



NEWS RELEASE

The Tile Shop Reports Second Quarter 2015 Results

13.6% Sales Growth
5.7% Comparable Store Sales Growth
18.5% Operating Income Growth
20.5% Adjusted EBITDA Margin, 16.0% Adjusted EBITDA Growth
Diluted Earnings per Share of \$0.09, growth of 28.6%

MINNEAPOLIS, July 21, 2015 (GLOBE NEWSWIRE) -- Tile Shop Holdings, Inc. (Nasdaq:TTS) (the "Company"), a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories, today announced results for its second quarter ended June 30, 2015.

Net sales grew 13.6% to \$75.7 million for the quarter ended June 30, 2015 compared with \$66.7 million for the second quarter of 2014. The \$9.0 million increase in sales was due to incremental net sales of \$5.3 million from stores not included in the comparable store base, while comparable store sales increased 5.7% or \$3.8 million in the quarter.

"We are pleased to report a strong second quarter that continued to show positive returns on our key initiatives," said Chris Homeister, CEO. "Consistent with our first quarter, another sequential improvement in comparable store sales growth, sound expense control, working capital management, strong operating cash flow and continued improvement in key talent metrics all contributed to strong top and bottom line results in the second quarter."

Gross margin was 67.8% for the quarter compared with 69.8% for the second quarter of 2014. The decline in gross margin was primarily attributable to pricing tests conducted in certain markets during the quarter, higher mix of customer delivery sales and inventory transition activity. Management expects that the lower gross margin rate will be largely isolated to the second quarter. Gross margin for the six months ended June 30, 2015 was 68.8%.

Selling, general and administrative costs for the second quarter were \$42.9 million compared with \$39.4 million for the second quarter of 2014. The majority of the \$3.5 million increase was driven by the costs associated with opening and operating new stores, as second quarter ending store count increased from 98 to 110, a 12.2% increase from the prior year.

The Company opened one new store in the second quarter of 2015 in the existing market of Charlotte,

located in Matthews, NC. The Company now has 110 locations in 31 states.

For the six months ended June 30, 2015, net sales grew 13.4% from \$131.0 million in 2014 to \$148.7 million in 2015. Comparable store sales for the six month period increased 5.1%.

Non-GAAP Information

The Company presents non-GAAP net income and Adjusted EBITDA to provide useful information to investors regarding the Company's normalized operating performance.

On a non-GAAP basis, net income for the quarter was \$4.8 million, compared to \$4.0 million in the comparable prior year period. Non-GAAP earnings per diluted share for the quarter ended June 30, 2015 were \$0.09. Non-GAAP earnings per diluted share for the quarter ended June 30, 2014 were \$0.08.

See the "Non-GAAP Net Income" table and the "Non-GAAP Financial Measures" section below for a reconciliation of non-GAAP to GAAP net income.

Non-GAAP Net Income (\$ in thousands, except share and per share data)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Reported income before income taxes	\$ 7,677	\$ 6,381	\$ 14,098	\$ 12,563
Loss on extinguishment of debt	194	--	194	--
Special charges	276	225	790	1,353
Non-GAAP net income before taxes	8,147	6,606	15,082	13,916
Provision for income taxes	(3,382)	(2,643)	(6,365)	(5,566)
Non-GAAP net income	\$ 4,765	\$ 3,963	\$ 8,717	\$ 8,350
Weighted average basic shares outstanding	51,125,985	51,003,063	51,125,605	51,001,589
Weighted average diluted shares outstanding	51,388,602	51,323,770	51,212,955	51,361,967
Basic earnings per share	\$ 0.09	\$ 0.08	\$ 0.17	\$ 0.16
Diluted earnings per share	\$ 0.09	\$ 0.08	\$ 0.17	\$ 0.16

For the second quarter of 2015, adjusted EBITDA was \$15.5 million compared with \$13.4 million for the second quarter of 2014, representing 16.0% growth. See the "Adjusted EBITDA" table and "Non-GAAP Financial Measures" section below for a reconciliation of net income to Adjusted EBITDA.

Adjusted EBITDA (\$ in thousands)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	\$ 4,490	\$ 3,828	\$ 8,149	\$ 7,538
Interest expense	795	735	1,598	1,445

Income taxes	3,187	2,553	5,949	5,025
Depreciation and amortization	5,444	4,815	11,093	9,226
Special charges	276	225	790	1,353
Stock-based compensation	1,338	1,229	2,643	2,626
Adjusted EBITDA	<u>\$ 15,530</u>	<u>\$ 13,385</u>	<u>\$ 30,222</u>	<u>\$ 27,213</u>

Financial Guidance

The Company is providing updated expectations for full year 2015 based on past performance, anticipated new store openings and current economic conditions.

For the full year ending December 31, 2015 the Company expects:

(\$ in millions, except per share data)	2015	2014
Net sales	\$280 - \$290	\$257.2
Comparable store sales change	mid single digits	(0.4%)
Gross Margin % of Net Sales	approx. 69%	69.6%
Depreciation & Amortization	approx. \$23	\$19.9
Stock Based Compensation	approx. \$5	\$4.6
Effective Tax Rate	approx. 41%	41%
Adjusted Earnings Per Share	\$0.28 to \$0.33	\$0.23
Adjusted EBITDA	\$55 - \$60	\$47.5
Fully diluted shares outstanding	approx. 51 million	51 million
New stores	7 to 8	19
Capital Expenditures	\$17 to \$20	\$41.2

Webcast and Conference Call

The Company will host a conference call via live webcast for investors and other interested parties beginning at 9:00 a.m. Eastern Time on Tuesday, July 21, 2015. Participants may access the live webcast by visiting the Company's investor relations website at www.tileshop.com. The call can also be accessed by dialing (844) 421-0597, or (716) 247-5787 for international participants. A webcast replay of the call will be available on the Company's Investor Relations website at www.tileshop.com.

Additional details can be located in the filing at www.tileshop.com under the Financial Information – SEC Filings section of its Investor Relations page.

About Tile Shop Holdings and Tile Shop

The Tile Shop is a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories in the United States. The Company offers a wide selection of high quality products, exclusive designs, knowledgeable staff and exceptional customer service, in an

extensive showroom environment with more than 50 full-room tiled displays. The Company currently operates 110 stores in 31 states, with an average size of 22,100 square feet. The Tile Shop also sells products online at www.tileshop.com

Non-GAAP Financial Measures

The Company calculates Adjusted EBITDA by taking net income calculated in accordance with GAAP, and adjusting for interest expense, income taxes, depreciation and amortization, stock based compensation and other special, non-recurring charges including investigation and litigation costs. Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net sales. Non-GAAP net income excludes loss on extinguishment of debt and special, non-recurring charges including investigation and litigation costs, and is net of tax.

We believe that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, for purposes of determining management incentive compensation, and for budgeting and planning purposes. These measures are used in monthly financial reports prepared for management and our board of directors. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

Our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of these non-GAAP financial measures are that they exclude significant expenses and income that are required by GAAP to be recognized in our consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate our business.

FORWARD LOOKING STATEMENTS

This press release includes "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate", "believe", "expect", "estimate", "plan", "outlook", and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward looking statements include any statements regarding the Company's strategic and operational plan and expected financial performance

(including the financial performance of new stores). Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward looking statements, including but not limited to unforeseen events that may affect the retail market or the performance of the Company's stores. The Company does not intend, and undertakes no duty, to update this information to reflect future events or circumstances. Investors are referred to the most recent reports filed with the SEC by the Company.

Tile Shop Holdings, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(\$ in thousands, except share data)

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,829	\$ 5,759
Trade receivables, net	2,261	1,712
Inventories	64,590	68,857
Income tax receivable	667	4,937
Deferred taxes and other current assets, net	7,617	7,268
Total current assets	87,964	88,533
Property, plant and equipment, net	134,805	139,294
Deferred taxes and other assets, net	26,865	24,363
TOTAL ASSETS	\$ 249,634	\$ 252,190
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,804	\$ 13,759
Income tax payable	4,290	--
Other accrued liabilities	22,161	18,393
Total current liabilities	42,255	32,152
Long-term debt, net	63,805	88,525
Capital lease obligation, net	838	890
Deferred rent	34,793	33,163
Other long-term liabilities	3,429	3,765

TOTAL LIABILITIES

145,120

158,495

Stockholders' equity:

Common stock, par value \$0.0001; authorized: 100,000,000 shares; issued and outstanding: 51,316,713 and 51,314,005 shares, respectively	5	5
Preferred stock, par value \$0.0001; authorized 10,000,000 shares; issued and outstanding: 0 shares	--	--
Additional paid-in-capital	177,040	174,371
Accumulated deficit	(72,532)	(80,681)
Accumulated other comprehensive income	1	--
Total stockholders' equity	104,514	93,695
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 249,634	\$ 252,190

Tile Shop Holdings, Inc. and Subsidiaries**Condensed Consolidated Statements of Income**

(\$ in thousands, except share, and per share data)

(Unaudited)

(\$ in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 75,706	\$ 66,665	\$ 148,669	\$ 131,044
Cost of sales	24,413	20,163	46,405	39,609
Gross profit	51,293	46,502	102,264	91,435
Selling, general and administrative expenses	42,855	39,382	86,631	77,355
Income from operations	8,438	7,120	15,633	14,080
Interest expense	795	735	1,598	1,445
Other income (expense)	34	(4)	63	(72)
Income before income taxes	7,677	6,381	14,098	12,563
Provision income taxes	(3,187)	(2,553)	(5,949)	(5,025)
Net income	\$ 4,490	\$ 3,828	\$ 8,149	\$ 7,538

Earnings per common share:

Basic	\$ 0.09	\$ 0.08	\$ 0.16	\$ 0.15
Diluted	\$ 0.09	\$ 0.07	\$ 0.16	\$ 0.15

Weighted average shares outstanding:

Basic	51,125,985	51,003,063	51,125,605	51,001,589
Diluted	51,388,602	51,323,770	51,212,955	51,361,967

Rate Analysis

Tile Shop Holdings, Inc. and Subsidiaries

Rate Analysis

(Unaudited)

	Three Months ended June 30,		Six Months ended June 30,	
	2015	2014	2015	2014
Gross margin rate	67.8%	69.8%	68.8%	69.8%
SG&A expense rate	56.6%	59.1%	58.3%	59.0%
Income from operations margin rate	11.1%	10.7%	10.5%	10.7%
Adjusted EBITDA margin rate	20.5%	20.1%	20.3%	20.8%

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