor in interest, affiliates and Subsidiaries) and was obtained, to the best of Participant's knowledge, without violation of any obligation of confidentiality to the Company, or (iii) information that is required to be disclosed pursuant to applicable law or a court order. If information is required to be disclosed because of a court order, Participant must notify the Company's General Counsel immediately. Nothing in this Section 3.1(a) shall be interpreted to preclude Participant from communicating to a governmental agency about terms or conditions of employment or legal compliance issues, or from cooperating with an investigation being conducted by a governmental agency

(d) Ownership of Property. Participant acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses,

drawings, reports, patent applications, copyrightable work, and mask work (whether or not including any Confidential Information) and all registrations or applications related thereto, all other proprietary information, and all similar or related information (whether or not patentable) that relate to the Participating Companies' or affiliates' actual or anticipated business, research and development, or existing or future products or services, and that were or are conceived, developed, contributed to, made or reduced to practice by Participant (either solely or jointly with others) while employed by or in the service of the Participating Companies or their respective affiliates (including, without limitation, prior to the date of this Agreement) (including any of the foregoing that constitutes any proprietary information or records) ("Work Product") belong to the Participating Companies or their respective affiliates, and Participant hereby assigns, and agrees to assign, all of the above Work Product to a Participating Company or affiliate thereof. Any copyrightable work prepared in whole or in part by Participant in the course of Participant's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Participating Company or affiliate thereof shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Participant hereby assigns and agrees to assign to the Participating Company or affiliate thereof all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Participant shall as promptly as practicable under the circumstances disclose such Work Product and copyrightable work to the Company and perform all actions reasonably requested by the Company (whether during or after Participant's employment with or service to the Participating Companies and their respective affiliates) to establish and confirm the Participating Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments). Participant is hereby provided notice of immunity under the federal Defend Trade Secrets Act of 2016, which states: (i) an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order.

(a) Third Party Information. Participant understands that the Participating Companies and their respective affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Participating Companies or their respective affiliates part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Participant's employment with or service to the Company or its Subsidiaries or affiliates and thereafter, and without in any way limiting the provisions of Section 3.1(a) above, Participant will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel and consultants of the Participating Companies and their respective affiliates who need to know such information in connection with their work for the Participating Companies and their respective affiliates) or use, except in connection with Participant's work for the Participating Companies or their respective affiliates, Third Party Information unless expressly authorized by the Company in writing or unless and to the extent that the Third Party Information (i) becomes generally known to and available for use by the public other than as a result of Participant's acts or omissions to act, (ii) was known to Participant prior to Participant's employment with or service to the Participating Companies or their respective affiliates and was obtained, to the best of Participant's knowledge, without violation of any obligation of confidentiality to the Company, or (iii) is required to be disclosed pursuant to any applicable law or court order.

(b) Noncompetition and Nonsolicitation. Participant acknowledges that, in the course of Participant's employment, Participant will become familiar with the Participating Companies' and their respective affiliates' trade secrets and with other confidential information concerning the Participating

Companies and their respective affiliates and that Participant's services will be of special, unique and extraordinary value to the Participating Companies and their respective affiliates.

(i) Noncompetition. Participant agrees that while employed by any Participating Company or its affiliates, and continuing until (A) the eighteen (18) month anniversary of the date of any termination of Participant's employment or service (other than as a result of Participant's CIC Qualifying Termination), or (B) twenty-four (24) months from the date of termination of Participant's employment or service as a result of Participant's CIC Qualifying Termination (the "Noncompete Period"), Participant shall not, anywhere in the world where the Company or its Subsidiaries or affiliates conduct or actively propose to conduct business during Participant's employment, directly or indirectly own, manage, control, participate in, consult with, be employed by or in any manner engage in (collectively, the "Restricted Activities") any business that is engaged in, or plans to be engaged in, the sale at retail or direct marketing (including online) to consumers of fabric, sewing or craft components (a "Competitive Business"), provided that the Restricted Activities shall only be applicable to similar line(s) of business or similar functions conducted by the Competitive Business for which the Participant had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Participant shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Participant had knowledge, involvement, and/or responsibility while at the Company for any business that had sales to the Company and its Subsidiaries and affiliates during the immediately preceding fiscal year (a "Vendor Business"). Notwithstanding the foregoing, Participant may own up to 2% of any class of an issuer's publicly traded securities regardless of whether such entity is a Competitive Business. Nothing in this Section 3.1(d) confers upon Participant any right to receive severance or obligates the Company to pay any severance to Participant in connection with his or her termination of employment for any reason.

(ii) Nonsolicitation. Participant agrees that during the Noncompete Period, Participant shall not directly or indirectly through another entity (A) induce or attempt to induce any employee of the Participating Companies or their respective affiliates to leave the employ of the Participating Companies or their respective affiliates, or in any way interfere with the relationship between the Participating Companies or their respective affiliates and any employee thereof, (B) hire any person who was an employee of the Participating Companies or their respective affiliates within 180 days prior to the time such employee was hired by Participant, (C) induce or attempt to induce any customer, supplier, licensee or other business relation of the Participating Companies or their respective affiliates to cease doing business with the Participating Companies or their respective affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Participating Companies or their respective affiliates, or (D) directly or indirectly acquire or attempt to acquire an interest in any business relating to the business of the Company or its Subsidiaries or affiliates and with which any of the Participating Companies or their respective affiliates have entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Participating Companies or their respective affiliates in the two-year period immediately preceding Participant's termination of employment with any Participating Company.

(c) Non-disparagement. Participant agrees that at no time during his or her employment by any Participating Company or thereafter shall he or she make, or cause or assist any other person to make, any statement or other communication to any third party which impugns or attacks, or is otherwise critical of, in any material respect, the reputation, business or character of the Participating Companies or their respective affiliates or any of their respective directors, officers or employees; provided that Participant shall not be required to make any untruthful statement or to violate any law.

Section III.2Enforcement. If, at the time of enforcement of Article III of this Agreement, a court holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be

substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Participant agrees that because his or her services are unique and Participant has access to confidential information, money damages would be an inadequate remedy for any breach of this Article III and its subsections. Participant agrees that the Participating Companies and their respective affiliates, in the event of a breach or threatened breach of this Article III or any of its subsections, may seek injunctive or other equitable relief in addition to any other remedy available to them in a court of competent jurisdiction without posting bond or other security.

Section III.3 Acknowledgments. Participant acknowledges that the provisions of this Article III and its subsections are (a) in addition to, and not in limitation of, any obligation of Participant under the terms of any other agreement with the Participating Companies or their respective affiliates (including, without limitation, the restrictive covenants in any employment or severance agreement between the Participant and any Participating Company, which Participant acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Participating Companies, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Participant agrees and acknowledges that the restrictions contained in this Article III and its subsections do not preclude Participant from earning a livelihood, nor do they unreasonably impose limitations on Participant's ability to earn a living. Participant agrees and acknowledges that the potential harm to the Participating Companies or their respective affiliates of the non-enforcement of this Article III and its subsections outweighs any potential harm to Participant of its enforcement by injunction or otherwise. Participant acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Participant by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Participating Companies and their respective affiliates now existing or to be developed in the future. Participant expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

## ARTICLE IV.

### OTHER PROVISIONS

Section IV.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

Section IV.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

Section IV.3 Adjustments The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the

RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section IV.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 4.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section IV.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section IV.6 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section IV.7 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

Section IV.8 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

Section IV.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Section IV.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs, the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

Section IV.11 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason

whatsoever, with or without cause, except to the extent (a) expressly provided otherwise in a written agreement between a Participating Company and Participant or (b) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

Section IV.12Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings, notices, communications and agreements of the Company and Participant with respect to the subject matter hereof.

Section IV.13Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

Section IV.14Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

Section IV.15Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

Section IV.16Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

**JOANN INC.  
2021 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK UNIT GRANT NOTICE**

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “Grant Notice”) have the meanings given to them in the JOANN Inc. 2021 Equity Incentive Plan (the “Plan”) of JOANN Inc. (the “Company”). The Company hereby grants to the participant listed below (“Participant”) the Restricted Stock Units described in this Grant Notice (the “RSUs”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”), both of which are incorporated into this Grant Notice by reference.

**Participant:** [NAME]

**Grant Date:** [DATE]

**Number of Restricted Stock Units:** [NUMBER]

**Vesting Commencement Date:** [DATE]

**Vesting Schedule:** Subject to Participant’s continued status as an Employee, Consultant or Non-Employee Director, the RSUs shall vest and become exercisable with respect to 100% of the Shares subject thereto (rounded down to the next whole number of Shares) on the first anniversary of the Vesting Commencement Date.

By Participant’s signature below or electronic acceptance or authentication in a form authorized by the Company, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or relating to the RSUs.

**JOANN INC.**

**PARTICIPANT**

By:  
Print Name: Ann Aber  
Title: SVP, General Counsel & Secretary

By:  
Print Name: [NAME]

**EXHIBIT A**  
**TO RESTRICTED STOCK UNIT GRANT NOTICE**

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

**ARTICLE I.**

**GENERAL**

Section I.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

(a) “Cause” shall mean a Participating Company having “Cause” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have “Cause” to terminate the Participant’s employment upon: (i) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant’s illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (ii) the Participant’s conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (iii) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (iv) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (v) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) “Cessation Date” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(c) “CIC Qualifying Termination” shall mean Termination of Service of Participant by any Participating Company without Cause or by Participant for Good Reason during the twelve (12) month period immediately following a Change in Control.

(d) “Good Reason” shall mean a Participant having “Good Reason” to terminate the Participant’s employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participant shall have “Good Reason” to terminate the Participant’s employment upon, on or after a Change in Control, (i) any material adverse change by the Participating Companies in Participant’s job title, duties, responsibility or authority; (ii) failure by the Participating Companies to pay Participant any amount of Participant’s annual base salary or bonus when due; (iii) any material diminution of Participant’s annual base salary (other than such a material diminution that is applied on a substantially comparable basis to similarly-situated employees of the Participating Companies); (iv) any material reduction in Participant’s short-term incentive compensation opportunities; (v) the termination or denial of Participant’s right to participate in



material employment related benefits that are offered to similarly-situated employees of the Participating Companies; (vi) the movement of Participant's principal location of work to a new location that is in excess of 50 miles from Participant's principal location of work as of the date hereof without Participant's consent; or (vii) failure by the Company to require any successor to assume and agree to perform the Company's obligations under this any employment or severance agreement with the Participant; provided that none of the events described in this definition of Good Reason shall constitute Good Reason unless Participant notifies the Company in writing of the event that is purported to constitute Good Reason (which notice is provided not later than the 30<sup>th</sup> day following the occurrence of the event purported to constitute Good Reason) and then only if the Company fails to cure such event within 30 days after the Company's receipt of such written notice.

(e) "Participating Company" shall mean the Company or any of its parents or Subsidiaries.

Section I.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock ("Stock") to be issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

Section I.3 Consideration to the Company. In consideration of the grant of the RSUs by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

## ARTICLE II.

### AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS

#### Section II.1 Award of RSUs and Dividend Equivalents.

(a) In consideration of Participant's past and/or continued employment with or service to any Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Article 12 of the Plan. Each RSU represents the right to receive one Share at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the amount of cash that is paid for an applicable quarter as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant as of the date of payment of any such dividend. The Dividend Equivalents granted hereunder shall be paid in cash and subject to the same vesting, distribution/payment timing, adjustment and other provisions (other than payment in Shares) which apply to the underlying RSU to which such Dividend Equivalents relate.

#### Section II.2 Vesting of RSUs and Dividend Equivalents.

(c) Subject to Participant's continued employment with or service to the Participating Companies on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in

such amounts and at such times as are set forth in the Grant Notice. Dividend Equivalents accrued pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such Dividend Equivalents relate vests.

(a) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(b) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event of a CIC Qualifying Termination, the RSUs shall become vested in full on the date of such CIC Qualifying Termination.

Section II.3 Distribution or Payment of RSUs.

(c) Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, no later than March 15<sup>th</sup> of the calendar year following the year in which such vesting occurred (for the avoidance of doubt, this deadline is intended to comply with the "short-term deferral" exemption from Section 409A). Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and provided further that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(a) All distributions made in Shares shall be made by the Company in the form of whole Shares unless otherwise determined by the Administrator. The Administrator shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

Section II.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, and (d) the receipt of full payment of any applicable withholding tax in accordance with Section 2.5 by the Participating Company with respect to which the applicable withholding obligation arises.

Section II.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(c) The Participating Companies have the authority to deduct or withhold, or require Participant to remit to the applicable Participating Company, an amount sufficient to satisfy any applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by Applicable Law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Participating Companies may withhold or Participant may make such payment in one or more of the forms specified below:

- (i) by cash or check made payable to the Participating Company with respect to which the withholding obligation arises;
- (ii) by the deduction of such amount from other compensation payable to Participant;
- (iii) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by requesting that the Company withhold a net number of vested shares of Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;
- (iv) with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;
- (v) with respect to any withholding taxes arising in connection with the distribution of the RSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Participating Company with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the applicable Participating Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or
- (vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the RSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the RSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Participating Company with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, provided

that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action any Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

Section II.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### ARTICLE III.

Section III.1 Restrictive Covenants. In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants contained in this Article III.

(c) Obligation to Maintain Confidentiality. Participant agrees not to divulge to third parties, or use in a manner not authorized by the Company, any confidential or Company proprietary information gathered or learned by Participant during his or her employment with the Participating Companies or their respective affiliates. "Confidential Information" includes, but is not limited to, information in oral, written or recorded form regarding business plans, trade or business secrets, Company financial records, supplier contracts or relationships, or any other information that the Company does not regularly disclose to the public. To the extent that Participant has any doubt as to whether information constitutes Confidential Information, Participant agrees to obtain advice from the Company's General Counsel prior to divulging or using such information. Participant understands and agrees that divulging such information to third parties, or using such information in an unauthorized manner, would cause serious competitive harm to the Company. Confidential Information shall exclude: (i) information that is generally known by or available for use by the public, (ii) information that was known by Participant prior to his or her employment with the Company (including its predecessor in interest, affiliates and Subsidiaries) and was obtained, to the best of Participant's knowledge, without violation of any obligation of confidentiality to the Company, or (iii) information that is required to be disclosed pursuant to applicable law or a court order. If information is required to be disclosed because of a court order, Participant must notify the Company's General Counsel immediately. Nothing in this Section 3.1(a) shall be interpreted to preclude Participant from communicating to a governmental agency about terms or conditions of employment or legal compliance issues, or from cooperating with an investigation being conducted by a governmental agency.

(a) Ownership of Property. Participant acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, patent applications, copyrightable work, and mask work (whether or not including any Confidential Information) and all registrations or applications related thereto, all other proprietary information, and all similar or related information (whether or not patentable) that relate to the Participating Companies' or affiliates' actual or anticipated business, research and development, or existing or future products or services,

and that were or are conceived, developed, contributed to, made or reduced to practice by Participant (either solely or jointly with others) while employed by or in the service of the Participating Companies or their respective affiliates (including, without limitation, prior to the date of this Agreement) (including any of the foregoing that constitutes any proprietary information or records) ("Work Product") belong to the Participating Companies or their respective affiliates, and Participant hereby assigns, and agrees to assign, all of the above Work Product to a Participating Company or affiliate thereof. Any copyrightable work prepared in whole or in part by Participant in the course of Participant's work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Participating Company or affiliate thereof shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire", Participant hereby assigns and agrees to assign to the Participating Company or affiliate thereof all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Participant shall as promptly as practicable under the circumstances disclose such Work Product and copyrightable work to the Company and perform all actions reasonably requested by the Company (whether during or after Participant's employment with or service to the Participating Companies and their respective affiliates) to establish and confirm the Participating Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments). Participant is hereby provided notice of immunity under the federal Defend Trade Secrets Act of 2016, which states: (i) an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order.

(b) Third Party Information. Participant understands that the Participating Companies and their respective affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Participating Companies or their respective affiliates part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the period of Participant's employment with or service to the Company or its Subsidiaries or affiliates and thereafter, and without in any way limiting the provisions of Section 3.1(a) above, Participant will hold Third Party Information in the strictest confidence and will not disclose to any one (other than personnel and consultants of the Participating Companies and their respective affiliates who need to know such information in connection with their work for the Participating Companies and their respective affiliates) or use, except in connection with Participant's work for the Participating Companies or their respective affiliates, Third Party Information unless expressly authorized by the Company in writing or unless and to the extent that the Third Party Information (i) becomes generally known to and available for use by the public other than as a result of Participant's acts or omissions to act, (ii) was known to Participant prior to Participant's employment with or service to the Participating Companies or their respective affiliates and was obtained, to the best of Participant's knowledge, without violation of any obligation of confidentiality to the Company, or (iii) is required to be disclosed pursuant to any applicable law or court order.

(c) Noncompetition and Nonsolicitation. Participant acknowledges that, in the course of Participant's employment, Participant will become familiar with the Participating Companies' and their respective affiliates' trade secrets and with other confidential information concerning the Participating Companies and their respective affiliates and that Participant's services will be of special, unique and extraordinary value to the Participating Companies and their respective affiliates.

(i) Noncompetition. Participant agrees that while employed by any Participating Company or its affiliates, and continuing until (A) the eighteen (18) month anniversary of the date of any

termination of Participant's employment or service (other than as a result of Participant's CIC Qualifying Termination), or (B) twenty-four (24) months from the date of termination of Participant's employment or service as a result of Participant's CIC Qualifying Termination (the "Noncompete Period"), Participant shall not, anywhere in the world where the Company or its Subsidiaries or affiliates conduct or actively propose to conduct business during Participant's employment, directly or indirectly own, manage, control, participate in, consult with, be employed by or in any manner engage in (collectively, the "Restricted Activities") any business that is engaged in, or plans to be engaged in, the sale at retail or direct marketing (including online) to consumers of fabric, sewing or craft components (a "Competitive Business"), provided that the Restricted Activities shall only be applicable to similar line(s) of business or similar functions conducted by the Competitive Business for which the Participant had knowledge, involvement, and/or responsibility while at the Company. Further, during the Noncompete Period, Participant shall not conduct any of the Restricted Activities in similar line(s) of business or similar functions for which the Participant had knowledge, involvement, and/or responsibility while at the Company for any business that had sales to the Company and its Subsidiaries and affiliates during the immediately preceding fiscal year (a "Vendor Business"). Notwithstanding the foregoing, Participant may own up to 2% of any class of an issuer's publicly traded securities regardless of whether such entity is a Competitive Business. Nothing in this Section 3.1(d) confers upon Participant any right to receive severance or obligates the Company to pay any severance to Participant in connection with his or her termination of employment for any reason.

(ii) Nonsolicitation. Participant agrees that during the Noncompete Period, Participant shall not directly or indirectly through another entity (A) induce or attempt to induce any employee of the Participating Companies or their respective affiliates to leave the employ of the Participating Companies or their respective affiliates, or in any way interfere with the relationship between the Participating Companies or their respective affiliates and any employee thereof, (B) hire any person who was an employee of the Participating Companies or their respective affiliates within 180 days prior to the time such employee was hired by Participant, (C) induce or attempt to induce any customer, supplier, licensee or other business relation of the Participating Companies or their respective affiliates to cease doing business with the Participating Companies or their respective affiliates or in any way interfere with the relationship between any such customer, licensee or business relation and the Participating Companies or their respective affiliates, or (D) directly or indirectly acquire or attempt to acquire an interest in any business relating to the business of the Company or its Subsidiaries or affiliates and with which any of the Participating Companies or their respective affiliates have entered into substantive negotiations or has requested and received confidential information relating to the acquisition of such business by the Participating Companies or their respective affiliates in the two-year period immediately preceding Participant's termination of employment with any Participating Company.

(d) Non-disparagement. Participant agrees that at no time during his or her employment by any Participating Company or thereafter shall he or she make, or cause or assist any other person to make, any statement or other communication to any third party which impugns or attacks, or is otherwise critical of, in any material respect, the reputation, business or character of the Participating Companies or their respective affiliates or any of their respective directors, officers or employees; provided that Participant shall not be required to make any untruthful statement or to violate any law.

Section III.2Enforcement. If, at the time of enforcement of Article III of this Agreement, a court holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Participant agrees that because his or her services are unique and Participant has access to confidential information, money damages would be an inadequate remedy for any breach of this Article III and its subsections. Participant agrees that the Participating Companies and their respective affiliates, in the event of a breach or threatened breach of this

Article III or any of its subsections, may seek injunctive or other equitable relief in addition to any other remedy available to them in a court of competent jurisdiction without posting bond or other security.

Section III.3 Acknowledgments. Participant acknowledges that the provisions of this Article III and its subsections are (a) in addition to, and not in limitation of, any obligation of Participant under the terms of any other agreement with the Participating Companies or their respective affiliates (including, without limitation, the restrictive covenants in any employment or severance agreement between the Participant and any Participating Company, which Participant acknowledges remain in full force and effect in accordance with their terms), and (b) in consideration of (i) employment with the Participating Companies, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Participant agrees and acknowledges that the restrictions contained in this Article III and its subsections do not preclude Participant from earning a livelihood, nor do they unreasonably impose limitations on Participant's ability to earn a living. Participant agrees and acknowledges that the potential harm to the Participating Companies or their respective affiliates of the non-enforcement of this Article III and its subsections outweighs any potential harm to Participant of its enforcement by injunction or otherwise. Participant acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Participant by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Participating Companies and their respective affiliates now existing or to be developed in the future. Participant expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

## ARTICLE IV.

### OTHER PROVISIONS

Section IV.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

Section IV.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

Section IV.3 Adjustments The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section IV.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on

the Company's records. By a notice given pursuant to this Section 4.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section IV.5Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section IV.6Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section IV.7Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

Section IV.8Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

Section IV.9Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Section IV.10Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs, the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

Section IV.11Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (a) expressly provided otherwise in a written agreement between a Participating Company and Participant or (b) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

Section IV.12Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior



undertakings, notices, communications and agreements of the Company and Participant with respect to the subject matter hereof.

Section IV.13 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

Section IV.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

Section IV.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

Section IV.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

Section IV.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v): (a) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (b) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (c) Participant will be responsible for all broker’s fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (e) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (f) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Participating Company with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the applicable Participating Company’s withholding obligation.

## CERTIFICATION

I, Wade Miquelon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JOANN 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)) 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) [Intentionally omitted];
  - (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: June 3, 2022

By: /s/ Wade Miquelon  
Wade Miquelon  
President and Chief Executive Officer  
(*principal executive officer*)

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## CERTIFICATION

I, Matt Susz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JOANN 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)) 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) [Intentionally omitted];
  - (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: June 3, 2022

By: /s/ Matt Susz

Matt Susz  
Senior Vice President, Chief Financial Officer  
(*principal financial officer*)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of JOANN Inc. (the "Company") for the period ended April 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 3, 2022

By: /s/ Wade Miquelon  
Wade Miquelon  
President and Chief Executive Officer  
(*principal executive officer*)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of JOANN Inc. on Form 10-Q (the "Company") for the period ended April 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 3, 2022

By: /s/ Matt Susz

Matt Susz

Senior Vice President, Chief Financial Officer

*(principal financial officer)*

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