

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

FORM 8-K

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

Date of Report (Date of earliest event reported): December 12, 2022

JOANN Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-40204
(Commission
File Number)

46-1095540
(IRS Employer
Identification No.)

5555 Darrow Road
Hudson, Ohio 44236
(Address of principal executive offices) (Zip Code)

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol | 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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On December 12, 2022, JOANN Inc. (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended October 29, 2022. A copy of the Company’s press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information furnished pursuant to Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. Furthermore, the information furnished pursuant to Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| Exhibit Number | Description |
|---------------------------|---|
| 99.1 | Press release issued by JOANN Inc., dated December 12, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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 hereunto duly authorized.

JOANN INC.

Dated: December 12, 2022

By: /s/ Scott Sekella

Name: Scott Sekella

Title: Senior Vice President and Chief Financial Officer

JOANN ANNOUNCES THIRD QUARTER FISCAL 2023 RESULTS

- **7.9% decline in net sales accompanied by a strong 8% increase in Halloween item performance**
- **Targeting \$200 million of cost savings from lower supply chain, product costs, and other operating expenses to maximize cash generation and liquidity in a challenging macro environment**
- **Pausing quarterly dividend to improve operational flexibility and strengthen balance sheet**

HUDSON, OH (December 12, 2022) — JOANN Inc. (NASDAQ: JOAN) (“JOANN”), the nation’s category leader in sewing and one of the fastest growing competitors in the arts and crafts category, today reported results for its third quarter ending October 29, 2022.

“Although we had a very good sell through during Halloween and are encouraged by our recent momentum during Black Friday and Cyber Monday, it’s clear that consumers are increasingly pressured by inflation and are being more selective with their purchases in the current holiday season, prioritizing household essentials over many discretionary activities. As an organization, we are taking very meaningful and pro-active steps to optimize our cost structure while continuing to drive multiple growth strategies,” commented JOANN’s President and Chief Executive Officer Wade Miquelon. “As a result, we expect to emerge from the current economic environment in a much stronger operating position. The actions we’re taking are designed to deliver approximately \$200 million of annualized cost savings over the next 18 months. We’ve also made the decision to pause our quarterly dividend in order to strengthen our liquidity and balance sheet. Overall, I believe that we’re on the right path and executing very favorably based on the factors within our control.”

Third Quarter Highlights:

- Net sales declined by 7.9% compared to the same period last year to \$562.8 million, with total comparable sales decreasing 8.0% compared to last year and down 1.1% from Fiscal 2020. Omni-channel sales declined at a more moderate rate of 4.4% compared to last year and accounted for 11% of revenue in the third quarter, a 40-basis point increase in the penetration rate over last year.
- Gross profit of \$281.0 million on a GAAP basis decreased by 11.9% compared to the third quarter of last year. After adjusting for \$18.5 million of excess import freight costs, adjusted gross profit of \$299.5 million declined by 9.3% compared to the same quarter last year.
- Gross margin was 49.9% on a GAAP basis, a decrease of 230 basis points compared to the third quarter last year. After adjusting for excess import freight costs, gross margin of 53.2% decreased by 80 basis points compared to the third quarter last year.
- Selling, general and administrative expenses increased by 4.4% from the same period last year. Store labor costs were favorable during the third quarter compared to last year. However, expenses were negatively impacted by increased pre-opening and closing costs, start-up costs for our new multi-purpose distribution center, reductions to incentive compensation in the prior period, and increased stock-based compensation expenses related to a change in our retirement policy.
- Net loss of \$17.5 million compared to net income of \$22.8 million in the same quarter last year.
- Adjusted EBITDA of \$40.2 million compared to \$72.6 million in the same quarter last year.
- Our quarterly dividend of \$0.11 per share was paid to holders of JOANN common stock on September 23, 2022. Since the inception of our dividend in Fiscal 2022, we have returned \$26.0 million in cash dividends to shareholders and an additional \$20.0 million through share repurchases. In order to increase liquidity and overall financial flexibility in response to near-term economic uncertainty, the company is pausing its quarterly dividend at this time.

Balance Sheet Highlights:

- Long-term debt, net was \$1,062.4 million as of October 29, 2022 with cash and cash equivalents of \$27.5 million.
 - Inventory was \$747.0 million, or roughly flat compared to last year. In-transit inventory benefitted from improvement in supply chain congestion.
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Webcast and Conference Call Information:

JOANN management will host a conference call and webcast to discuss the results today, Monday, December 12, 2022 at 5:00 p.m. ET. The toll-free number to call for the live interactive teleconference is 1 (844) 481-2750 and the international dial-in number is 1 (412) 317-0666. The live broadcast of JOANN's conference call will be available online at the Company's website, www.joann.com, under the Investor Relations section, on December 12, 2022, beginning at 5:00 p.m. ET. The online replay will follow shortly after the call and will be available for one year.

Table 1.
JOANN Inc.
Consolidated Statements of Income (Loss)
(Unaudited)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|-------------------------------------|---------------------|-------------------------|---------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (In millions except per share data) | | | |
| Net sales | \$ 562.8 | \$ 611.0 | \$ 1,524.1 | \$ 1,682.3 |
| Cost of sales | 281.8 | 292.2 | 787.5 | 794.0 |
| Gross profit | 281.0 | 318.8 | 736.6 | 888.3 |
| Selling, general and administrative expenses | 269.0 | 257.6 | 786.6 | 754.5 |
| Depreciation and amortization | 19.9 | 19.6 | 59.9 | 60.1 |
| Operating profit (loss) | (7.9) | 41.6 | (109.9) | 73.7 |
| Interest expense, net | 18.1 | 11.8 | 42.5 | 39.8 |
| Debt related loss, net | — | — | — | 3.0 |
| Investment remeasurement | (2.0) | — | (1.0) | — |
| Gain on sale leaseback | — | — | — | (24.5) |
| Income (loss) before income taxes | (24.0) | 29.8 | (151.4) | 55.4 |
| Income tax provision (benefit) | (6.5) | 7.0 | (41.9) | 12.3 |
| Net income (loss) | \$ (17.5) | \$ 22.8 | \$ (109.5) | \$ 43.1 |
| Earnings (loss) per common share: | | | | |
| Basic | \$ (0.43) | \$ 0.55 | \$ (2.69) | \$ 1.06 |
| Diluted | \$ (0.43) | \$ 0.53 | \$ (2.69) | \$ 1.02 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 40.8 | 41.7 | 40.7 | 40.8 |
| Diluted | 40.8 | 43.1 | 40.7 | 42.1 |

Table 2.
JOANN Inc.
Consolidated Balance Sheets
(Unaudited)

| | October 29, 2022 | October 30, 2021 |
|---|---------------------|---------------------|
| | (In millions) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 27.5 | \$ 30.9 |
| Inventories | 747.0 | 744.3 |
| Prepaid expenses and other current assets | 79.6 | 82.6 |
| Total current assets | 854.1 | 857.8 |
| Property, equipment and leasehold improvements, net | 295.8 | 261.1 |
| Operating lease assets | 802.6 | 842.1 |
| Goodwill, net | 162.0 | 162.0 |
| Intangible assets, net | 369.3 | 372.1 |
| Other assets | 40.9 | 26.8 |
| Total assets | \$ 2,524.7 | \$ 2,521.9 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 270.3 | \$ 311.3 |
| Accrued expenses | 123.4 | 128.6 |
| Current portion of operating lease liabilities | 162.4 | 176.7 |
| Current portion of long-term debt | 6.8 | 6.8 |
| Total current liabilities | 562.9 | 623.4 |
| Long-term debt, net | 1,062.4 | 853.8 |
| Long-term operating lease liabilities | 735.5 | 758.2 |
| Long-term deferred income taxes | 89.3 | 91.2 |
| Other long-term liabilities | 31.3 | 48.7 |
| Shareholders' equity: | | |
| Common stock, stated value \$0.01 per share | 0.4 | 0.4 |
| Additional paid-in capital | 208.4 | 203.6 |
| Retained (deficit) | (148.1) | (34.4) |
| Accumulated other comprehensive income | 11.4 | 1.1 |
| Treasury stock at cost | (28.8) | (24.1) |
| Total shareholders' equity | 43.3 | 146.6 |
| Total liabilities and shareholders' equity | \$ 2,524.7 | \$ 2,521.9 |

Table 3.
JOANN Inc.
Consolidated Statements of Cash Flows
(Unaudited)

| | Thirty-Nine Weeks Ended | |
|---|-------------------------|---------------------|
| | October 29, 2022 | October 30, 2021 |
| | (In millions) | |
| Net cash provided by (used for) operating activities: | | |
| Net income (loss) | \$ (109.5) | \$ 43.1 |
| Adjustments to reconcile net income (loss) to net cash (used for) operating activities: | | |
| Non-cash operating lease expense | 127.0 | 120.8 |
| Depreciation and amortization | 59.9 | 60.1 |
| Deferred income taxes | (1.7) | 3.4 |
| Stock-based compensation expense | 6.1 | 2.1 |
| Amortization of deferred financing costs and original issue discount | 1.5 | 2.0 |
| Debt related loss, net | — | 3.0 |
| Investment remeasurement | (1.0) | — |
| Gain on sale leaseback | — | (24.5) |
| Loss (gain) on disposal and impairment of fixed assets | 0.3 | (0.1) |
| Changes in operating assets and liabilities: | | |
| (Increase) in inventories | (88.4) | (188.4) |
| (Increase) in prepaid expenses and other current assets | (39.3) | (11.0) |
| Increase in accounts payable | 16.5 | 61.2 |
| (Decrease) in accrued expenses | (16.4) | (45.4) |
| (Decrease) in operating lease liabilities | (120.6) | (144.6) |
| (Decrease) in other long-term liabilities | (13.1) | (6.0) |
| Other, net | 5.1 | 0.7 |
| Net cash (used for) operating activities | (173.6) | (123.6) |
| Net cash provided by (used for) investing activities: | | |
| Capital expenditures | (80.4) | (42.9) |
| Proceeds from sale leaseback | — | 48.1 |
| Other investing activities | (4.3) | (0.2) |
| Net cash provided by (used for) investing activities | (84.7) | 5.0 |
| Net cash provided by (used for) financing activities: | | |
| Term loan proceeds, net of original issue discount | — | 671.6 |
| Term loan payments | (5.1) | (708.0) |
| Borrowings on revolving credit facility | 544.1 | 429.9 |
| Payments on revolving credit facility | (256.1) | (318.9) |
| Purchase and retirement of debt | — | (0.9) |
| Principal payments on finance lease obligations | (7.1) | (5.4) |
| Issuance of common stock, net of underwriting commissions and offering costs | — | 76.9 |
| Purchase of common stock | — | (10.8) |
| Proceeds from employee stock purchase plan and exercise of stock options | 1.1 | — |
| Payments of taxes related to the net issuance of team member stock awards | (0.1) | — |
| Dividends paid | (13.4) | (8.4) |
| Financing fees paid | — | (3.9) |
| Net cash provided by financing activities | 263.4 | 122.1 |
| Effect of exchange rate changes on cash | (0.1) | — |
| Net increase in cash and cash equivalents | 5.0 | 3.5 |
| Cash and cash equivalents at beginning of period | 22.5 | 27.4 |
| Cash and cash equivalents at end of period | \$ 27.5 | \$ 30.9 |
| Cash paid (received) during the period for: | | |
| Interest | \$ 39.6 | \$ 38.6 |
| Income taxes, net of refunds | (6.6) | 17.2 |

Table 4.
JOANN Inc.
Reconciliation of Net Income (Loss) to Adjusted EBITDA
(Unaudited)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|---------------------|-------------------------|---------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (In millions) | | | |
| Net income (loss) | \$ (17.5) | \$ 22.8 | \$ (109.5) | \$ 43.1 |
| Income tax provision (benefit) | (6.5) | 7.0 | (41.9) | 12.3 |
| Interest expense, net | 18.1 | 11.8 | 42.5 | 39.8 |
| Depreciation and amortization (1) | 20.3 | 19.8 | 61.1 | 60.6 |
| Debt related loss, net (2) | — | — | — | 3.0 |
| Investment remeasurement (3) | (2.0) | — | (1.0) | — |
| Gain on sale leaseback (4) | — | — | — | (24.5) |
| Strategic initiatives (5) | 0.9 | 0.6 | 4.6 | 1.4 |
| Excess import freight costs (6) | 18.5 | 11.3 | 74.5 | 11.3 |
| Other COVID-19 costs (7) | — | — | — | 1.3 |
| Technology development expense (8) | 2.0 | 2.6 | 7.0 | 6.2 |
| Stock-based compensation expense | 3.9 | 0.8 | 6.1 | 2.1 |
| Loss (gain) on disposal and impairment of fixed and operating lease assets | — | (0.1) | 1.1 | (0.1) |
| Sponsor management fee (9) | — | — | — | 0.4 |
| Other (10) | 2.5 | (4.0) | 5.4 | (3.3) |
| Adjusted EBITDA | <u>\$ 40.2</u> | <u>\$ 72.6</u> | <u>\$ 49.9</u> | <u>\$ 153.6</u> |

- (1) "Depreciation and amortization" represents depreciation, amortization of intangible assets and amortization of content and capitalized cloud-based system implementation costs.
- (2) "Debt related loss, net" represents net losses and gains associated with debt repurchases and the write off of unamortized fees and original issue discount associated with debt refinancings.
- (3) "Investment remeasurement" represents gains and losses associated with our equity investments without readily determinable fair values.
- (4) "Gain on sale leaseback" represents the gain attributable to the sale leaseback of our distribution center in Opelika, Alabama.
- (5) "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.
- (6) As discussed in greater detail below, "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 recovered from the COVID-19 pandemic.
- (7) "Other COVID-19 costs" represents costs incurred for store location cleaning and capacity management labor, store location cleaning supplies and deep clean services.
- (8) "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.
- (9) "Sponsor management fee" represents management fees paid to our sponsor, Leonard Green & Partners, L.P. ("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.
- (10) "Other" represents the one-time impact of severance, certain legal matters, employee recruitment, employee transition and business transition activities.

Table 5.
JOANN Inc.
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)
(Unaudited)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|-------------------------------------|---------------------|-------------------------|---------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (In millions except per share data) | | | |
| Net income (loss) | \$ (17.5) | \$ 22.8 | \$ (109.5) | \$ 43.1 |
| Debt related loss, net | — | — | — | 3.0 |
| Investment remeasurement | (2.0) | — | (1.0) | — |
| Gain on sale leaseback | — | — | — | (24.5) |
| Strategic initiatives | 0.9 | 0.6 | 4.6 | 1.4 |
| Excess import freight costs | 18.5 | 11.3 | 74.5 | 11.3 |
| Other COVID-19 costs | — | — | — | 1.3 |
| Technology development expense | 2.0 | 2.6 | 7.0 | 6.2 |
| Stock-based compensation expense | 3.9 | 0.8 | 6.1 | 2.1 |
| Loss (gain) on disposal and impairment of fixed and operating lease assets | — | (0.1) | 1.1 | (0.1) |
| Sponsor management fee | — | — | — | 0.4 |
| Other | 2.5 | (4.0) | 5.4 | (3.3) |
| Tax impact of adjustments (11) | (6.0) | (2.7) | (25.6) | 0.5 |
| Adjusted net income (loss) | <u>\$ 2.3</u> | <u>\$ 31.3</u> | <u>\$ (37.4)</u> | <u>\$ 41.4</u> |
| Diluted earnings (loss) per share | \$ (0.43) | \$ 0.53 | \$ (2.69) | \$ 1.02 |
| Adjusted diluted earnings (loss) per share | \$ 0.06 | \$ 0.73 | \$ (0.92) | \$ 0.98 |
| Weighted-average shares outstanding - basic | 40.8 | 41.7 | 40.7 | 40.8 |
| Weighted-average shares outstanding - diluted | 40.8 | 43.1 | 40.7 | 42.1 |

(11) "Tax impact of adjustments" represents the tax effect of the total adjustments based on our forecasted effective tax rate, before discrete adjustments, for fiscal 2023 and fiscal 2022.

Table 6.
JOANN Inc.
Reconciliation of Gross Profit to Adjusted Gross Profit
(Unaudited)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|-----------------------------|----------------------|---------------------|-------------------------|---------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (In millions) | | | |
| Net sales | \$ 562.8 | \$ 611.0 | \$ 1,524.1 | \$ 1,682.3 |
| Cost of sales | 281.8 | 292.2 | 787.5 | 794.0 |
| Gross profit | 281.0 | 318.8 | 736.6 | 888.3 |
| Excess import freight costs | 18.5 | 11.3 | 74.5 | 11.3 |
| Adjusted gross profit | <u>\$ 299.5</u> | <u>\$ 330.1</u> | <u>\$ 811.1</u> | <u>\$ 899.6</u> |
| Adjusted gross margin | 53.2% | 54.0% | 53.2% | 53.5% |

Non-GAAP Financial Measures

Adjusted EBITDA

JOANN presents Adjusted EBITDA, which is not a recognized financial measure under accounting principles generally accepted in the United States of America ("GAAP"), because it believes it assists investors and analysts in comparing JOANN's performance across reporting periods on a consistent basis by excluding items that management does not believe are indicative of JOANN's core operating performance. Management believes Adjusted EBITDA is helpful in highlighting trends in JOANN's 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. JOANN also uses Adjusted EBITDA in connection with establishing discretionary annual incentive compensation; supplementing GAAP measures of performance in the evaluation of the effectiveness of its business strategies; making budgeting decisions; comparing its performance against that of other peer companies using similar measures; and because its credit facilities use measures similar to Adjusted EBITDA to measure its compliance with certain covenants.

JOANN defines 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 management does not consider indicative of JOANN's ongoing operating performance, including debt related gains and losses, investment remeasurements, sale leaseback gains, costs related to strategic initiatives, COVID-19 costs, technology development expenses, stock-based compensation expense, gains and losses on disposal and impairment of fixed and operating lease assets, sponsor management fees and other one-time costs. JOANN's 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 recovered 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 disrupted the efficient operation of domestic and international supply chains. These COVID-19 related conditions produced an imbalance of ocean freight capacity and related demand, as well as port congestion and other supply chain disruptions that added significant cost to JOANN's procurement of imported merchandise. These excess import freight costs included significantly higher rates paid per container to ocean carriers, as well as fees paid due to congested ports that JOANN does not normally incur. In a normative operating environment, JOANN 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 its contract rates. Accordingly, JOANN established a baseline cost ("standard cost") assuming those contract capacities, established rates and typical premium in the brokered market for peak volume needs not covered under its contracts. The amount of excess import freight costs included as an adjustment to arrive at Adjusted EBITDA is calculated by subtracting, from its actual import freight costs, its standard cost for the applicable period. Negotiation of JOANN's current contract rates were finalized in the second quarter of fiscal 2023. JOANN has started to see a decline in overall ocean freight rates and a reduction in other fees associated with port congestion, which has positively impacted JOANN's cash payments. However, a reduction in expense recognition will not occur until the fourth quarter of fiscal 2023, along with continued reductions in expense recognition in fiscal 2024. JOANN is identifying these COVID-19 related excess import freight costs as a separate line item in the table above due to their magnitude and to distinguish them from other COVID-19 related costs JOANN has previously excluded in calculating Adjusted EBITDA.

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

- Adjusted EBITDA does not reflect JOANN's cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in JOANN's cash requirements for its working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on JOANN's 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 JOANN's overall long-term incentive compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters JOANN does not find indicative of its ongoing operations; and
- Adjusted EBITDA may be calculated differently by other companies in JOANN's industry, such that its usefulness may be limited as a comparative measure.

JOANN compensates for these limitations by relying primarily on JOANN's GAAP results and using Adjusted EBITDA only as supplemental information.

Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) per Share

JOANN presents adjusted net income (loss) and adjusted diluted earnings (loss) per share, which are not recognized financial measures under GAAP, because it believes these additional key measures assist investors and analysts in comparing JOANN's performance across reporting periods on a consistent basis by excluding items that management does not believe are indicative of JOANN's core operating performance. Management believes that adjusted net income (loss) and adjusted diluted earnings (loss) per share are helpful in highlighting trends in JOANN's core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure and capital investments. JOANN also uses adjusted net income (loss) and adjusted diluted earnings (loss) per share to supplement GAAP measures of performance in the evaluation of the effectiveness of its business strategies; to make budgeting decisions; and to compare its performance against that of other peer companies using similar measures.

JOANN defines adjusted net income (loss) as net income (loss) adjusted to eliminate the impact of certain non-cash items and other items that management does not consider indicative of its ongoing operating performance, including debt related gains and losses, investment remeasurements, sale leaseback gains, costs related to strategic initiatives, COVID-19 costs, technology development expenses, stock-based compensation expense, gains and losses on disposal and impairment of fixed and operating lease assets, sponsor management fees and other one-time costs. The adjustments are itemized in the table above. Adjusted diluted earnings (loss) per share is defined as adjusted net income (loss) divided by the weighted-average number of common shares outstanding assuming dilution in periods in which there is an adjusted net income.

Adjusted Gross Profit and Adjusted Gross Margin

JOANN presents adjusted gross profit and adjusted gross margin, which are not recognized financial measures under GAAP, because it believes they assist investors and analysts in comparing JOANN's performance across reporting periods on a consistent basis by excluding items that management does not believe are indicative of JOANN's core operating performance.

JOANN defines adjusted gross profit as gross profit excluding excess import freight costs and adjusted gross margin as adjusted gross profit divided by net sales.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. JOANN intends 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"). Readers can generally identify forward-looking statements by the use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," "vision," "should," or the negative thereof or other variations thereon or comparable terminology. Many factors could affect JOANN's actual financial results and cause them to vary materially from the expectations contained in forward-looking statements, including those set forth in this document. These risks, uncertainties, and factors include, among other things: the impact of inflationary pressures and general economic conditions on JOANN's ability to control costs and on its customers level of discretionary income to spend on sewing, arts and crafts and select home décor products; JOANN's ability to anticipate and effectively respond to disruptions or inefficiencies in its 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 JOANN's business; developments involving JOANN's competitors and its industry; JOANN's ability to maintain adequate liquidity, its level of indebtedness, the impact of lease obligations and the availability of capital, including its ability to raise additional capital, could limit JOANN's financial flexibility and cash flow necessary to fund working capital, planned capital expenditures, and other general corporate purposes or ongoing needs of its business; potential future impacts of the COVID-19 pandemic, including effects on supply chain costs and capacity; JOANN's ability to timely identify or effectively respond to consumer trends, and the potential effects of that ability on its relationship with its customers, the demand for JOANN's products and its market share; JOANN's expectations regarding the seasonality of its business; JOANN's ability to manage the distinct risks facing its e-commerce business and maintain a relevant omni-channel experience for its customers; JOANN's ability to maintain or negotiate favorable lease terms for its store locations; JOANN's ability to execute on its growth strategy to renovate and improve the performance of its existing store locations; JOANN's ability to attract and retain a qualified management team and other team members while controlling its labor costs; JOANN's reliance on and relationships with third party service providers; JOANN's reliance on and relationships with foreign suppliers and their ability to supply it with adequate, timely and cost-effective products for resale; JOANN's ability, and its third party service providers' ability, to maintain security and prevent unauthorized access to electronic and other confidential information; the impacts of potential disruptions to JOANN's

information systems, including its websites and mobile applications; JOANN's ability to respond to risks associated with existing and future payment options; JOANN's ability to maintain and enhance a strong brand image; JOANN's ability to maintain adequate insurance coverage; JOANN's status as a "controlled company" and control of JOANN 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 JOANN's common stock, if any.

The preceding list is not intended to be an exhaustive list of all of JOANN's forward-looking statements. JOANN has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While JOANN believes 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 JOANN's control. Furthermore, the potential impact of the COVID-19 pandemic on JOANN's business operations and financial results and on the world economy as a whole may heighten the risks and uncertainties that affect JOANN's forward-looking statements. Given these risks and uncertainties, Readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this document are not guarantees of future performance and JOANN's actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from the forward-looking statements included elsewhere in this document. In addition, even if JOANN's results of operations, financial condition and liquidity and events in the industry in which it operates are consistent with the forward-looking statements included elsewhere in this document, they may not be predictive of results or developments in future periods. Any forward-looking statement that JOANN makes in this document speaks only as of the date of such statement. Except as required by law, JOANN does 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 document.

About JOANN

For more than 75 years, JOANN has inspired creativity in the hearts, hands, and minds of its customers. From a single storefront in Cleveland, Ohio, the nation's category leader in sewing and fabrics and one of the fastest growing competitors in the arts and crafts industry has grown to include 840 store locations across 49 states and robust e-commerce business. With the goal of helping every customer find their creative Happy Place, JOANN serves as a convenient single source for all of the supplies, guidance and inspiration needed to achieve any project or passion.

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