2020
Annual Report

EXPRESS

EXPRESS

Tim Baxter, Chief Executive Officer

Dear Fellow Shareholders,

2020 will certainly be remembered for the pandemic and its impact on our families, friends, colleagues, and communities. It was a year of unprecedented upheaval with concern for the health of our associates, our customers and our business at the forefront of my mind each day. It was a year that required us to disproportionately focus on the effective management of our liquidity, and thanks to the collective efforts and extraordinary dedication of our Executive Leadership Team, we were able to do that.

It was also a year in which we continued the transformational work of restoring the vitality of our brand and the long-term, profitable health of our business. We advanced - and in some cases accelerated - important initiatives within each of the four foundational pillars of our EXPRESSway Forward strategy.

We advanced the Product pillar by applying our Express Edit design and merchandising philosophy across our entire assortment, rebalancing our portfolio between occasion-based and more everyday styles, and delivering versatility, comfort, newness, and innovation to all of our key categories.

We advanced the Brand pillar by bringing our new brand purpose - Create Confidence & Inspire Self-Expression - to life, building deeper and more meaningful connections with our most loyal and our newest Express fans, and launching the Express Dream Big Project.

We advanced the Customer pillar by completing the first phase of our loyalty program relaunch, refining our approach to customer acquisition, driving greater personalization of messages, and opening up a dialogue with our best customers that led to the first-ever co-created product capsule.

We advanced the Execution pillar by intensifying our focus on eCommerce, signing up more new members to our loyalty program, launching a new customer experience model in our stores, and driving conversion increases across all of our channels.

In the face of extraordinary circumstances and market conditions, we took decisive and appropriate actions to deliver nearly $500 million dollars in liquidity and secured an additional $85 million dollars through negotiations with our landlords.

The transformation of Express from a mall-based specialty retailer to a modern, relevant, compelling, multichannel brand is well underway, and while we have made significant progress, there is still much more to come. The pandemic both forced and allowed us to evolve faster and take steps for Express to not just catch up but leap ahead. We began testing new store formats and anticipating the role physical stores will play in the lives of our customers in the future. We built a plan to grow our digital channel to reach $1.0 billion dollars in demand by 2024.

"WE HAVE EMERGED FROM 2020 CONFIDENT THAT WE CAN MEET THE ACCELERATED PACE OF CONSUMER AND MARKETPLACE CHANGE WITH INCREASED AGILITY."

The EXPRESSway Forward strategy is both our vision and our roadmap, and we have emerged from 2020 confident that we can meet the accelerated pace of consumer and marketplace change with increased agility. We are a different company and workforce than we were a year ago.
We are more focused, more aligned and more results oriented.

Our corporate culture is based on three ideas - Express Yourself, Express Together, Express Success - that define the way our organization operates, reflect the way we show up and treat one another, and play a vital role in making our Company a rewarding and fulfilling place to work.

We say that 'Success at Express starts with each one of us' and we are committed to empowering our associates to learn, develop, contribute, and grow. We launched Success@ Express to set a new standard and establish clear expectations for talent recruitment and development, succession planning, goal setting, and performance management.

We reimagined our approach to Diversity, Equity & Inclusion at Express, and introduced a DE&I vision, mission and set of objectives to imbed this work into our day-to-day thought processes and operating practices. Led by our Chief Human Resources Officer and working in close partnership with our executive leadership, a team of DE&I Stewards are guiding this conversation and driving our progress.

To keep our associates informed, engaged and inspired while our stores and corporate offices were closed, we significantly increased our internal communication. From virtual panel discussions and podcasts to updates on key strategic initiatives and business performance, we kept our associates connected and motivated.

> **“IN 2020, WE SUCCESSFULLY MITIGATED THE DANGER TO OUR COMPANY, AND IN 2021, WE WILL SEIZE EVERY OPPORTUNITY TO REALIZE A STRONG, PROFITABLE FUTURE FOR EXPRESS.”**

As I write this letter, the tide has begun to turn for our business, which reflects the power of our strategy and the strength of our team. I am proud of everyone at Express for staying aligned and focused on advancing our strategy, I am grateful to our Executive Leadership Team for their unwavering belief in our ability to navigate 2020 and to our Board of Directors for their wise counsel.

Over the last year, I have thought often of the framed quote on my desk that says: “When written in Chinese, the word ‘crisis’ is composed of two characters. The first represents danger and the second represents opportunity.” In 2020, we successfully mitigated the danger to our Company, and in 2021 we will seize every opportunity to realize a strong, profitable future for Express.

Tim Baxter
Chief Executive Officer
April 30, 2021

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

Form 10-K

(Mark One)

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

For the fiscal year ended January 30, 2021

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: 001-34742

EXPRESS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-2828128**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1 Express Drive **Columbus, Ohio**	**43230**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (614) 474-4001
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, $.01 par value	EXPR	The New York Stock Exchange
Preferred Stock Purchase Rights	EXPR	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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

Aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of August 1, 2020: $64,336,249.

The number of outstanding shares of the registrant's common stock was 64,973,977 as of February 27, 2021.

DOCUMENT INCORPORATED BY REFERENCE:

Certain portions of the registrant's definitive Proxy Statement for its 2021 Annual Meeting of Stockholders, which is expected to be filed with the Commission within 120 days after the end of the registrant's 2020 fiscal year ("Proxy Statement for our 2021 Annual Meeting of Stockholders"), to be held on June 9, 2021, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Annual Report on Form 10-K are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” "potential," “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely,” “continue to,” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, and financial results; our plans, objectives, strategies, and initiatives for future operations or growth; the expected outcome of such plans, objectives, strategies, and initiatives; or expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including, but not limited to those under the heading "Risk Factors" in Part I, Item 1A in this Annual Report on Form 10-K. Those factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this Annual Report on Form 10-K. We caution you not to place undue reliance on these forward-looking statements. We do not undertake any obligation to make any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as required by law, including the securities laws of the United States and rules and regulations of the Securities and Exchange Commission ("SEC").

RISK FACTORY SUMMARY

Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found under the heading “Risk Factors” in Part I, Item 1A in this Annual Report on Form 10-K:

External Risks

- changes in consumer spending and general economic conditions;
- customer traffic at malls, shopping centers, and at our stores;
- the novel coronavirus outbreak, declared a pandemic by the World Health Organization, is adversely affecting and may continue to adversely affect our business operations, store traffic, employee availability, financial condition, liquidity and cash flow;
- competition from other retailers;
- our dependence upon independent third parties to manufacture all of our merchandise;
- changes in the cost of raw materials, labor, and freight;
- supply chain disruption and increased tariffs;
- difficulties associated with our distribution facilities;
- natural disasters, extreme weather, public health issues, including pandemics, fire, and other events that cause business interruption; and
- our reliance on third parties to provide us with certain key services for our business.

Strategic Risks

- our ability to identify and respond to new and changing fashion trends, customer preferences, and other related factors;
- fluctuations in our sales, results of operations, and cash levels on a seasonal basis and due to a variety of other factors, including our product offerings relative to customer demand, the mix of merchandise we sell, promotions, inventory levels, and sales mix between stores and eCommerce;
- our dependence on a strong brand image;
- our ability to adapt to changes in consumer behavior and develop and maintain a relevant and reliable omnichannel experience for our customers;
- our dependence upon key executive management; and
- our ability to execute our growth strategy, including but not limited to, engaging our customers and acquiring new ones, executing with precision to accelerate sales and profitability, putting product first, and reinvigorating our brand.

Information Technology Risks

- the failure or breach of information systems upon which we rely;
- the increase of our employees working remotely and use of technology for work functions; and
- our ability to protect our customer data from fraud and theft.

Financial Risks

- our substantial lease obligations;
- restrictions imposed on us under the terms of our current credit facilities, including asset based requirements related to inventory levels, ability to make additional borrowings, and restrictions on our ability to repurchase shares of our common stock;
- our inability to maintain compliance with covenants in our current credit facilities; and
- impairment charges on long-lived assets and our lease assets.

Legal, Regulatory and Compliance Risks

- claims made against us resulting in litigation or changes in laws and regulations applicable to our business;
- our inability to protect our trademarks or other intellectual property rights that may preclude the use of our trademarks or other intellectual property around the world;
- changes in tax requirements, results of tax audits, and other factors that may cause fluctuations in our effective tax rate; and
- our failure to maintain adequate internal controls.

Stock Ownership Risk Factors

- our inability to pay dividends and repurchase shares;
- our charter documents and applicable law may discourage or delay acquisition attempts;
- our shares of common stock may experience extreme volatility and purchases of our common stock could incur substantial losses;
- our stock price may incur rapid and substantial increases or decreases that may not coincide in timing with the disclosure of news or developments affecting us; and
- the difficulty for a third party to acquire control of our stock due to our stockholder rights agreement.

PART I

ITEM 1. BUSINESS.

In this section, "Express", "we", "us", "the Company", and "our" refer to Express, Inc. and its consolidated subsidiaries as a combined entity. Our fiscal year ends on the Saturday closest to January 31. Fiscal years are referred to by the calendar year in which the fiscal year commences. All references herein to the Company's fiscal years are as follows:

Fiscal Year	Year Ended	Number of Weeks
2020	January 30, 2021	52
2019	February 1, 2020	52
2018	February 2, 2019	52

GENERAL

Express is a modern, versatile, dual gender apparel and accessories brand that helps people get dressed for every day and any occasion. Launched in 1980 with the idea that style, quality and value should all be found in one place, Express has always been a brand of the now, offering some of the most important and enduring fashion trends. Express aims to *Create Confidence and Inspire Self-Expression* through a design and merchandising view that brings forward *The Best of Now for Real Life Versatility*.

As of January 30, 2021, we operated 570 stores across the United States and in Puerto Rico, including 210 factory outlet stores. Our stores are located primarily in high-traffic shopping malls, lifestyle centers, outlet centers, and street locations, and average approximately 8,500 gross square feet. We also sell our products through our eCommerce website, www.express.com, and our mobile app, as well as through franchisees who operate Express locations in Latin America pursuant to franchise agreements. Our 2020 merchandise sales were comprised of approximately 60% women's merchandise and approximately 40% men's merchandise.

COMPETITION AND COMPETITIVE STRENGTHS

The apparel retail market is highly competitive. We compete with other omni-channel retailers that engage in the retail sale of women's and men's apparel, accessories, and similar merchandise. We compete on the basis of a combination of factors, including, among others, style, breadth, quality, and price of merchandise offered, in-store and online customer experience, and brand image.

We believe we differentiate ourselves from our competitors as follows:

- ***Established Lifestyle Brand***

  With more than 40 years of heritage, the Express brand represents a distinct fashion point of view, that creates confidence and inspires self-expression. Express has an edited assortment designed for real-life versatility. The Express brand differentiates itself by offering 1) mix and match versatility; 2) products that are new and now; and 3) enduring modern tailored products.

- ***Reengineered Go To Market Processes***

  During 2019, we thoroughly assessed our existing processes and identified a number of opportunities for improvement. As a result, we implemented our new go to market process in the Spring of 2020 and our teams have been better aligned, our products speed to market has increased, and we have better cross functional coordination in the field and at the home office. This transformed process began with a unified brand presentation increasing our speed to market, streamlining our calendars, and ensuring better integration across all of our marketing touchpoints. Our goal is to be more efficient, more effective, and more connected across functions and faster to market at a reduced cost. We have also worked more closely with our suppliers to achieve better alignment on the aesthetics, fit and quality our customers want. All of these efforts will help us bring more newness in our assortment, more often.

- ***Strong and Experienced Team***

  Our existing team, at and below the leadership level, has extensive experience in the retail apparel industry, including depth in the areas of fashion design and merchandising, supply chain management, marketing, customer experience, eCommerce, store operations, technology, planning and allocation, and real estate, as well as other diverse business experiences that we believe are valuable to us as we continue to execute our growth strategy. Experience within Express extends deep into our organization, including district and store managers.

OUR PRODUCTS

The majority of our apparel designs are created by our in-house design team. We believe every day is an occasion and we want to help our customers dress for it. The Express Edit is our product approach and mindset. It is about focus, curation, and standing for certain elements of fashion and style that we know matter most to our customers. Below are the five ideas that define the Express Edit.

- ***Mix & Match Versatility***
  - The lines between work and weekend wardrobes have blurred, so every piece in the closet has to work hard and be able to be worn to multiple wearing occasions.
- ***New & Now***
  - Express will once again become a place for customers to find what’s new at the quality and price they expect.
- ***Modern Tailored***
  - Our brand has the credentials to be a go-to resource for great quality suits and tailored separates at a great value proposition. We are known for modern tailoring, and it is a core strength that we will leverage and expand.
- ***Denim Everywhere***
  - We believe we can become a go-to resource for refined denim. We have crafted a denim assortment with greater breadth of fits and washes in order to deliver on versatility for our customers.
- ***Best of Black***
  - Our customers gravitate to the modernity and simplicity of black, and we intend to refresh their closets by introducing new shapes and silhouettes grounded in this universal color.

We plan our product assortments and display them in our stores and online in a coordinated manner to encourage our customers to purchase items that can be worn in multiple ways for multiple wearing occasions. We believe this allows us to better meet our customers' shopping objectives while differentiating our product offerings from competitors. On average, our customers purchase two to three items per transaction.

OMNICHANNEL CUSTOMER EXPERIENCE

We are committed to enhancing our omnichannel customer experience that offers a seamless shopping experience whether the customer is shopping in a store or online through a desktop, tablet, or mobile device. We believe the lines between our store and eCommerce channels are disappearing as customers increasingly interact with us both in-store and online and often through mobile devices while in stores. As a result, we are focused on leveraging the best of both channels to create an exceptional omnichannel shopping experience.

We design our stores to create a distinctive and engaging shopping environment and project our image of Express as a fashion authority. Our stores feature a vibrant and youthful look, bright signage, and popular music. Our stores are constructed and finished to allow us to efficiently shift merchandise displays throughout the year as seasons dictate. To further enhance our customers' experience, we seek to attract enthusiastic store associates who are committed to offering a high level of customer service. We believe our managers and associates are well equipped to assist and inspire our customers as a result of education and training we provide, the culture of accountability we foster, the incentives we offer, and the decision-making authority we grant to store managers. On average, our store managers have been with Express for approximately seven years.

Similar to our stores, our eCommerce capabilities focus on creating an engaging and easy shopping experience that supports a vibrant, young fashion consumer, whether on a mobile device, tablet, or desktop, with a particular focus on the mobile experience. We recognize the growing preference for online shopping and continue to make enhancements to the online customer experience through improved search, site navigation and checkout capabilities, and targeted customer messaging, making shopping easier for customers. During 2020, we focused on advancing our eCommerce and omnichannel experience, particularly as the impacts of the COVID-19 pandemic resulted in more of our customers shopping online. We did this with enhanced and expanded buy-online-pick-up-in-store and ship-from-store functionalities, both of which contribute to more efficient, and effective inventory management. Additionally, we enhanced the way we engage and service our customers in the digital channel. We expanded our Digital Stylist program by increasing the resources available, to provide more real-time, virtual assistance to express.com customers. We plan to expand this program as we move into 2021 by shifting some of our physical store associates into these Digital Stylist roles. Additionally we plan to optimize our online product assortment through product extensions, and expand and grow our Marketplace business with the addition of new categories such as active, swimwear, and intimates.

MARKETING

We use a variety of marketing vehicles designed to acquire new customers, engage with existing customers, increase customer traffic in-store and online, and build brand loyalty. We seek to optimize our customer relationship management ("CRM") through a number of tactics, such as test and learn programs, circulation and offer models, and greater use of digital marketing.

We use a proprietary customer database, together with data analytics, to customize our communications and make targeted offers to customers in an effort to increase customer traffic in-store and online and to increase conversion. In addition, in August 2020, we completed the soft relaunch of our loyalty program, now called Express Insider. Our loyalty program members have the greatest lifetime value to Express. This program is a critical factor in gaining additional share of existing customers' spend and bringing new customers into the brand. We anticipate implementing additional enhancements to our Express Insider program in the first quarter of 2021, including the new participation tiers, new benefits, a digital wallet feature, and making it easier for customers to earn, track, and redeem their benefits. We also offer a private-label credit card through an agreement (the "Card Agreement") with Comenity Bank (the “Bank”) under which the Bank owns the credit card accounts and Alliance Data Systems Corporation provides services to our private-label credit card customers. All of our proprietary credit cards carry the Express logo.

TECHNOLOGY

We rely on information technology to operate our business. Our information technology provides a full range of business process support and information to our store, eCommerce, merchandising, financial, and real estate teams. We utilize a combination of customized and industry standard software systems to provide various functions related to point-of-sale, inventory management, design, planning and allocation, and financial reporting. During 2020, we launched multiple system upgrades, including an updated order management system and a new assortment planning system to improve coordination and support our new go to market strategy. We believe these new systems will continue to allow us to increase speed-to-market, conduct planning and allocation with more precision, and ultimately give us the ability to maximize inventory productivity and reduce markdowns over time.

SOURCING

Our Sourcing Methods

We utilize a broad base of manufacturers located throughout the world that we believe produce goods at the level of quality that our customers desire and can supply products to us on a timely basis at competitive prices. We do not own or operate any manufacturing facilities and, as a result, contract with third-party vendors for the production of all of our merchandise. We purchase both apparel and accessories through buying agents and directly from vendors. In exchange for a commission, our buying agents identify suitable vendors and coordinate our purchasing requirements with vendors by placing orders for merchandise on our behalf, ensuring the timely delivery of goods to us, obtaining samples of merchandise produced in factories, inspecting finished merchandise, and carrying out vendor compliance monitoring and administrative communications on our behalf.

We purchase the majority of our merchandise outside of the United States through arrangements with approximately 105 vendors utilizing approximately 321 manufacturing facilities located in approximately 26 countries throughout the world, primarily in Asia. The top five countries from which we sourced our merchandise in 2020 were Vietnam, China, Indonesia, India, and Pakistan, based on total cost of merchandise purchased. The top 10 manufacturing facilities, based on cost, supplied approximately 29% of our merchandise in 2020. We purchase merchandise using purchase orders, and therefore are not subject to long-term production contracts with any vendors, manufacturers, or buying agents.

Quality Assurance and Compliance Monitoring

Each supplier, factory, and subcontractor that manufactures our merchandise is required to adhere to our Code of Vendor Conduct and certain other purchasing terms and conditions, including those related to product quality. This is designed to ensure that each of our suppliers' operations are conducted in a legal, ethical, and responsible manner. Our Code of Vendor Conduct requires that each of our suppliers provides minimum wages and benefits, limits working hours, complies with all laws, including environmental laws, and provides a safe and healthy work environment. It also forbids the use of child labor or forced labor, and prohibits unauthorized subcontracting. We monitor compliance through third parties who conduct regular factory audits on our behalf as well as through our buying agents.

DISTRIBUTION

We utilize two facilities for the distribution of our product, both of which are owned and operated by third parties. Virtually all of the merchandise sold in our stores and on our website is first received and processed at a central distribution facility in Columbus, Ohio. From there, merchandise allocated to be sold in stores is shipped to our stores and merchandise to be sold online direct-to-consumer is shipped to a distribution facility in Richwood, Kentucky (the "Richwood Facility"). Merchandise is typically shipped to such stores and to the Richwood Facility via third-party delivery services multiple times per week, thereby providing them with a steady flow of inventory. The third party who operates the Richwood Facility is responsible for fulfilling the majority of the orders placed through our website and shipping the merchandise directly to customers or to stores for pickup, via third-party delivery services. In addition, approximately 330 retail stores have the ability to ship select online merchandise directly to our customers.

STORES

As of January 30, 2021, we operated a total of 570 stores in 46 states across the United States, as well as in Puerto Rico.

The following list shows the number of stores we operated in the United States and Puerto Rico as of January 30, 2021:

Location	Count	Location	Count	Location	Count
Alabama	5	Louisiana	7	Ohio[1]	19
Arizona	9	Maine	3	Oklahoma	5
Arkansas	2	Maryland	14	Oregon	3
California	70	Massachusetts	14	Pennsylvania	25
Colorado	11	Michigan	17	Puerto Rico	3
Connecticut	8	Minnesota	10	Rhode Island	2
Delaware	2	Mississippi	2	South Carolina	6
Florida	49	Missouri	8	South Dakota	1
Georgia	16	Nebraska	3	Tennessee	8
Hawaii	2	Nevada	9	Texas	53
Idaho	1	New Hampshire	4	Utah	4
Illinois	27	New Jersey	26	Virginia	14
Indiana	13	New Mexico	3	Washington	9
Iowa	9	New York	37	West Virginia	1
Kansas	4	North Carolina	16	Wisconsin	11
Kentucky	4	North Dakota	1		
				Total	**570**

1. Store count includes one Express Edit concept store

The following list shows the number of stores operated by our franchisees by country as of January 30, 2021:

Location	Count
Mexico	1
Costa Rica	2
Panama	2
El Salvador	1
Guatemala	1
Total	**7**

INTELLECTUAL PROPERTY

The Express trademark and certain variations thereon, such as Express World Brand, are registered or are subject to pending trademark applications with the United States Patent and Trademark Office and/or with the registries of many foreign countries. In addition, we own domain names for many of our trademarks, including express.com, and we vigorously protect them against infringement.

REGULATION AND LEGISLATION

We are subject to labor and employment laws and regulations, including minimum wage requirements; intellectual property laws; consumer protection laws and regulations, including those governing advertising and promotions, privacy, and product safety; laws and regulations with respect to the operation of our stores and business generally, including the Foreign Corrupt Practices Act; and laws that apply as a result of being a public company. In addition, we are subject to United States customs laws and similar laws of other countries associated with the import and export of merchandise.

HUMAN CAPITAL RESOURCES

At Express our brand purpose is to create confidence and inspire self-expression, and our associates are essential to fulfilling that purpose. In order to compete and succeed in a highly competitive and rapidly evolving market, we must continue to attract and retain talented and experienced employees. To do this, we begin with a comprehensive, Company-wide program called Success@Express that guides our approach to associate performance, potential and succession, and rewards. Success@Express also ensures that each associate's goals and objectives are aligned with the EXPRESSway Forward strategy.

Associates

We currently employ approximately 10,000 associates. Approximately 800 associates are based at our corporate locations in either Columbus or New York City, approximately 40 are field-based regional and district managers, approximately 1,000 are in-store managers and assistant managers, and approximately 8,000 are in-store sales associates. Approximately 30% of our associates are full-time and the remaining 70% are part-time. None of our associates are represented by a union. We believe our relations with our associates are good.

Values

Because we believe that culture influences how an organization operates, and the way associates show up and treat one another, early in 2020, we introduced new workplace values and associated behaviors.

Express Yourself

- Be bold, but not intimidating
- Be open and share your point of view
- Be passionate about the brand, the business and the team
- Be your most authentic self

Express Together

- Accept and respect each associate for who they are and how they contribute
- Encourage candor, invite dialogue and listen to points of view that differ from your own
- Build trust and productivity within your team and across functions by assuming positive intentions and respecting subject matter expertise
- Contribute your time and resources to the well-being of our communities and our planet

Express Success

- Recognize your role in delivering results
- Understand what you must do or what help you may need in order to achieve your goals
- Hold yourself accountable for the quality and consistency of your work
- Offer and accept constructive feedback with kindness and respect

Diversity, Equity & Inclusion

In the Spring of 2020, we revisited the subject of Diversity & Inclusion ("D&I") at Express to ensure that our work here was aligned with our corporate strategy, brand purpose and values. We expanded the definition and scope of this work to Diversity, Equity & Inclusion ("DE&I") and made the following changes to reflect this expansion:

- The Diversity & Inclusion Steering Committee was renamed the DE&I Stewards to reflect their sense of ownership and accountability for driving this work forward, and the Diversity & Inclusion Council was renamed DE&I Ambassadors to reflect their role in building greater awareness and understanding of this work
- We developed a DE&I charter that includes a vision and mission to define our aspirations, and a set of objectives to guide our priorities and initiatives

- Our Vision is: To create a culture where associates, customers and partners can feel confident and supported being their genuine selves, and our Mission is: To seek out, respect and embrace different experiences, approaches and points of view
- The DE&I Stewards and Executive Leadership Team are driving the realization of this work across all of our functional areas and ensuring that we embed best practice DE&I thinking into everything that we do

Compensation and Benefits

The compensation and benefits component of the Success@Express program is designed to attract and reward individuals who demonstrate the skills necessary to support our business objectives, assist in the achievement of our strategic goals and create long-term value for our shareholders. We provide associates with compensation packages that include base salary and may also include annual incentive bonuses and/or long-term incentive awards depending upon the associate's level. We believe that a compensation program with both short-term and long-term awards provides fair and competitive compensation and aligns associate and stockholder interests. In addition to cash and equity compensation, we also offer associates benefits such as life and health (medical, dental and vision) insurance, paid time off, paid parental leave, and a 401(k) plan, of which we match 4.0% of contributions.

In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our associates as well as the communities in which we operate. This includes having the vast majority of our corporate associates work from home while also implementing a number of safety measures for associates continuing critical on-site work. During this time we also introduced Flex@Express which empowers associates to work with their leaders to create flexible work arrangements that best balance their personal and professional commitments.

Community Involvement

We believe that giving back to the communities where our associates live and work is the right thing to do, and also supports our efforts to attract and retain the most talented and experienced employees.

To further fulfill our brand purpose we launched the Express Dream Big Project ("Dream Big") in 2020. This is an ongoing fundraising initiative created to champion organizations that empower people to believe in themselves and follow their dreams. This program is a way to unify and align our corporate philanthropy and employee giving in a way that is tightly connected to our brand purpose.

During the Fall season, we partnered with the GoFundMe Small Business Relief Fund to encourage our customers and associates to help us raise money for entrepreneurs who've been hit hardest by COVID-19. We matched customer donations up to $50,000 on Small Business Saturday and Giving Tuesday. Looking ahead to 2021, our first Dream Big partnership will be with the NAACP Empowerment Programs whose mission is to ensure the political, educational, social, and economic equality of rights of all persons and to eliminate racial hatred and discrimination.

SEASONALITY

Our business is seasonal. We define our seasons as Spring, which includes the first and second quarters, and Fall, which includes the third and fourth quarters. Historically, we have realized a higher portion of our net sales and net income in the Fall season due primarily to the impact of the holiday season. Generally, approximately 45% of our annual net sales occur in the Spring season and 55% occur in the Fall season. In 2020, this split was approximately 38% were generated in the Spring season and approximately 62% were generated in the Fall season as a result of the COVID-19 pandemic and the related store closures in the Spring season. Cash needs are typically higher in the third quarter due to inventory-related working capital requirements for early Fall and holiday selling periods. Our business is also subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving, and Christmas.

CORPORATE HISTORY

We opened our first store in 1980, in Chicago, Illinois as a division of The Limited, Inc., now known as L Brands, Inc., and launched our men’s apparel line in 1987, which was rebranded under the name Structure in 1989. In 2001, we began to consolidate our separate women’s and men’s stores into combined dual-gender stores under the Express brand. In 2007, Golden Gate Capital acquired 75% of the equity interests in our business from an affiliate of Limited Brands, Inc., and we began to operate as a standalone company. In May 2010, the Company converted to a Delaware corporation, held an initial public offering, and listed its shares on the New York Stock Exchange. Subsequent to our initial public offering, Golden Gate Capital and Limited Brands, Inc. sold their remaining interests in the Company and are no longer affiliated with Express.

AVAILABLE INFORMATION

We make available free of charge on our website, www.express.com, copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act of 1934"), as soon as reasonably practicable after filing such material electronically with, or otherwise furnishing it to, the SEC. The SEC maintains a website that contains electronic filings at www.sec.gov. References to our website address do not constitute incorporation by reference of the information contained on the website, and such information is not part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS.

Our business faces a variety of risks. The risks described below are the items of most concern to us, however these are not all of the risks we face. Additional risks and uncertainties not presently known to us, that apply to similar businesses more generally, or that we currently consider immaterial may also impair our business operations. If any of these risks occur, our business prospects, reputation, financial condition or results of operations could materially suffer, and the market price of our common stock could decline.

EXTERNAL RISK FACTORS

Our business is sensitive to consumer spending and general economic conditions. Recessionary, slow growth, or other difficult economic conditions could adversely affect our financial performance.

Consumer purchases of discretionary items, including our merchandise, generally decline during recessionary periods and other periods where disposable income is adversely affected. Our business is impacted by factors that affect domestic and worldwide economic conditions and disposable income, particularly those that affect our target demographic, including unemployment levels, levels of consumer debt, availability of consumer credit, levels of student debt, healthcare costs, prices of non-discretionary consumer goods, reductions in net worth based on declines in the financial, residential real estate and mortgage markets, tax rates, fuel and energy prices, interest rates, consumer confidence and perceptions of personal well-being and security, the value of the United States dollar versus foreign currencies, political and regulatory uncertainty, and other macroeconomic factors. Uncertain or deteriorating economic conditions may reduce the level of consumer spending and inhibit consumers' use of credit, which may adversely affect our revenues, profits, liquidity and capital resources. In recessionary periods or periods of slow growth, we may have to increase the number of promotional sales or otherwise dispose of inventory, including fabric, for which we have previously paid to manufacture or committed to purchase and/or increase out marketing and promotional expenses in response to lower than anticipated levels of demand for our products, which could adversely affect our profitability. Our financial performance may be particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores.

In addition, difficult economic conditions may exacerbate some of the other risks described in this Item 1A. Risk Factors, including those risks associated with increased competition, decreases in mall traffic, brand reputation, our ability to develop and maintain a reliable omnichannel customer experience, our ability to execute our corporate strategy and achieve our strategic objectives, the interruption of the production and flow of merchandise, and leasing substantial amounts of space. The risks could be exacerbated individually or collectively.

Our ability to attract customers to our stores that are located in malls or other shopping centers depends heavily on the success of these malls and shopping centers, and continued decreases in customer traffic in these malls or shopping centers, whether due to the growing preference for online shopping or otherwise, could cause our net sales and our profitability to be less than expected.

A significant number of our stores are located in malls and other shopping centers and many of these malls and shopping centers have been experiencing declines in customer traffic. Our sales at these stores are dependent, to a significant degree, upon the volume of traffic in those shopping centers and the surrounding area; however, our costs associated with these stores are essentially fixed. In times of declining traffic and sales, our ability to leverage these costs and our profitability are negatively impacted. Our stores benefit from the ability of a shopping center's other tenants to generate consumer traffic in the vicinity of our stores and the continuing popularity of the shopping center as a shopping destination. Our sales volume and traffic has been and we expect will continue to be adversely affected by, among other things, the decrease in popularity of malls or other shopping centers in which our stores are located, the closing of anchor stores important to our business, and declines in popularity of other stores in the malls or shopping centers in which our stores are located. Furthermore, a deterioration in the financial condition of shopping center operators or developers could, for example, limit their ability to invest in improvements and finance tenant improvements for us and other retailers and lead consumers to view these locations as less desirable. Further reduction in consumer traffic as a result of these or any other factors could have a material adverse effect on us.

The COVID-19 pandemic could continue to adversely affect our business operations, store traffic, employee availability, financial condition, liquidity and cash flow.

Since being reported in December 2019, COVID-19 has spread globally, including to every state in the United States, and has been declared a pandemic by the World Health Organization. The COVID-19 pandemic and preventative measures taken to contain or mitigate such have caused, and are continuing to cause, business slowdown or shutdown in affected areas and significant disruption in the financial markets both globally and in the United States. This has led to a decline in discretionary spending by consumers, which has materially impacted our business, sales, financial condition and results of operations. The impacts include, but are not limited to:

- retail and outlet store closures or reduced operating hours and/or decreased traffic;
- disruption to our distribution centers and our third-party manufacturing partners and other vendors, including the effects of facility closures, reductions in operating hours, labor shortages, and real time changes in operating procedures, including for additional cleaning and disinfection procedures, which could, among other things, make it difficult or impossible to operate our eCommerce business; and
- significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future.

The further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, will impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations, cash flows and financial condition. The extent of the impact of COVID-19 on our business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which we operate, the related impact on consumer confidence and spending, the effect of governmental regulations imposed in response to the pandemic, whether there are additional outbreaks, mutations or related strains of the virus in locations where we operate, the availability of, and prevalence of access to, effective medical treatments and vaccines for COVID-19, and the pace of recovery when the pandemic subsides, all of which are highly uncertain and cannot be predicted. The sweeping nature of the COVID-19 pandemic makes it extremely difficult to predict how our business and operations will be affected in the long run. However, the likely overall economic impact of the pandemic is viewed as highly negative to the general economy. Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic, could materially increase our costs, negatively impact our sales and damage our results of operations and liquidity, possibly to a significant degree. While we currently believe liquidity will be sufficient to fund our lease obligations, capital expenditures, and working capital for the next 12 months and the foreseeable future, inclusive of levers we have available to alleviate our gross risk, the duration of any such impacts cannot be predicted.

We face significant competition that could adversely affect our ability to generate higher net sales and margins.

We face substantial competition in the specialty retail apparel and accessories industry, including from individual and chain specialty apparel retailers, local regional, national and international department stores, and eCommerce businesses. Recent proliferation of the direct-to-consumer channel has encouraged the entry of many new competitors and an increase in competition from established companies. Some of our competitors have competitive advantages relative to us, including greater financial, marketing, and other resources, lower prices, higher wages, greater eCommerce presence, more desirable store locations and faster speed-to-market. Further, our larger competitors may be better equipped to changing conditions that affect the competitive market and newer entrants may be viewed as more desirable by fashion-conscious consumers. Many of our competitors sell their products in stores that are located in the same shopping malls or lifestyle centers as our stores and many also sell their products online either exclusively or in addition to brick-and-mortar stores. We expect the retail environment for apparel to remain highly competitive, which may result in lower prices, more promotions, and lower product margins. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls and lifestyle centers, and our competitors may be able to secure more favorable locations than us as a result of their relationships with, or appeal to, landlords or their willingness and ability to pay more for leased space. We also compete with other retailers and service-based businesses for personnel. The competition for retail talent is increasing and we may not be able to secure the talent we need to operate our stores without increasing wages. We cannot assure you that we will be able to compete successfully against existing or future competitors or maintain our product margins, and our inability to do so could have a material adverse effect on us.

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

We do not own or operate any manufacturing facilities. As a result, we are dependent upon the timely receipt of quality merchandise from third-party vendors. A manufacturer's inability to ship orders to us in a timely manner or meet our quality standards could cause inventory shortages or high levels of out-of-season inventory and negatively affect consumer confidence in the quality and value of our brand and our competitive position. As there are a finite number of skilled manufacturers that meet our requirements, it could take significant time to identify and qualify suitable alternatives, which could, for example, result in our missing retailing seasons. In addition, if manufacturing costs were to rise significantly, our product margins and results of operations could be negatively affected. Any of these issues could have a material adverse effect on our financial condition and results of operations.

If any of our manufacturers fail to comply with applicable laws or our Vendor Code of Conduct, or engage in any socially unacceptable business practices such as poor working conditions, child labor, disregard for environmental standards, or otherwise, our brand reputation could be negatively impacted and our results of operations could in turn be materially adversely affected.

The raw materials used to manufacture our products and our transportation and labor costs are subject to availability constraints and price volatility, which could result in increased costs.

The raw materials used to manufacture our merchandise are subject to availability constraints and price volatility caused by demand for cotton, petroleum-based synthetic textiles, and other fabrics, weather conditions, supply conditions, government regulations, including those associated with global climate change, economic climate, and other unpredictable factors. In addition, our transportation and labor costs are subject to price volatility caused by the price of energy, supply of labor, governmental regulations, higher minimum wages, economic climate, and other unpredictable factors. In addition, the cost of labor at many of our manufacturers has been increasing significantly, and as the middle class in developing countries continues to grow, it is unlikely that such cost pressure will abate.

Changes in the demand for, or the price, availability or quality of, raw materials used to manufacture our merchandise and increases in transportation and labor costs could each have a material adverse effect on our cost of sales or our ability to meet our customers' needs. We may not be able to pass all or a material portion of such increased costs on to our customers, which could negatively impact our profitability.

The interruption of the flow of merchandise from international manufacturers or increased tariffs or other trade restrictions could disrupt our supply chain.

We purchase the majority of our merchandise outside of the United States through arrangements with approximately 105 vendors, utilizing approximately 321 manufacturing facilities located throughout the world, primarily in Asia and Central and South America. Political, social, or economic instability in Asia, Central, or South America, or in other regions where our products are made, could cause disruptions in trade, including exports. Other events that could also cause disruptions to our supply chain include:

- the imposition of additional trade law provisions or regulations;
- the imposition of additional duties, tariffs, and other charges on imports and exports;
- quotas imposed by bilateral textile agreements;
- foreign currency fluctuations;
- raw material shortages, natural disasters and theft;
- economic crises, international disputes and wars;
- public health issues, such as the recent outbreak of COVID-19, and social or political unrest;
- restrictions on the transfer of funds;
- the financial instability or bankruptcy of manufacturers;
- significant labor disputes; and

- the inability of our vendors to source raw materials due to factories that are shut down temporarily due to illness.

Political uncertainty in the United States may result in significant changes to U.S. trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Any of these factors could depress economic activity, restrict our sourcing from suppliers and have a material adverse effect on our business, financial condition and results of operations. We cannot predict whether the countries in which our merchandise is manufactured, or may be manufactured in the future, will be subject to new or additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type, or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, embargoes, safeguards, and customs restrictions against apparel items, as well as labor strikes and work stoppages, slowdowns or boycotts, and temporary closures of facilities or shipping ports caused by public health issues, such as the recent outbreak of COVID-19, could increase the cost or reduce or delay the supply of apparel available to us. As a result, we may be unable to meet our customers' demands or pass on price increases to our customers. In addition, if imported merchandise becomes unavailable or more expensive, the transition to alternative sources may not occur in time to meet demand. The occurrence of any of these or other risks could adversely affect our business, financial condition, or results of operations.

If we experience significant supply chain disruptions, including as a result of any bans on travel, commercial or other similar restrictions or any delays in production or distribution operations at any or all of our suppliers' facilities due to the ongoing COVID-19 pandemic. We may not be able to develop alternate sourcing quickly on favorable terms, if at all, which could result in increased costs, loss of sales and a loss of customers, and adversely impact our financial condition and results of operations.

If we encounter difficulties associated with distribution facilities or if they were to shut down for any reason, we could face shortages of inventory in our stores, delayed shipments to our online customers, and harm to our reputation.

Our distribution facilities are operated by third parties. Our Columbus facility operates as our central distribution facility and supports our entire North American business. All of our merchandise is shipped to the central distribution facility from our vendors and is then packaged and shipped to our stores or the Richwood Facility for further distribution to our online customers. The success of our stores and the satisfaction of our online customers depend on their timely receipt of merchandise. The efficient flow of our merchandise requires that the third parties who operate the distribution facilities have adequate capacity and labor to support our current level of operations and any anticipated increased levels that may follow from the growth of our business or during peak seasons.

If we encounter labor and capacity constraints, difficulties with the distribution facilities or in our relationships with the third parties who operate the facilities, or if either facility were to shut down for any reason, including as a result of fire or other natural disaster, software malfunctions, economic conditions, government shutdowns, accidents, shipping problems, or employee matters, such as work stoppages, we could face shortages of inventory, resulting in "out of stock" conditions in our stores, incur significantly higher costs and longer lead times associated with distributing our products to both our stores and online customers, and experience dissatisfaction from our customers. Any of these issues could have a material adverse effect on our business and harm our reputation.

Natural disasters, fire, pandemic disease and other events beyond our control may cause business disruption and result in unexpected adverse operating results.

Our corporate offices and other facilities on which we rely, including those of our third party vendors, are vulnerable to damage and/or disruption from extreme weather, natural disasters, fire, pandemic disease, acts of terrorism, and other unexpected events which could cause us to experience significant disruption in our business, resulting in lost sales and productivity, and causing us to incur significant expense to repair our facilities, any of which could have a material adverse effect on our business. In addition, there can be no assurance that our property insurance will be sufficient, or that insurance proceeds will be paid timely to us in the event that any of our facilities are damaged or shut down for any reason.

Extreme or unseasonable weather conditions could have an adverse impact on our sales, inventory levels and operating results.

Our operations have historically been seasonal, with a significant amount of net sales and operating income occurring in the third and fourth quarters. Unseasonable weather may reduce demand for our seasonal merchandise and severe weather conditions or changes in weather patterns may also influence consumer preferences and fashion trends, consumer traffic and shopping habits. Any of these factors could reduce sales and profitability and could have a material adverse effect on our financial condition and results of operations.

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

We currently rely upon independent third-party transportation providers for substantially all of our product shipments, including shipments to and from all of our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks which may impact a shipping company's ability to provide delivery services that adequately meet our shipping needs, including risks related to employee strikes, labor and capacity constraints, port security considerations, trade policy changes or restrictions, military conflicts, acts of terrorism, accidents, natural disasters and inclement weather. Any interruption in service provided by our shipping companies could cause temporary disruptions in our business, a loss of sales and profits, and other material adverse effects. In addition, we are subject to increased shipping costs when fuel prices increase, when we use expedited means of transportation such as air freight, and due to other economic factors affecting supply and demand within the transportation industry. If we change the shipping companies we use, we could face logistical difficulties that could adversely affect deliveries, and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from our current independent third-party transportation providers which, in turn, would increase our costs.

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

We rely on many different third parties to provide us with key services. For example, we rely on a third party to operate our central distribution facility in Columbus, Ohio and to provide certain inbound and outbound transportation and delivery services, distribution services, and customs services. We also rely on another third party to provide us with logistics and other services related to our eCommerce operations and another third party to provide telephone and online support to our customers. In connection with our sourcing activities, we rely on approximately 105 buying agents and vendors to help us source products from approximately 321 manufacturing facilities, and in connection with our marketing activities, we rely on third parties to administer our customer database, our loyalty program, our private label credit card program, and our gift cards. We also rely on third-party technology providers to provide us with various technology services and we rely on a third party to administer certain aspects of our payroll. If any of these third parties fails to perform their obligations to us, increases their prices, or declines to provide services to us in the future, we may suffer a disruption to our business, increased costs, harm to our brand, and loss of customers, which could have a material adverse effect on our business, results of operations, and financial position. Furthermore, we may be unable to provide these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.

STRATEGIC RISK FACTORS

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

Our focus on fashion-conscious young women and men means that we have a target market of customers whose preferences cannot be predicted with certainty and are subject to frequent change. Our success depends in large part upon our ability to effectively identify and respond to changing fashion trends and consumer demands and to translate market trends into desired product offerings. Our failure to identify and react appropriately to new and changing fashion trends or tastes, to accurately forecast demand for certain product offerings, or to effectively market or merchandise our products could lead to, among other things, excess or insufficient amounts of inventory, markdowns, write-offs, and lower product margins, any of which could materially adversely affect our business. Because our success depends significantly on our brand image, damage to our brand image as a result of our failure to identify and respond to changing fashion trends could have a material negative impact on us.

We often place orders for the manufacture and purchase of merchandise, including fabric, well ahead of the season in which that merchandise will be sold. Therefore, we are vulnerable to changes in consumer preference and demand, and pricing shifts, between the time we design and order our merchandise and the season in which this merchandise will be sold. There can be no assurance that we will be able to adequately and timely respond to the preferences of our customers. The failure of any of our product offerings to appeal to our customers could have a material adverse effect on our business, results of operations, and financial condition.

Our sales, profitability, and cash levels fluctuate on a seasonal basis and are affected by a variety of factors, including consumer demand, our product offerings relative to customer demand, the mix of merchandise we offer, promotions, inventory levels, and our sales mix between stores and eCommerce.

Our sales and results of operations are affected on a seasonal basis by a variety of factors, including consumer demand, our product offerings relative to customer demand, changes in our merchandise mix, the timing, number, and types of promotions we offer, actions of our competitors or mall anchor tenants, the ratio of online sales to store sales, the effectiveness of our inventory management, holiday and seasonal periods, changes in general economic conditions and consumer spending patterns, customer traffic, and weather conditions. As a result, our results of operations fluctuate on a quarterly basis and relative to corresponding periods in prior years, and any of these factors could adversely affect our business and could cause our financial results to decline. For example, our third and fourth quarter net sales are impacted by early Fall shopping trends and the holiday season. Any significant decrease in net sales during the early Fall selling period or the holiday season would have a material adverse effect on us. In addition, in order to prepare for these seasons, we must order and keep in stock significantly more merchandise than we carry during other parts of the year. This inventory build-up may require us to expend cash faster than we generate it by our operations during this period. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown. Our profitability is negatively impacted by the shift of sales from stores, which have higher fixed costs, to eCommerce, which has higher variable costs. A continued shift in sales away from stores to eCommerce, which has been accelerated as a result of the COVID-19 pandemic, could have a material adverse effect on our business, results of operations, and financial condition.

Our business depends in part on a strong brand image. If we are unable to maintain and enhance our brand, or our brand reputation is damaged for any reason, we may fail to attract customers and suffer a significant decline in sales.

Our ability to maintain our reputation and meet the expectations of our customers is critical to our brand image. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and customer experience, fail to maintain high ethical, social, and environmental standards for all of our operations and activities, or we fail to appropriately respond to concerns associated with any of the foregoing or any other concerns from our customers. Failure to comply with local laws and regulations, to maintain an effective system of internal controls, or to provide accurate and timely financial statement information could also hurt our reputation. We also rely on franchisees to help us maintain our brand image and any failure to do so could have a negative impact on us. Damage to our reputation or loss of consumer confidence for any of these reasons, may reduce demand for our products and have a material adverse effect on our business, financial condition, and results of operations, as well as require additional resources to rebuild our reputation.

Consumer behavior is rapidly changing, and if we are unable to successfully adapt to consumer shopping preferences and develop and maintain a relevant and reliable omnichannel experience for our customers, our financial performance and brand image could be adversely affected.

Our business continues to evolve from a largely brick-and-mortar retail business to an omnichannel retail business. While historically we interacted with our customers largely through our in-store experience, the traditional mall retail landscape is changing and increasingly we interact with our customers across a variety of different channels, including in-store, online at www.express.com, through mobile technologies, including the Express mobile app, and social media. Our customers are increasingly using tablets and mobile phones to make purchases online and to help them in making purchasing decisions when in our stores. Our customers also engage with us online, including through social media, by providing feedback and public commentary about all aspects of our business. Consumer shopping patterns are rapidly changing and our success depends on our ability to anticipate and implement innovations in customer experience and logistics in order to appeal to customers who increasingly rely on multiple channels to meet their shopping needs. If for any reason we are unable to implement our omnichannel initiatives, provide a convenient and consistent experience for our customers across all channels, or provide our customers the products they want, when and where they want them at a compelling value proposition, then our financial performance and brand image could be adversely affected.

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

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

Our corporate strategy includes: engaging our customers and acquiring new ones, executing with precision to accelerate sales and profitability, putting product first, and reinvigorating our brand. Failure in any of these areas could have a material negative effect on the value of the Company.

Our ability to improve the profitability of the Company is dependent on our ability to deliver compelling new merchandise at an attractive value, retain and acquire new customers, grow our retail business, expand our omnichannel capabilities, provide an exceptional customer experience, optimize our store footprint, and manage our overall cost structure. The success of these initiatives is dependent on a number of factors. For example, our ability to deliver compelling new merchandise at an attractive value is dependent on our ability to accurately forecast fashion trends and customer demand for products. Also, given the rapid pace of change, our ability to execute with precision, put product first, reinvigorate our brand, and engage current customers and acquire new customers may require significant financial investments that may not provide a return in the near term or at all.

Our ability to close stores, convert retail stores to outlet stores, or make other changes to our store fleet is limited by the terms of our existing leases. We are also reliant upon our ability to obtain desirable store locations, negotiate acceptable leases, and open stores on budget and in a timely manner. We historically have received landlord allowances related to store build outs which offset certain capital expenditures we must make to open a new store. If landlord allowances cease to be available to us in the future or are decreased, opening new stores would require more capital outlay.

Implementing any strategic initiative presents significant potential risk that may impair our ability to achieve anticipated operating improvements and cost reductions. These risks include, among others, higher than anticipated costs in implementing our corporate strategy, inability to achieve expected cost savings opportunities, management distraction from ongoing business activities, failure to maintain adequate controls and procedures while executing our corporate strategy, inability to execute our fleet rationalization plans, competition, prolonged ramp up time, challenges to product differentiation, damage to our reputation and brand image, workforce attrition beyond planned levels, and our inability to gather accurate and relevant data or effectively use that data, which may impact our strategic planning, marketing and overall decision making. Furthermore, our efforts to reduce expenses may have an adverse impact on our ability to achieve our strategic objectives by limiting the funding necessary to achieve such objectives or may impact product quality or in-store customer experience as we seek to reduce costs in our supply chain. Successful execution of our corporate strategy is dependent on our ability to achieve our strategic objectives. Failure to achieve any of our strategic objectives could have a material adverse effect on our business and results of operations and there can be no guarantee that we will achieve our strategic objectives or that our corporate strategy will result in improved operating results or an increase in the value of the business.

INFORMATION TECHNOLOGY RISK FACTORS

We rely significantly on information systems and any failure, inadequacy, interruption, or security failure of those systems could harm our ability to effectively operate our business, cause a decrease in our net sales, increase our expenses, and harm our reputation.

Our ability to effectively manage and maintain our inventory, ship products to our stores and our customers on a timely basis, communicate with our customers, conduct customer transactions, and otherwise operate our business depends significantly on our information systems. The failure of our information systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could adversely impact our merchandise distribution, transaction processing, financial accounting and reporting, the efficiency of our operations, and our ability to properly forecast earnings and cash requirements. We could be required to make significant additional expenditures to remediate any such failure, problem, or breach, and may be subject to legal claims as a result of such failure. To effectively carry out our growth strategy, we will need to continue to invest funds in order to maintain and improve our systems. Delays or issues during such implementations may have a material adverse effect on us.

We sell merchandise through our website, www.express.com. Our online sales may be adversely affected by interruptions in our ability to conduct sales through our website, due to failure of computer systems, failure of third-party technology and service providers on which we rely, telecommunications failures, security breaches, denial of service attacks, sabotage, or similar disruptions. Furthermore, functionality on our website may be limited or interrupted to the extent technology we use becomes the subject of a patent or other intellectual property dispute and we are unable to secure a license to use such technology or develop alternative functionality.

In addition, we may be the target of attempted cybersecurity attacks, computer viruses, malicious code, phishing attacks, denial of service attacks and other information security threats. The risk of such information security threats has been heightened by the substantial increase in the number of our employees who have been and continue to work from home due to government guidelines and internal policies put in place in response to the COVID-19 pandemic. To date, cybersecurity attacks have not had a material impact on our financial condition, results or business; however, we could suffer material financial or other losses in the future and we are not able to predict the severity of these attacks. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the current global economic and political environment, our prominent size and scale, the outsourcing of some of our business operations, the ongoing market shortage of qualified cybersecurity professionals, and the interconnectivity and interdependence of third parties to our systems. The techniques and sophistication used to conduct cybersecurity attacks and breaches, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. Accordingly, our expenditures to prevent future cybersecurity attacks or breaches may not be successful.

The occurrence of a cybersecurity attack, breach, unauthorized access, misuse, computer virus, or other malicious code or other cybersecurity event could jeopardize or result in the unauthorized disclosure, gathering, monitoring, misuse, corruption, loss, or destruction of confidential and other information that belongs to us, our employees, our customers, our counterparties, or third-party service providers that is processed and stored in, and transmitted through, our computer systems and networks. The occurrence of such an event could also result in damage to our software, computers or systems, or otherwise cause interruptions or malfunctions in our counterparties' or third parties' operations. This could result in significant losses, loss of customers and business opportunities, reputational damage, litigation, regulatory fines, penalties or intervention, reimbursement or other compensatory costs, or otherwise adversely affect our business, financial condition or results of operations. Employee error, malfeasance, or other errors in the storage, use, or transmission of any such information could result in a disclosure of confidential information to third parties outside of our network. Any of these events could result in litigation and legal liability, harm to our reputation, loss of confidence in our ability to protect sensitive information, a distraction to our business, and the need to divert resources to remedy the issues, any of which could have a material adverse effect on our business.

We may be exposed to risks and costs associated with the loss of customer information that would cause us to incur unexpected expenses, loss of revenues, and reputational harm.

We collect customer data, including encrypted and tokenized credit card information, in our stores and online. For our sales channels to function successfully, we and third parties involved in processing customer transactions for us must be able to transmit confidential information, including credit card information, securely over public networks. While we have measures in place designed to prevent a breach or unauthorized use or disclosure of customer data and other sensitive personal information, we cannot guarantee that any of our security measures or the security measures of third parties with whom we work will effectively prevent others from obtaining unauthorized access to our customers' information or other personally identifiable information. Further, the standards for systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment data at risk, are determined and controlled by the payment card industry, not by us. If someone is able to circumvent our data security measures or that of third parties with whom we do business, including our franchisees, he or she could destroy or steal valuable information or disrupt our operations. If such a breach were to occur, customers could lose confidence in our ability to secure their information and choose not to purchase from us. Any unauthorized use of or access to customer information could expose us to data loss or manipulation, litigation and legal liability, and could seriously disrupt operations, negatively impact our marketing capabilities, cause us to incur significant expenses to notify customers of the breach and for other remediation activities, and harm our reputation and brand, any of which could adversely affect our financial condition and results of operations.

In addition, state, federal, and foreign governments are increasingly enacting laws and regulations to protect consumers against identity theft and consumer privacy. Many of these laws and regulations are subject to uncertain application, interpretation or enforcement standards that could result in claims, changes to our business practices, data processing and security systems, penalties, increased operation costs or other impacts on our business. These laws and regulations will likely increase the costs of doing business, and if we fail to implement appropriate procedures, security measures, or detect and provide prompt notice of unauthorized access as required by some of these laws and regulations, we could be subject to potential claims for damages and other remedies, government enforcement actions, liability for monetary damages, fines and/or criminal prosecution, all of which could adversely affect our business and results of operations.

FINANCIAL RISK FACTORS

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

We have, and will continue to have, significant lease obligations. We lease all of our store locations, our corporate offices, and our central distribution facility. We typically occupy our stores under operating leases with options to renew for additional multi-year periods. In the future, we may not be able to negotiate favorable lease terms for the most desired store locations. Our inability to do so may cause our occupancy costs to be higher in future years or may force us to close stores in desirable locations.

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

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

If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. As of January 30, 2021, our minimum annual rental obligations under long-term lease arrangements for 2021 and 2022 were $229.3 million and $228.2 million, respectively. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

The terms of our Revolving Credit Facility and Term Loan Facility may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

We are party to an Asset Based Loan Credit Agreement ("Revolving Credit Facility") that allows us to borrow up to $250.0 million, subject to certain terms and conditions contained in the agreement. As of January 30, 2021, we had $35.6 million available for borrowing under our Revolving Credit Facility. In addition, we are party to an Asset-Based Term Loan Agreement ("Term Loan Facility") that provides for a “first in, last out” term loan in an amount equal to $90.0 million (the “FILO Term Loan”) and a delayed draw term loan facility in an amount equal to $50.0 million (the “DDTL”). The Term Loan Facility is a senior secured obligation that ranks equally with the Loan Parties’ other senior secured obligations.

The terms of the Revolving Credit Facility and Term Loan Facility contain, and any agreements governing any future indebtedness may contain, financial restrictions on us and our ability to, among other things:

- place liens on our assets;
- make investments other than permitted investments;
- incur additional indebtedness;
- prepay certain indebtedness;
- merge, consolidate or dissolve;
- sell assets;
- engage in transactions with affiliates;
- change the nature of our business;
- hold cash above certain limits;
- change our fiscal year or organizational documents; and
- make other restricted payments, including share repurchases and dividends.

In addition, we are required to maintain, certain levels of Excess Availability as calculated in accordance with the Revolving Credit Facility.

A failure by us to comply with the covenants or to maintain the required financial ratios contained in the Revolving Credit Facility or the Term Loan Facility could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default, the lenders under our Revolving Credit Facility or Term Loan Facility could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the agreements. There can be no assurance that our assets would be sufficient to repay any indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern. There could be potentially significant negative consequences on our financial condition and results of operations as a result of our debt, including limitations on our ability to obtain additional debt or equity financing for working capital, capital expenditures, service line development, acquisitions and general corporate or other purposes, as well as limitations on our ability to execute business development and other activities to support our corporate strategies. See Note 6 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information relating to our indebtedness.

If we are unable to maintain compliance with the covenants contained in our current credit facilities or our inventory levels are reduced significantly, we may be unable to make additional borrowings on any undrawn amounts and may be required to repay our then outstanding debt under the facilities. In addition, global economic conditions may make it more difficult to access new credit facilities.

Our liquidity position is, in part, dependent upon our ability to borrow under our Revolving Credit Facility and Term Loan Facility. The amount we are able to borrow is dependent on our inventory and receivable position. On March 17, 2020, we drew down $165.0 million under the Revolving Credit Facility. In addition, in January 2021, we borrowed $90.0 million under our Term Loan Facility and repaid $59.0 million of our Revolving Credit Facility. Decreases in our inventory position or receivable balances could limit the amount we are able to borrow or could also cause us to violate our minimum excess availability covenant, in addition to other customary affirmative and negative covenants, including those which (subject to certain exceptions and dollar thresholds) limit our ability to incur debt; incur liens; make investments; engage in mergers, consolidations, liquidations or acquisitions; dispose of assets; make distributions on or repurchase equity securities; hold cash over certain limits; engage in transactions with affiliates; and prohibit us, with certain exceptions, from engaging in any line of business not related to our current line of business. As a result of the COVID-19 outbreak, our total revenues have decreased significantly and we have implemented certain operational changes in order to address the evolving challenges presented by the global pandemic on our operations. Due to the impacts of COVID-19, our financial performance in future fiscal quarters will be negatively impacted. There is no guarantee that our financial performance will improve for the next 12 months from this filing. A failure to comply with the financial covenants under our credit facility or the issuance of a going concern audit opinion from our independent registered public accounting firm would give rise to an event of default under the terms of the credit facility, allowing the lenders to refuse to lend additional available amounts to us and giving them the right to terminate the facility and accelerate repayment of any outstanding debt under the credit agreements.

We may recognize impairment on long-lived assets.

Our long-lived assets, primarily store assets and right of use assets, are subject to periodic testing for impairment. Store assets are reviewed using factors including, but not limited to, our future operating plans, current rental rates and projected future cash flows. Failure to achieve our future operating plans, our cost savings initiatives or generate sufficient levels of cash flow at our stores, in addition to significant negative industry or general economic trends and declining market rents, could result in impairment charges on long-lived assets, which could have a material adverse effect on our financial condition or results of operations.

REGULATORY AND LEGAL RISK FACTORS

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

We face the risk of litigation and other claims against us. Litigation and other claims arise in the ordinary course of our business and include commercial disputes, employment related claims, including wage and hour claims, intellectual property disputes, such as trademark, copyright, and patent infringement disputes, consumer protection and privacy matters, product-related allegations, and premises liability claims. See Note 11 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. The Company has been named as a defendant in four separate representative actions in the State of California alleging violations of the California state wage and hour statutes and other labor standards.

Any claims could result in litigation against us and could also result in regulatory proceedings being brought against us by various federal and state agencies that regulate our business, including the United States Equal Employment Opportunity Commission, the Federal Trade Commission, or the Consumer Product Safety Commission. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time and divert management attention away from our business operations. Litigation and other claims and regulatory proceedings against us could result in unexpected expenses, legal liability, and injunctions against us or restrictions placed upon us, which could disrupt our operations, preclude us from selling products, or otherwise have a material adverse effect on our operations, financial results, and reputation.

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

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

In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of our business more expensive or require us to change the way we do business. For example, changes in federal and state minimum wage laws could continue to raise the wage requirements for certain of our employees. Other laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, work scheduling, supervisory status, leaves of absence (including any laws related to COVID-19, such as the proposed Families First Coronavirus Response Act passed by the U.S. House of Representatives on March 14, 2020), mandated health benefits, or overtime pay, could also negatively impact us, by increasing administrative compensation and benefits costs.

Moreover, changes in product safety or other consumer protection laws, privacy laws, environmental laws, and other regulations, could lead to increased compliance costs. It is often difficult for us to plan and prepare for potential changes to applicable laws and future compliance costs related to such changes could be material to us.

We may be unable to protect our trademarks or other intellectual property rights, may be precluded from using trademarks in certain countries, and may face claims from third parties for intellectual property infringement, any of which could harm our business.

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

The laws of certain foreign countries may not protect the use of unregistered trademarks to the same extent as do the laws of the United States. As a result, international protection of our brand may be limited, and our right to use our trademarks outside the United States could be impaired. Other persons or entities may have rights to trademarks that contain portions of our marks or may have registered similar or competing marks for apparel and/or accessories in foreign countries. There may also be other prior registrations of trademarks identical or similar to our trademarks in other foreign countries. Accordingly, it may be possible for others to prevent the sale or manufacture of our branded goods or the operation of Express brick-and-mortar or online stores in certain foreign countries. Our inability to register our trademarks or purchase or license the right to use the relevant trademarks in these jurisdictions could limit our ability to penetrate new markets in jurisdictions outside the United States.

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

Changes in tax law, tax requirements, results of tax audits, and other factors, including timing of tax refund receipts, may cause fluctuations in our effective tax rate and operating results.

We are subject to income tax in local, national, and international jurisdictions and we currently have significant income tax refunds that are receivable from the U.S. government based on provisions in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Any legislative changes to the CARES Act or significant delays in receiving our tax refund could adversely impact our financial position and results. In addition, our tax returns and other tax matters are subject to examination by the Internal Revenue Service and other tax authorities and governmental bodies. These examinations may challenge certain of our tax positions, such as the timing and amount of deductions and allocations of taxable income to various jurisdictions. The results of any tax audits could adversely affect our financial results. Furthermore, our effective tax rate in a given period may be materially impacted by changes in the mix and level of earnings by taxing jurisdiction and deductibility of stock based compensation.

Our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. Major changes in tax law, policy or trade relations, including but not limited to the foregoing, as well as the imposition of unilateral tariffs on imported products, could have a material adverse effect on our business, results of operations and liquidity.

If we fail to establish and maintain adequate internal controls over financial reporting, we may not be able to report our financial results in a timely and reliable manner, which could harm our business and impact the value of our securities.

We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected and our independent registered public accounting firm may be unable to attest to the fair presentation of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K in accordance with U.S. generally accepted accounting principles (“GAAP”) and the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. If we cannot provide reliable financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Even effective internal controls have inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting in future periods are subject to the risk that the control may become inadequate because of changes in conditions or a deterioration in the degree of compliance with the policies or procedures.

If we fail to maintain adequate internal controls, including any failure to implement new or improved controls, or if we experience difficulties in their execution, we could fail to meet our reporting obligations, and there could be a material adverse effect on our business and financial results. In the event that our current control practices deteriorate, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our stock may be adversely affected.

STOCK OWNERSHIP RISK FACTORS

Our ability to pay dividends and repurchase shares is subject to restrictions in our Revolving Credit Facility, Term Loan Facility, results of operations, and capital requirements.

Any determination to pay dividends or repurchase additional shares in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, our financial condition, restrictions imposed by applicable law, and other factors our Board of Directors deems relevant. Our ability to pay dividends on or repurchase our common stock is limited by the terms of the Revolving Credit Facility and Term Loan Facility and may be further restricted by the terms of any future debt or preferred securities. Additionally, because we are a holding company, our ability to pay dividends on our common stock or repurchase shares is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the Revolving Credit Facility and Term Loan Facility.

Anti-takeover provisions in our charter documents and Delaware law may discourage or delay acquisition attempts for us that our stockholders might consider favorable.

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of the Company or a change in our management or Board of Directors more difficult without the approval of our Board of Directors. These provisions do the following:

- establish a classified Board of Directors so that not all members of our Board of Directors are elected at one time;
- authorize the issuance of undesignated preferred stock, the terms of which may be established, and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Our certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law, that will prevent us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of 3 years from the date such person acquired such common stock, unless Board or stockholder approval is obtained prior to the acquisition. These anti-takeover provisions and other provisions under Delaware law could discourage, delay, or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions desired by stockholders.

As a result of the extreme volatility of the market prices and trading volume that our shares of common stock have recently experienced, and may in the future again experience, purchasers of our common stock could incur substantial losses.

The extreme volatility of the market prices and trading volume that our shares of common stock have recently experienced, and may continue to experience could cause purchasers of our common stock to incur substantial losses. For example, from January 1, 2021 to the date hereof, the market price of our common stock has fluctuated from an intra-day low on the NYSE of $0.86 per share on January 4, 2021 to an intra-day high of $13.97 on January 27, 2021. Since January 30, 2021, the trading price of our common stock has reached an intra-day low on the NYSE of $2.17 per share on February 23, 2021, and the last reported sale price of our common stock on the NYSE on March 24, 2021, was $4.07 per share. Significant fluctuations in the market price of our common stock have been accompanied by reports of strong and atypical retail investor interest, including on social media and online forums. The market volatility and trading patterns we have experienced create several risks for investors, including the following:

a. the market price of our common stock may experience rapid and substantial increases or decreases unrelated to our operating performance, financial condition or business prospects, or macro or industry fundamentals;
b. factors in the public trading market for our common stock may include the sentiment of retail investors (including as may be expressed on financial trading and other social media sites and online forums), the direct access by retail investors to broadly available trading platforms, the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock and any related hedging and other trading factors;
c. our market capitalization, as implied by various trading prices, has reflected valuations that diverge significantly from those seen prior to recent volatility and that are significantly higher than our market capitalization immediately prior to such recent volatility, and to the extent these valuations reflect trading dynamics unrelated to our financial performance or business prospects, purchasers of our common stock could incur substantial losses if there are declines in market prices driven by a return to earlier valuations;
d. to the extent volatility in our common stock is caused by a “short squeeze” in which coordinated trading activity causes a spike in the market price of our common stock as traders with a short position make market purchases to avoid or to mitigate potential losses, investors may purchase at inflated prices

unrelated to our financial performance or prospects, and may thereafter suffer substantial losses as prices decline once the level of short-covering purchases has abated;

e. if the market price of our common stock declines, you may be unable to resell your shares at or above the price at which you acquired them. We cannot assure you that the equity issuance of our common stock will not fluctuate or decline significantly in the future, in which case you could incur substantial losses.

We may continue to incur rapid and substantial increases or decreases in our stock price in the foreseeable future that may not coincide in timing with the disclosure of news or developments by or affecting us. Accordingly, the market price of our shares of common stock may fluctuate dramatically, and may decline rapidly, regardless of any developments in our business.

Overall, there are various factors, many of which are beyond our control, that could negatively affect the market price of our common stock or result in fluctuations in the price or trading volume of our common stock, including: (1) the ongoing impacts and developments relating to the COVID-19 pandemic; (2) actual or anticipated variations in our annual or quarterly results of operations, including our earnings estimates and whether we meet market expectations with regard to our earnings; (3) our current inability to pay dividends or other distributions; (4) publication of research reports by analysts or others about us or the specialty retail industry, which may be unfavorable, inaccurate, inconsistent or not disseminated on a regular basis; (5) changes in market interest rates that may cause purchasers of our shares to demand a different yield; (6) changes in market valuations of similar companies; (7) market reaction to any additional equity, debt or other securities that we may issue in the future, and which may or may not dilute the holdings of our existing stockholders; (8) additions or departures of key personnel; (9) actions by institutional or significant stockholders; (10) short interest in our stock and the market response to such short interest; (11) the dramatic increase in the number of individual holders of our stock and their participation in social media platforms targeted at speculative investing; (12) speculation in the press or investment community about our company or industry; (13) strategic actions by us or our competitors, such as acquisitions or other investments; (14) legislative, administrative, regulatory or other actions affecting our business, our industry, including positions taken by the Internal Revenue Service ("IRS"); (15) investigations, proceedings, or litigation that involve or affect us; (16) the occurrence of any of the other risk factors included or incorporated by reference in this prospectus supplement; and (17) general market and economic conditions.

Our stockholder rights agreement could make it more difficult for a third party to acquire control of the Company which could have a negative effect on the price of our common stock.

Effective April 20, 2020, we adopted a Stockholder Rights Agreement (the "Rights Agreement") which could discourage potential acquisition proposals and could delay or prevent a change in control of the Company or a change in our management or Board of Directors, even in situations that may be considered beneficial by some of our stockholders. The Rights Agreement may substantially dilute the stock ownership of a person or group that attempts to acquire a large interest without first negotiating with our Board of Directors. These deterrents could also adversely affect the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

HOME OFFICE, DISTRIBUTION CENTER, DESIGN STUDIO AND PHOTO STUDIO

The lease for our corporate headquarters in Columbus, Ohio and the lease for our distribution facility in Columbus, Ohio are both scheduled to terminate in January 2026. Either lease may be terminated by either party upon 36 months prior notice provided that the lease term may not end between the months of October and February. Termination of either lease will cause the termination of the other lease as well.

The lease for our design offices in New York City expires in July 2026. The lease of our photo studio in downtown Columbus, Ohio expires in December 2024.

STORES

All of our 570 stores are leased from third parties. See "Item 1. Business - Stores" for further information on the locations of our stores.

We may from time to time lease new facilities or vacate existing facilities as our operations require, including in connection with opening new stores.

ITEM 3. LEGAL PROCEEDINGS.

Information relating to legal proceedings is set forth in Note 11 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock trades on the NYSE under the symbol "EXPR". As of February 27, 2021, there were approximately 6 holders of record of our common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in “street name,” or persons, partnerships, associates, corporations, or other entities identified in security position listings maintained by depositories.

DIVIDENDS

We did not pay any dividends in 2020 or 2019. Our ability to pay dividends is restricted by the terms of our Revolving Credit Facility and our Term Loan Facility. Any future determination to pay dividends will be made at the discretion of our Board of Directors and will depend on our results of operations, restrictions contained in our Revolving Credit Facility and our Term Loan Facility or future financing arrangements, and other factors as deemed relevant. For more information about the restrictions in our Revolving Credit Facility and our Term Loan Facility, see Note 6 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

SHARE REPURCHASES

The following table provides information regarding the purchase of shares of our common stock made by or on behalf of us or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act of 1934, during each month of the quarterly period ended January 30, 2021:

Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased under the Plans or Programs (2)
	(in thousands, except per share amounts)			
November 1, 2020 - November 28, 2020	19	$ 0.67	—	$ 34,215
November 29, 2020 - January 2, 2021	6	$ 1.05	—	$ 34,215
January 3, 2021 - January 30, 2021	5	$ 1.26	—	$ 34,215
Total	30		—	

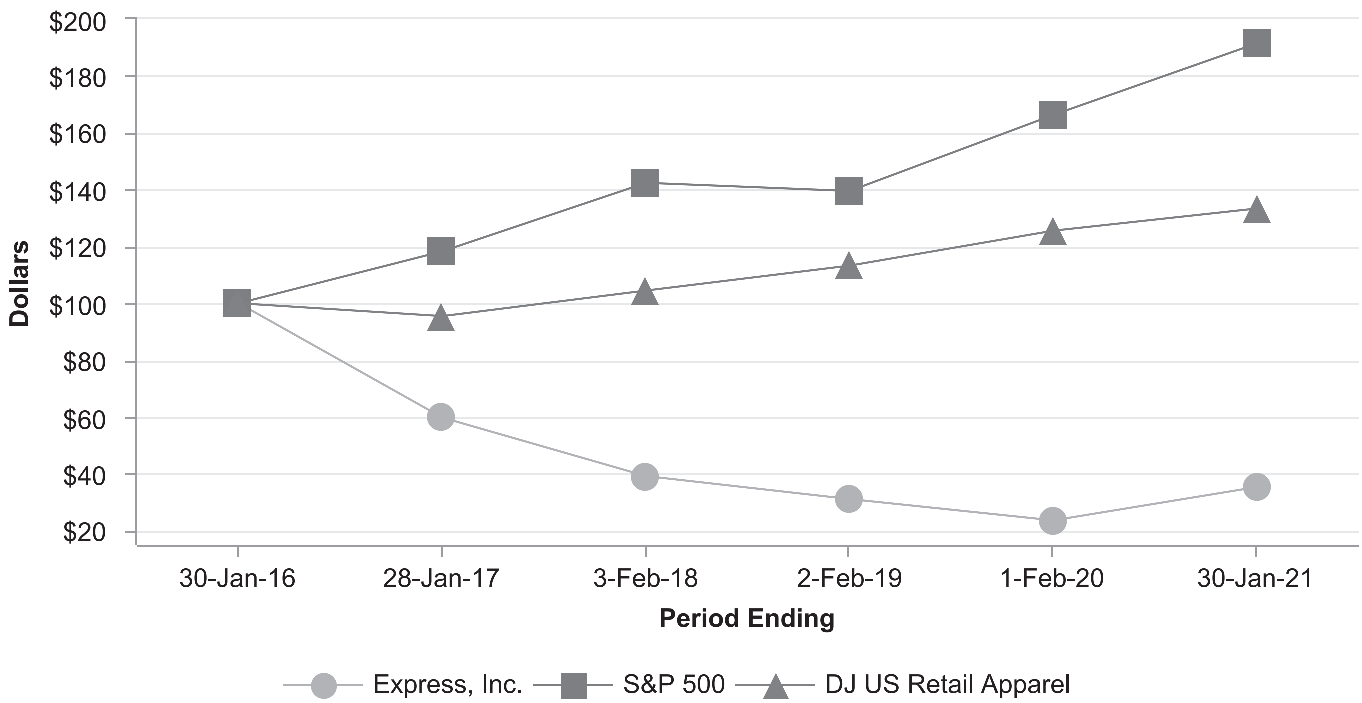
1. Includes shares purchased in connection with employee tax withholding obligations under the Second Amended and Restated Express, Inc. 2010 Incentive Compensation Plan (the “2010 Plan”) and the Second Amended and Restated Express, Inc. 2018 Incentive Compensation Plan (the “2018 Plan”). Refer to Note 8 of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details of the 2010 Plan and 2018 Plan.

2. On November 28, 2017, the Board approved a share repurchase program that authorized the Company to repurchase up to $150.0 million of the Company’s outstanding common stock using available cash. The Company may repurchase shares on the open market, including through Rule 10b5-1 plans, in privately negotiated transactions, through block purchases, or otherwise in compliance with applicable laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The timing and amount of stock repurchases will depend on a variety of factors, including business and market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified, or discontinued at any time, and the Company has no obligation to repurchase any amount of its common stock under the program.

PERFORMANCE GRAPH

The following graph compares the changes in the cumulative total return to holders of our common stock with that of the S&P 500 Index and the Dow Jones U.S. Apparel Retailers Index for the same period. The comparison of the cumulative total returns for each investment assumes that $100 was invested in our common stock and the respective indexes on January 30, 2016 and includes reinvestment of all dividends. The plotted points are based on the closing price on the last trading day of each fiscal year.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN



	1/30/16	1/28/17	2/3/18	2/2/19	2/1/20	1/30/21
Express, Inc.	$ 100.00	$ 59.79	$ 39.21	$ 31.13	$ 23.64	$ 35.38
S&P 500 Index	$ 100.00	$ 118.27	$ 142.36	$ 139.49	$ 166.24	$ 191.43
Dow Jones U.S. Apparel Retailers Index	$ 100.00	$ 95.48	$ 104.47	$ 113.24	$ 125.53	$ 133.34

The Performance Graph in this Item 5 shall not be deemed "soliciting material" or "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act of 1934 or to the liabilities of Section 18 of the Exchange Act of 1934 and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

ITEM 6. REMOVED AND RESERVED.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of the Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the related Notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section entitled "Risk Factors." All references herein to "2020" and "2019" refer to the 52-week periods ended January 30, 2021 and February 1, 2020, respectively.

This section of this Annual Report on Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020, which was filed with the Securities and Exchange Commission on March 17, 2020.

Our management's discussion and analysis of financial condition and results of operations is presented in the following sections:

OVERVIEW

Express is a modern, versatile, dual gender apparel and accessories brand that helps people get dressed for every day and any occasion. Launched in 1980 with the idea that style, quality and value should all be found in one place, Express has always been a brand of the now, offering some of the most important and enduring fashion trends. Express aims to *Create Confidence and Inspire Self-Expression* through a design and merchandising view that brings forward The Best of Now for Real Life Versatility. The Company operates over 500 retail and factory outlet stores in the United States and Puerto Rico, as well as an online destination.

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures. In response to the pandemic, many states and localities in which we operate issued stay-at-home orders and other social distancing measures. Effective March 17, 2020, we temporarily closed all of our retail and factory outlet stores and offices, and as a result all store associates and a number of home office employees were furloughed. As mandated shutdowns and stay-at-home orders went into effect across the country, we experienced an immediate reduction in sales levels compared to the prior year. We continued to be materially impacted by COVID-19 throughout 2020, even after all of our stores re-opened, as customer traffic continued to be depressed, especially in our retail stores, and two of our key categories, wear to work and occasion wear, saw significant declines in demand.

In response to the uncertainty of the circumstances described above, and in accordance with federal and state guidelines, we took the following actions to provide a safe and comfortable environment for our associates and customers:

- Trained associates on a wide range of health and safety protocols;
- Practiced proper social distancing, and provided contact-free customer service and payment options;
- Implemented enhanced cleaning and sanitizing procedures across all stores;
- Designated a maximum capacity for each store;
- Installed plexiglass shields at all checkout counters;
- Required all associates in all stores to wear face coverings;
- Enabled curbside pickup at key locations; and
- Introduced enhanced ship from store and buy online pick-up in store ("BOPIS") capabilities in our retail stores.

In response to COVID-19, we took several actions intended to strengthen our liquidity position. In the first quarter of 2020, we accessed $165.0 million available to us under our Revolving Credit Facility and in the fourth quarter of 2020 we borrowed an additional $90.0 million under a Term Loan Facility and also borrowed an additional $50.0 million in the first quarter of 2021. Upon receipt of proceeds from the Term Loan Facility we repaid $59.0 million of our Revolving Credit Facility. See Note 6 of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information.

To further manage our liquidity, we have also significantly reduced expenses, capital expenditures and working capital; this included inventory reductions, furloughing most store associates while stores were closed, suspending merit pay increases and reducing home office headcount. See "Liquidity and Capital Resources" included elsewhere in this Annual Report on Form 10-K for more information.

Further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, will impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations, cash flows and financial condition. The extent of the impact of COVID-19 on our business and financial results will depend on future developments, including the duration and spread of the outbreak (including any mutations or related strains of the virus) within the markets in which we operate, the related impact on consumer confidence and spending, any disruptions in our supply chain, and the effect of governmental regulations imposed in response to the pandemic, the availability of, and prevalence of access to, effective medical treatments and vaccines for COVID-19, and the pace of recovery when the pandemic subsides, all of which are highly uncertain and cannot be predicted. The sweeping nature of the COVID-19 pandemic makes it extremely difficult to predict how our business and operations will be affected in the long run. However, the likely overall economic impact of the pandemic is viewed as highly negative to the general economy. Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic, could materially increase our costs, negatively impact our sales and damage our results of operations and liquidity, possibly to a significant degree. The duration of any such impacts cannot be predicted with certainty. Given the dynamic and unpredictable nature of this situation, we cannot reasonably estimate with certainty the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. We will continue to monitor the rapidly evolving situation and guidance from domestic authorities.

FINANCIAL DETAILS FOR 2020

- Net sales decreased 40% to $1.2 billion
- Comparable sales decreased 27%
- Comparable retail sales (includes both retail stores and eCommerce sales) decreased 29%
- Comparable outlet sales decreased 21%
- Gross margin percentage decreased 2,770 basis points to (0.4)%
- Operating loss increased $237.4 million to a loss of $455.2 million
- Net loss increased $241.1 million to a loss of $405.4 million
- Diluted earnings per share decreased $3.78 to a loss of $6.27

OUTLOOK

As previously mentioned, COVID-19 led to the temporary closure of all Express stores in mid-March and into the second quarter of 2020, as over 30% of our stores were closed for more than half of the second quarter. Even after re-opening, our stores continued to be impacted by COVID-19 with reduced hours and temporary re-closures. These factors led to significant decreases in customer traffic and reduced consumer spending, which negatively impacted our 2020 results. The pandemic began while we were in the early stages of a transformation. Our new corporate strategy, the EXPRESSway Forward, had been set in motion, and while much work was ahead of us, a great deal had been accomplished such as:

- We completed a comprehensive restructuring of our organization, in order to better align our teams with our objective;
- We implemented a more streamlined and efficient go-to-market process, established a new design and merchandising vision, called *Express Edit;*
- We developed a new brand positioning based on what our customers told us would be relevant and compelling to them; and
- We identified a total of $80.0 million in cost savings opportunities that were announced in January of 2020 that we expect to achieve over a three-year period.

While we expect our results to remain challenging in the near-term, we believe that by focusing on our foundational elements we have a significant opportunity to improve the trend of the business and return the business to long term profitable growth. The following defines each area and provides an update on each priority:

PRODUCT | BRAND | CUSTOMER | EXECUTION

Product

We will put product first. Our product vision is called the Express Edit. This vision is about standing for certain elements of fashion and style that we know matter to our customers. This includes providing the customer with a wardrobe that has the functionality to cover multiple needs and wearing occasions. One of our historical strengths has been in occasion-based dressing, and as a result, we were disproportionately impacted during 2020, as occasions and celebrations were cancelled or delayed and our customers continued to work from home. As a result, during the third quarter of 2020, we pulled back on our investment in occasion-based categories and increased our investment in more casual, versatile categories, significantly changing their penetration in our product mix versus a year ago.

"Versatility Adds Value" is one of the core ideas within the Express Edit philosophy, and we are seeing strength in our most versatile product categories especially what is becoming our "new core" which is comprised of denim bottoms and Express Essentials tops. In denim, we saw continued strength in our newest fabric platforms Luxe Comfort Knit and Temp Control Hyperstretch that rolled out in the third quarter of 2020 and Super Soft and 4-Way Hyperstretch that launched in the fourth quarter of 2020. Express Essentials are our new foundational knit tops for women and men, and they are represented across all of our channels. This product is modern, relevant and versatile and beautifully meets the modern weekday and weekend wardrobe needs.

These new deliveries have performed well and while we are pleased with this performance, it did not fully offset the decreases we saw in occasion-based categories, such as men's suits and dress shirts and women's dresses and suits, that resulted from the prolonged pandemic. However, we expect that as occasions and celebrations of all kinds come back, these occasion-based categories will represent an opportunity for us going forward and we will continue to provide dimensions of versatility and comfort within our assortments throughout 2021.

Brand

In 2020, we introduced our new brand purpose: to create confidence and inspire self-expression. This is based on the belief that clothing can serve a higher purpose in people's lives. We also introduced our new brand promise: to edit the best of now for real-life versatility. Throughout the year, we presented our brand and engaged with our customers in new and more creative ways as we fulfilled our purpose and promise through social engagement, influencer relationships, and customer co-creation. In addition, we implemented a wide variety of initiatives and activations that created deeper, more meaningful connections with our most loyal, and our newest, Express fans. As a result we have seen increased engagement with our marketing, increased followers on our social media platforms, and a stronger sense of connectivity between our customers and our messaging.

To bring another dimension to our brand positioning, and to reflect the importance of the purpose-driven view of many of our customers, we launched the Express Dream Big Project ("Dream Big") in the third quarter of 2020. Dream Big is a fundraising initiative created to champion organizations that empower people to believe in themselves, and follow their dreams.

In 2020 we laid the foundation for our brand transformation, and in 2021, we plan to accelerate our momentum by launching a new customer experience model in our physical and digital stores, expanding and enhancing our styling capabilities, and offering more localized assortments.

Customer

We know that to be successful we must remain focused on engaging our existing customers and acquiring new ones. As a result, in 2020, we refined our approach to identify and connect with our customers, sharpened our digital spend, and drove greater personalization of messages through owned and paid media channels. We more effectively engaged current customers and acquired new ones with increases in engagement across our paid social channels. We also engaged our customers in new, and creative ways during 2020. For example, these efforts included our beginning a dialogue with our top loyalty members to better understand their wardrobe needs and style preferences which led to our first-ever Express designer and Express customer co-created product capsule. We plan to launch additional co-created product capsules in 2021.

In August 2020, we completed the soft relaunch of our loyalty program, now called Express Insider. Our loyalty program members have the greatest lifetime value to Express. This program is a critical factor in gaining additional share of existing customers' spend and bringing new customers into the brand. We anticipate implementing additional enhancements to our Express Insider program in the first quarter of 2021, including the expansion of loyalty tiers, new Insider benefits, a digital wallet feature, and an easier way for customers to access and redeem benefits to incentivize and reward our best customers in a more timely and engaging manner.

Execution

Execution is the through line across all of our initiatives, and both within, and across functions we have improved the efficiency of our operating and decision-making processes. During 2020, we advanced our eCommerce and omnichannel capabilities by introducing enhanced and expanded buy-online-pick-up-in-store and ship-from-store functionalities, both of which contribute to more efficient and effective inventory management. Additionally, we enhanced the way we engage and service our customers in the digital channel. We expanded our Digital Stylist program by increasing the resources available, to provide more real-time, virtual assistance to express.com customers. Conversion is another key component of execution, and we have successfully driven increases in conversion across our channels during the fourth quarter of 2020.

Another aspect of execution is our physical stores. We still intend to close the 100 stores we previously announced in January 2020 as part of our fleet rationalization plan. While that fleet rationalization plan focuses on our number of stores, our current focus—fleet optimization—concerns where our stores should be located, the type of store that is optimal for each location, and the role each store plays in our customers' lives. As part of this plan, we are testing smaller footprints in our mall-based stores and also testing new store concepts, such as pop up stores.

At the end of 2020, our inventory position was not where we would like to be, but a plan is in place to improve inventory levels and improve profitability. Our margin has already improved on clearance merchandise which improves our inventory composition, and at the end of 2020, most of our legacy inventory has been sold through and the composition of our inventory we consider "aged" is primarily core, season-less product with low markdown risk. We expect our inventory to be more aligned with our sales trend as we move into the back half of 2021 and business continues to recover.

HOW WE ASSESS THE PERFORMANCE OF OUR BUSINESS

In assessing the performance of our business, we consider a variety of performance and financial measures. These key measures include net sales, comparable sales, eCommerce demand, transactions, cost of goods sold, buying and occupancy costs, gross profit/(loss)/gross margin, and selling, general, and administrative expenses. The following describes and discusses these measures.

Net Sales

Description

Revenue from the sale of merchandise, less returns and discounts, as well as shipping and handling revenue related to eCommerce, revenue from the rental of our LED sign in Times Square, gift card breakage, revenue earned from our private label credit card agreement, and revenue earned from our franchise agreements.

Discussion

Our business is seasonal, and we have historically realized a higher portion of our net sales in the third and fourth quarters, due primarily to the impact of the holiday season. Generally, approximately 45% of our annual net sales occur in the Spring season (first and second quarters) and 55% occur in the Fall season (third and fourth quarters). In 2020, this split was approximately 38% in the Spring and 62% in the Fall as a result of the COVID-19 pandemic and the related store closures in the Spring season.

Comparable Sales

Description

Comparable sales is a measure of the amount of sales generated in a period relative to the amount of sales generated in the comparable prior year period. Comparable sales for 2020 was calculated using the 52-week period ended January 30, 2021 as compared to the 52-week period ended February 1, 2020.

Comparable retail sales includes:

- Sales from retail stores that were open 12 months or more as of the end of the reporting period
- eCommerce shipped sales

Comparable outlet sales includes:

- Sales from outlet stores that were open 12 months or more as of the end of the reporting period, including conversions

Comparable sales excludes:

- Sales from stores where the square footage has changed by more than 20% due to remodel or relocation activity
- Sales from stores in a phased remodel where a portion of the store is under construction and therefore not productive selling space
- Sales from stores where the store cannot open due to weather damage or other catastrophes, including pandemics

Discussion

Our business and our comparable sales are subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving, and Christmas, and regional fluctuations for events such as sales tax holidays. We believe comparable sales provides a useful measure for investors by removing the impact of new stores and closed stores. Management considers comparable sales a useful measure in evaluating continuing store performance.

eCommerce Demand

Description

eCommerce demand is defined as gross orders for Express and/or third party merchandise that originate through our eCommerce platform, including the website, app, and buy online pick-up in store.

Discussion

We believe eCommerce demand is a useful operational metric for investors and management as it provides visibility for orders placed but not yet shipped.

Transactions

Description

Transactions are defined as the number of units sold as compared to the dollar amount of sales.

Discussion

We believe this metric is useful as it removes the impact of promotions and provides a better indicator of the acceptance of our product.

Cost of Goods Sold, Buying and Occupancy Costs

Description

Includes the following:

- Direct cost of purchased merchandise
- Inventory shrink and other adjustments
- Inbound and outbound freight
- Merchandising, design, planning and allocation, and manufacturing/production costs
- Occupancy costs related to store operations (such as rent and common area maintenance, utilities, and depreciation on assets)
- Logistics costs associated with our eCommerce business
- Impairments on long-lived assets and right of use lease assets

Discussion

Our cost of goods sold typically increases in higher volume quarters because the direct cost of purchased merchandise is tied to sales.

The primary drivers of the costs of individual goods are raw materials, labor in the countries where our merchandise is sourced, and logistics costs associated with transporting our merchandise.

Buying and occupancy costs related to stores are largely fixed and do not necessarily increase as volume increases.

Changes in the mix of products sold by type of product or by channel may also impact our overall cost of goods sold, buying and occupancy costs.

Extended periods of declined business and sales could result in additional impairment of our assets.

Gross Profit/(Loss)/Gross Margin

Description

Gross profit/(loss) is net sales minus cost of goods sold, buying and occupancy costs. Gross margin measures gross profit/(loss) as a percentage of net sales.

Discussion

Gross profit/(loss)/gross margin is impacted by the price at which we are able to sell our merchandise and the cost of our product.

We review our inventory levels on an on-going basis in order to identify slow-moving merchandise and generally use markdowns to clear such merchandise. The timing and level of markdowns are driven primarily by seasonality and customer acceptance of our merchandise and have a direct effect on our gross margin.

Any marked down merchandise that is not sold is marked-out-of-stock. We use third-party vendors to dispose of this marked-out-of-stock merchandise.

Selling, General, and Administrative Expenses

Description

Includes operating costs not included in cost of goods sold, buying and occupancy costs such as:

- Payroll and other expenses related to operations at our corporate offices
- Store expenses other than occupancy costs
- Marketing expenses, including production, mailing, print, and digital advertising costs, among other things

Discussion

With the exception of store payroll, certain marketing expenses, and incentive compensation, selling, general, and administrative expenses generally do not vary proportionally with net sales. As a result, selling, general, and administrative expenses as a percentage of net sales are usually higher in lower volume quarters and lower in higher volume quarters.

FISCAL YEAR COMPARISON

Net Sales

	2020	2019
Net sales (in thousands)	$ 1,208,374	$ 2,019,194
Comparable retail sales	(29)%	(6)%
Comparable outlet sales	(21)%	(1)%
Total comparable sales percentage change	**(27)%**	**(5)%**
Gross square footage at end of period (in thousands)	4,841	5,052
Number of:		
Stores open at beginning of period	595	631
New retail stores	1	—
New outlet stores	1	31
New Express Edit Concept stores	1	—
Retail stores converted to outlets	—	(27)
Closed stores	(28)	(40)
Stores open at end of period	570	595

Net sales decreased by approximately $810.8 million, or 40%, between 2020 and 2019. The sales decrease is primarily attributed to the temporary closure of all Express stores from mid-March into the second quarter of 2020 due to the COVID-19 pandemic and the continued material impact of COVID-19 through the remainder of the year, as customer traffic continued to be pressured, especially in our retail stores. In addition, our customers have shifted away from purchasing products in our occasion-based categories, such as suits, dress shirts and dresses, which previously made up a large portion of our sales. This had a negative impact on our comparable sales as well as our net sales during 2020.

Gross (Loss)/Profit

The following table shows cost of goods sold, buying and occupancy costs, gross (loss)/profit in dollars, and gross margin percentage for the stated periods:

	2020	2019
	(in thousands, except percentages)	
Cost of goods sold, buying and occupancy costs	$ 1,213,281	$ 1,468,619
Gross (loss)/profit	$ (4,907)	$ 550,575
Gross margin percentage	(0.4)%	27.3 %

The 2,770 basis point decrease in gross margin percentage, or gross (loss)/profit as a percentage of net sales, in 2020 compared to 2019 was comprised of a 1,330 basis point decrease in merchandise margin and a 1,440 basis point increase in buying and occupancy costs as a percentage of net sales. The decrease in merchandise margin was primarily driven by high levels of promotions as we sold through existing inventory that accumulated as a result of store closures in the first half of 2020. These promotions allowed us to liquidate a significant amount of clearance inventory. In addition, we recorded higher valuation reserves related to our inventory as well as higher levels of reserves against certain fabric commitments. Buying and occupancy costs deleveraged as a result of the reduction in sales and was also impacted by $34.4 million in impairment charges related to certain long-lived store related assets and right of use assets. Refer to Note 2 in our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion regarding the impairment charges for 2020.

Selling, General, and Administrative Expenses

The following table shows selling, general, and administrative expenses in dollars and as a percentage of net sales for the stated periods:

	2020	2019
	(in thousands, except percentages)	
Selling, general, and administrative expenses	$ 450,834	$ 564,332
Selling, general, and administrative expenses, as a percentage of net sales	37.3 %	27.9 %

The $113.5 million decrease in selling, general, and administrative expenses in 2020 compared to 2019 was primarily payroll related and was the result of our COVID-19 mitigation actions, a reduction in variable costs driven by the sales decline, and the cost reductions associated with our corporate restructuring announced in the fourth quarter of 2019.

Restructuring Costs

The following table shows restructuring costs for the stated periods:

	2020	2019
	(in thousands)	
Restructuring costs	$ —	$ 7,337

Restructuring costs of $7.3 million in 2019 represent the costs in connection with the announcement of the Company’s new strategy and the restructuring of the Company’s work force to align to this strategy. Refer to Note 12 of the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for additional information regarding the restructuring costs.

Interest Expense/(Income), Net

The following table shows interest expense/(income) in dollars for the stated periods:

	2020	2019
	(in thousands)	
Interest expense/(income), net	$ 3,401	$ (2,981)

The $6.4 million increase in interest expense, net in 2020 compared to 2019 is the result of borrowing under our Revolving Credit Facility and Term Loan Facility, which bear interest at variable rates. Refer to Note 6 in our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion regarding our borrowings during 2020.

Other Expense, Net

The following table shows other expense in dollars for the stated periods:

	2020	2019
	(in thousands)	
Other expense, net	$ 2,733	$ —

The $2.7 million increase in other expense in 2020 compared to 2019 was the result of a $2.7 million pre-tax write-off of our remaining 2016 investment in Homage, LLC, a privately held retail apparel company based in Columbus, Ohio ("Homage"). Refer to Note 2 in our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion regarding the write-off during 2020.

Income Tax Benefit

The following table shows income tax benefit in dollars for the stated periods:

	2020	2019
	(in thousands)	
Income tax benefit	$ (55,900)	$ (50,526)

The effective tax rate was 12.1% in 2020 compared to 23.5% in 2019. The effective tax rate for 2020 was less than the statutory tax rate due to the impact of establishing a valuation allowance against our net deferred tax assets, which includes $54.3 million of discrete tax expense from a valuation allowance against previously recognized deferred tax assets and $51.5 million valuation allowance against 2020 U.S. federal and state deferred tax assets and other tax credits of which a portion relates to 2020 U.S. federal net operating losses that could not be carried back to offset taxable income in the five-year carryback period as part of the CARES Act. This was partially offset by a $42.1 million tax benefit related to the portion of the 2019 and 2020 U.S. federal net operating losses that are able to be carried back to years with a higher federal statutory tax rate than is currently enacted. The effective tax rate for 2019 includes a non-cash tax benefit of approximately $49.7 million related to the impairment of intangible assets, offset by a net tax expense of approximately $2.0 million attributable to certain discrete items, predominately related to a tax shortfall for share-based compensation. Refer to Note 5 of the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for additional information regarding the tax rate.

Operating Loss, Net Loss, Diluted Earnings Per Share and EBITDA

Included in the table below is operating loss, net loss, diluted earnings per share and Earnings before interest, taxes, depreciation, and amortization ("EBITDA") for 2020 and 2019, respectively. We supplement the reporting of our financial information determined under United States generally accepted accounting principles ("GAAP") with certain non-GAAP financial measures: adjusted operating loss, adjusted net loss, adjusted diluted earnings per share and EBITDA. The following table presents these financial measures, each a non-GAAP financial measure, for the stated periods which eliminate certain non-core operating costs:

	2020	2019
	(in thousands, except per share amounts)	
Operating loss	$ (455,215)	$ (217,865)
Adjusted operating loss (Non-GAAP)	$ (420,835)	$ (6,764)
Net loss	$ (405,449)	$ (164,358)
Adjusted net loss (Non-GAAP)	$ (314,343)	$ (5,136)
Diluted earnings per share	$ (6.27)	$ (2.49)
Adjusted diluted earnings per share (Non-GAAP)	$ (4.86)	$ (0.08)
EBITDA (Non-GAAP)	$ (384,689)	$ (132,766)

How These Measures Are Useful

We believe that these non-GAAP measures provide additional useful information to assist stockholders in understanding our financial results and assessing our prospects for future performance. Management believes adjusted operating loss, adjusted net loss, adjusted diluted earnings per share and EBITDA are important indicators of our business performance because they exclude items that may not be indicative of, or are unrelated to, our underlying operating results, and may provide a better baseline for analyzing trends in the business. In addition, adjusted diluted earnings per share and EBITDA are used as a performance measures in the Company's long-term executive compensation program for purposes of determining the number of equity awards that are ultimately earned and EBITDA is also a metric used in our short-term cash incentive compensation plan.

Limitations of the Usefulness of These Measures

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These adjusted financial measures should not be considered in isolation or as a substitute for reported net loss, operating loss, or diluted earnings per share. These non-GAAP financial measures reflect an additional way of viewing our operations that, when viewed with the GAAP results and the below reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of our business. Management strongly encourages investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

The following table reconciles the non-GAAP financial measures (adjusted operating loss, adjusted net loss, and adjusted diluted earnings per share) with the most directly comparable GAAP financial measures (operating loss, net loss, and diluted earnings per share, respectively) for 2020 and 2019, respectively.

	2020				
(in thousands, except per share amounts)	**Operating Loss**	**Income Tax Impact**	**Net Loss**	**Diluted Earnings per Share**	**Weighted Average Diluted Shares Outstanding**
Reported GAAP Measure	$ (455,215)		$ (405,449)	$ (6.27)	64,624
Impairment of property, equipment and lease assets	34,380	(9,111) [a]	25,269	0.39	
Equity method investment impairment [b]	—	(642)	2,091	0.03	
Valuation allowance on deferred taxes [c]	—	105,695	105,695	1.64	
Tax impact of the CARES Act [d]	—	(42,060)	(42,060)	(0.65)	
Tax impact of executive departures [e]	—	111	111	—	
Adjusted Non-GAAP Measure	$ (420,835)		$ (314,343)	$ (4.86)	

a. Items tax affected at the applicable deferred or statutory rate.
b. Impairment before tax was $2.7 million and was recorded in other expense, net.
c. Valuation allowance provided against previously recognized deferred tax assets and 2020 losses, less net operating losses utilized under the CARES Act.
d. Income tax benefit primarily due to a net operating loss carryback under the CARES Act to years with a higher federal statutory tax rate than is currently enacted.
e. Represents the tax impact related to the expiration of former executive non-qualified stock options.

	2019				
(in thousands, except per share amounts)	**Operating Loss**	**Income Tax Impact**	**Net Loss**	**Diluted Earnings per Share**	**Weighted Average Diluted Shares Outstanding**
Reported GAAP Measure	$ (217,865)		$ (164,358)	$ (2.49)	66,133
Impairment of intangible assets	197,618	(49,727) [a]	147,891	2.24	
Impairment of property, equipment and lease assets	4,430	(1,152) [a]	3,278	0.05	
Impact of restructuring	7,337	(1,834) [a]	5,503	0.08	
Impact of CEO departure	—	822 [b]	822	0.01	
Impact of other executive departures	1,716	12 [c]	1,728	0.03	
Adjusted Non-GAAP Measure	$ (6,764)		$ (5,136)	$ (0.08)	

a. Items tax affected at the applicable deferred or statutory rate.
b. Represents the tax impact of the expiration of the former CEO's non-qualified stock options.
c. Represents the tax impact of executive departure costs offset by the tax impact related to the expiration of the executive non-qualified stock options.

The following table reconciles the non-GAAP financial measure EBITDA with the most directly comparable GAAP financial measures for 2020 and 2019, respectively.

	2020	2019
Net loss	$ (405,449)	$ (164,358)
Interest expense/(income), net	3,401	(2,981)
Income tax benefit	(55,900)	(50,526)
Depreciation and amortization	73,259	85,099
EBITDA (Non-GAAP Measure)	$ (384,689)	$ (132,766)

LIQUIDITY AND CAPITAL RESOURCES

In 2020, we took a number of steps to manage liquidity during the COVID-19 pandemic. Examples of these actions include:

- Accessed $165.0 million from our $250.0 million Revolving Credit Facility;
- Secured $140.0 million in additional financing; $90.0 million that was received in the fourth quarter of 2020 (of which $59.0 million was used to pay down a portion of our Revolving Credit Facility) and $50.0 million of which was drawn down in 2021;
- Reduced $250.0 million of costs through expense reductions, capital reductions and inventory cuts;
- Negotiated $85.0 million in savings through rent abatements, deferrals, and rent reductions; and
- Expecting $120.0 million tax benefit from the CARES Act, including the expanded operating loss carry back, employer payroll tax credit and deferral provisions. The majority of these liquidity benefits are expected to be realized in 2021, including a $95.0 million income tax refund which is expected to be received at the end of the second quarter of 2021. We are required to repay $50.0 million of our term loan upon receipt of the tax refund.

In addition to the actions above, we also have contingency plans in which it would further reduce or defer additional expenses and cash outlays, should operations weaken beyond current forecasts as well as potential access to capital markets.

Forward-Looking Liquidity Discussion

Our liquidity position benefits from the fact that we generally collect cash from sales to customers the same day or, in the case of credit or debit card transactions, within three to five days of the related sale, and we have up to 75 days to pay certain merchandise vendors and 45 days to pay the majority of our non-merchandise vendors. We also have commitments under lease agreements and debt agreements that will require future cash outlays. For information on future payments required under lease agreements see Note 4 of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K and for future payment information related to our long-term debt see Note 6 of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

As previously disclosed, the COVID-19 pandemic has and continues to result in significant disruption to our business. As a result, our revenues, results of operations and cash flows continue to be materially adversely impacted. For the 52-week period ended January 30, 2021, we reported a net loss of $405.4 million and negative operating cash flows of $323.6 million. In response to the COVID-19 pandemic we borrowed $165.0 million under our Revolving Credit Facility and an additional $90.0 million under our Term Loan Facility. Upon receipt of proceeds from the Term Loan Facility we repaid $59.0 million of the Revolving Credit Facility. In addition, under the Term Loan Facility, we borrowed $50.0 million subsequent to year-end, that will be repaid upon receipt of the CARES Act receivable. The Revolving Credit Facility and the Term Loan Facility contain certain affirmative and negative covenants. Refer to Note 6 in our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details regarding the Revolving Credit Facility and Term Loan Facility. We are currently in compliance with the covenants and expect to remain in compliance, however, due to the uncertainty related to the duration of the COVID-19 pandemic and its continuing impacts, we could experience material changes to forecasted revenues and cash flows and may experience difficulty remaining in compliance with financial covenants under the Revolving Credit Facility and the Term Loan Facility. When conditions and events, in the aggregate, impact an entity's ability to continue as a going concern, management evaluates the mitigating effect of its plans to determine if it is probable that the plans will be effectively implemented and, when implemented, the plans will mitigate the relevant conditions or events.

Our plans are focused on improving our results and liquidity through increased sales and cost reductions. Our current forecasts include sales and profitability improvements over fiscal year 2020 results. In addition, we have entered into agreements, or are in discussions with, most of our retail landlords to modify rent payments, receive rent concessions or otherwise reduce operating costs. We also have $111.3 million in income tax refunds that are receivable from the U.S. government based primarily on provisions in the CARES Act. Any legislative changes to the CARES Act or significant delays in receiving this tax refund could adversely impact our financial position and results. We have contingency plans to further reduce or defer additional expenses and cash outlays, should operations weaken beyond current forecasts or if cash inflows from tax receivables are not received when expected. We believe these plans are probable of being successfully implemented, which will result in adequate cash flows to support our ongoing operations and to meet our covenant requirements under the Revolving Credit Facility and Term Loan Facility for one year following the date these financial statements are issued.

Analysis of Cash Flows

A summary of cash provided by or used in operating, investing, and financing activities is shown in the following table:

	2020	2019
	(in thousands)	
(Used in) provided by operating activities	$ (323,626)	$ 90,710
Used in investing activities	(16,854)	(37,039)
Provided by (used in) financing activities	189,215	(18,202)
(Decrease)/Increase in cash and cash equivalents	(151,265)	35,469
Cash and cash equivalents at end of period	$ 55,874	$ 207,139

Operating Activities

Our business historically relies on cash flows from operations as our primary source of liquidity, with the majority of those cash flows being generated in the fourth quarter of the year. Our primary operating cash needs are for merchandise inventories, payroll, store rent and marketing. Net cash used in operating activities was $323.6 million in 2020 compared to $90.7 million provided by operating activities in 2019. The decrease in cash flows from operating activities in 2020 was primarily driven by the temporary closure of our stores as a result of COVID-19 and the continued impact of COVID-19 on our business. This was partially offset by the fact that we did not initially make our store rent payments for April, May or June 2020, as a result of the COVID-19 store closures. We established an accrual for the rent payments that were not made and have continued to recognize accrued rent expense. As a result of negotiations with certain landlords, we have since made rent payments for certain stores and some landlords have agreed to abate certain rent payments. The appropriate adjustments were made to accrued rent and are reflected in the cash flows from operations.

Investing Activities

We also use cash for investing activities. Our capital expenditures consist primarily of new and remodeled store construction and fixtures and investments in information technology. We had capital expenditures of approximately $16.9 million in 2020 and $37.0 million in 2019. The decrease in 2020 was primarily driven by reduced capital expenditures as a result of COVID-19 and the aggressive management to improve our liquidity.

Financing Activities

Credit Facilities

In addition to cash flow from operations, we have access to additional liquidity, as needed, through borrowings under our Revolving Credit Facility and Term Loan Facility. On January 13, 2021, we entered into a definitive loan agreement with Sycamore Partners as lead lender, along with Wells Fargo and Bank of America Merrill Lynch, that strengthens our liquidity position. The new financing includes a $90.0 million FILO Term Loan received in 2020, and a $50.0 million Delayed Draw Term Loan (DDTL), that was drawn down in March of 2021. The DDTL is to be repaid upon receipt of a CARES Act tax refund expected to be received in the second quarter of 2021. This financing is in addition to our existing $250.0 million Revolving Credit Facility under which we drew down $165.0 million in the first quarter of 2020 in response to the COVID-19 outbreak that led to the temporary closure of all of our Express and Express Factory Outlet stores. Upon the receipt of the proceeds from the FILO Term Loan we repaid $59.0 million of the amount borrowed under our Revolving Credit Facility. The expiration date of the facilities is May 24, 2024.

As of January 30, 2021, the net amount outstanding under our facilities was $196.1 million, which is classified as long-term debt on the Consolidated Balance Sheet, net of unamortized costs, and approximately $35.6 million was available for borrowing under our facilities subject to certain borrowing base limitations and after outstanding letters of credit in the amount of $36.1 million, primarily related to our third party logistics contract. Refer to Note 6 of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for additional information on our Revolving Credit Facility and Term Loan Facility.

Share Repurchases

On November 28, 2017, the Board approved a share repurchase program that authorizes us to repurchase up to $150.0 million of our outstanding common stock using available cash. During 2020, we did not repurchase shares under the stock repurchase program. During 2019, we repurchased $15.6 million of common stock, including commissions, under the share repurchase program.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues, and expenses, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates, and judgments on an on-going basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following policies involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position and are, therefore, discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our Consolidated Financial Statements. More information on all of our significant accounting policies can be found in Note 2 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Store Asset Impairment

Description of Policy

Store related Property and Equipment, including the right of use assets, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable. These include, but are not limited to, material adverse changes in projected revenues and cost of goods sold (exclusive of buying and occupancy costs), present cash flow losses combined with a history of cash flow losses and a forecast that demonstrates significant continuing losses, significant negative economic conditions, a significant decrease in the market value of an asset and store closure or relocation decisions. We review for indicators of impairment at the individual store level, the lowest level for which cash flows are identifiable.

Stores that display an indicator of impairment are subjected to an impairment assessment. Our impairment assessment requires management to make assumptions and judgments related, but not limited, to management's expectations for future operations and projected cash flows.

- The key assumptions used in our undiscounted future store cash flow models include sales growth rate and gross margin, exclusive of buying and occupancy costs.

An impairment loss may be recognized when these undiscounted future cash flows are less than the carrying amount of the asset group. In the circumstance of impairment, any loss would be measured as the excess of the carrying amount of the asset group over its fair value. Fair value of our store-related assets is determined at the individual store level based on the highest and best use of the asset group.

- The key assumptions used in our fair value analysis may include discounted estimates of future store cash flows from operating the store and/or comparable market rents.

Judgments and Uncertainties

Our analysis for impairment requires judgment surrounding identification of appropriate triggering events and assumptions used in our fair value model. These judgments can be affected by factors such as expectations for future store performance, real estate demand, market rent and economic conditions that can be difficult to predict.

Effect if Actual Results Differ from Assumptions

We have no reason to believe that there will be a material change in the future estimates or assumptions we use in this evaluation. However, if we become aware of additional triggering events there is potential that additional stores could be required to be tested for impairment and could be impaired. These events could include further deterioration in store operating results, increased store labor costs, our inability to implement our cost savings initiatives or lower mall traffic. In addition, if market rent fair values deteriorate, our fair value test could determine additional right-of-use asset impairment. A 1% reduction in our store related assets would be approximately $8.0 million at January 30, 2021.

Inventories - Lower of Cost or Net Realizable Value

Description of Policy

Inventories are principally valued at the lower of cost or net realizable value on a weighted-average cost basis. We record a lower of cost or net realizable value adjustment for our inventories if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory.

Judgments and Uncertainties

Our accounting methodology for determining the lower of cost or net realizable value adjustment contains uncertainties because it requires management to make assumptions and estimates that are based on factors such as merchandise seasonality, historical trends, and estimated inventory levels, including sell-through of remaining units.

Effect if Actual Results Differ from Assumptions

We have no reason to believe that there will be a material change in the future estimates or assumptions we use to measure the lower of cost or net realizable value adjustment. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material. A 100 basis point increase or decrease in the lower of cost or net realizable value adjustment would not have had a material impact on the inventory balance or pre-tax income as of and for the year ended January 30, 2021.

Valuation Allowance on Deferred Tax Assets

Description of Policy

Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of our assets and liabilities. Valuation allowances are established against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur.

Judgments and Uncertainties

Our deferred tax asset and liability balances contain uncertainty because changes in tax laws, rates, or future taxable income may differ from estimates and judgments made by management. Assessing whether deferred tax assets are realizable requires significant judgment. We consider all available positive and negative evidence, including past operating results and expectations of future operating income. The ultimate realization of deferred tax assets is often dependent upon future profitability, which is inherently uncertain. While we have a full valuation allowance on our net deferred tax asset assets, future changes in assumptions could have an effect on our estimates.

Effect if Actual Results Differ from Assumptions

We have no reason to believe that there will be a material change in the future estimates or assumptions we use to calculate our deferred taxes. However, if future tax rates are changed, we do not achieve our cost savings initiatives, or if actual results are not consistent with our estimates, we may need to adjust the carrying value of our deferred tax balances. An increase or decrease in the valuation allowance would result in a respective increase or decrease in our effective tax rate in the period the increase or decrease occurs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

INTEREST RATE RISK

Our Revolving Credit Facility and Term Loan Facility bear interest at variable rates. See Note 6 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information on the calculation of the rates. The nature and amount of our long-term debt can be expected to vary as a result of future business requirements, market conditions, and other factors.

As of January 30, 2021, we had approximately $106.1 million in net borrowings outstanding under our Revolving Credit Facility and approximately $90.0 million in net borrowings outstanding under our Term Loan Facility. Based on the levels of borrowings under our credit facilities at January 30, 2021, we estimate that a 100 basis point increase or decrease in underlying interest rates would increase or decrease annual interest expense by approximately $2.0 million. This hypothetical analysis may differ from the actual change in interest expense due to potential changes in interest rates or gross borrowings outstanding under our credit facilities. The expected transition from the widespread use of LIBOR rate to alternative rates over the next several years is not expected to have a material impact on interest expense on borrowings outstanding under our credit facilities.

IMPACT OF INFLATION

Inflationary factors such as increases in the cost of our products and operations may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general, and administrative expenses as a percentage of net sales if the selling prices of our products do not rise with these increased costs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Express, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Express, Inc. and its subsidiaries (the "Company") as of January 30, 2021 and February 1, 2020, and the related consolidated statements of income and comprehensive income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended January 30, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 30, 2021 and February 1, 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Store Asset Impairment Assessments

As described in Notes 2 and 3 to the consolidated financial statements, the Company has long-lived assets which include consolidated property and equipment, net of $180 million and consolidated right of use assets, net of $798 million as of January 30, 2021, of which a significant portion of such balances relate to store level long-lived assets. As a result of the COVID-19 pandemic, which included temporary store closures and a related decline in sales beginning in March 2020 and continuing through the remainder of the year, management concluded that a triggering event had occurred. Management performed impairment testing, and as a result of this testing, during 2020, management recorded impairment charges of $34 million related to store level property and equipment and right of use assets. As disclosed by management, store related property and equipment and right of use assets, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable. Management reviews for indicators of impairment at the individual store level, the lowest level for which cash flows are identifiable. Stores that display an indicator of impairment are subjected to an impairment assessment. The impairment assessment requires management to make assumptions and judgments related, but not limited, to management's expectations for future operations and projected cash flows. The key assumptions used in the undiscounted future store cash flow models include sales growth rate and gross margin, exclusive of buying and occupancy costs. An impairment loss may be recognized when these undiscounted future cash flows are less than the carrying amount of the asset group. In the circumstance of impairment, any loss would be measured as the excess of the carrying amount of the asset group over its fair value. Fair value of the store-related assets is determined at the individual store level based on the highest and best use of the asset group. The key assumptions used in the fair value analysis may include discounted estimates of future store cash flows from operating the store and/or comparable market rents.

The principal considerations for our determination that performing procedures relating to the store asset impairment assessments is a critical audit matter are the significant judgment by management when developing the undiscounted future cash flows expected to be generated by the assets to test for recoverability and when estimating the fair value of the asset groups to measure for impairment; this in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions related to sales growth rate and gross margin, exclusive of buying and occupancy costs when developing the undiscounted future cash flows, and comparable market rents when estimating the fair value. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the store asset impairment assessments, including controls over the assumptions used when developing the undiscounted future cash flows expected to be generated by the assets to test for recoverability and when estimating the fair value of the asset groups to measure for impairment. These procedures also included, among others (i) testing management's process for developing the undiscounted future cash flows expected to be generated by the assets and estimating the fair value of the asset groups; (ii) evaluating the appropriateness of the models used by management; (iii) testing the completeness, accuracy and relevance of underlying data used in the models; and (iv) evaluating the reasonableness of the significant assumptions related to sales growth rate and gross margin, exclusive of buying and occupancy costs when developing the undiscounted future cash flows, and comparable market rents when estimating the fair value. Evaluating management's assumptions related to sales growth rates and gross margin, exclusive of buying and occupancy costs, and comparable market rents involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the asset groups; (ii) the consistency with external market data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the reasonableness of the comparable market rents assumption.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
March 25, 2021

We have served as the Company's auditor since 2008.

EXPRESS, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Per Share Amounts)

	January 30, 2021	February 1, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 55,874	$ 207,139
Receivables, net	14,556	10,824
Income tax receivable	111,342	3,000
Inventories	264,360	220,303
Prepaid rent	7,883	6,850
Other	20,495	22,573
Total current assets	474,510	470,689
Right of Use Asset, Net	797,785	1,010,216
Property and Equipment	969,402	979,639
Less: accumulated depreciation	(789,204)	(731,309)
Property and equipment, net	180,198	248,330
Deferred Tax Assets	—	54,973
Other Assets	5,964	6,531
TOTAL ASSETS	$ 1,458,457	$ 1,790,739
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term lease liability	$ 203,441	$ 226,174
Accounts payable	150,230	126,863
Deferred revenue	32,430	38,227
Accrued expenses	128,952	76,211
Total current liabilities	515,053	467,475
Long-Term Lease Liability	722,949	897,304
Long-Term Debt	192,032	—
Other Long-Term Liabilities	18,734	19,658
Total Liabilities	1,448,768	1,384,437
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock – $0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Common stock – $0.01 par value; 500,000 shares authorized; 93,632 shares and 93,632 shares issued at January 30, 2021 and February 1, 2020, respectively, and 64,971 shares and 63,922 shares outstanding at January 30, 2021 and February 1, 2020, respectively	936	936
Additional paid-in capital	222,141	215,207
Retained earnings	114,732	533,690
Treasury stock – at average cost; 28,661 shares and 29,710 shares at January 30, 2021 and February 1, 2020, respectively	(328,120)	(343,531)
Total stockholders' equity	9,689	406,302
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,458,457	$ 1,790,739

See Notes to Consolidated Financial Statements.

EXPRESS, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Amounts)

	2020	2019	2018
Net Sales	$ 1,208,374	$ 2,019,194	$ 2,116,344
Cost of Goods Sold, Buying and Occupancy Costs	1,213,281	1,468,619	1,501,433
GROSS (LOSS)/PROFIT	(4,907)	550,575	614,911
Operating Expenses:			
Selling, general, and administrative expenses	450,834	564,332	587,348
Impairment of intangible assets	—	197,618	—
Restructuring costs	—	7,337	166
Other operating income, net	(526)	(847)	(818)
TOTAL OPERATING EXPENSES	450,308	768,440	586,696
OPERATING (LOSS)/INCOME	(455,215)	(217,865)	28,215
Interest Expense/(Income), Net	3,401	(2,981)	25
Other Expense, Net	2,733	—	7,900
(LOSS)/INCOME BEFORE INCOME TAXES	(461,349)	(214,884)	20,290
Income Tax (Benefit)/Expense	(55,900)	(50,526)	10,660
NET (LOSS)/INCOME	$ (405,449)	$ (164,358)	$ 9,630
COMPREHENSIVE (LOSS)/INCOME	$ (405,449)	$ (164,358)	$ 9,630
EARNINGS PER SHARE:			
Basic	$ (6.27)	$ (2.49)	$ 0.13
Diluted	$ (6.27)	$ (2.49)	$ 0.13
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	64,624	66,133	72,518
Diluted	64,624	66,133	73,239

See Notes to Consolidated Financial Statements.

EXPRESS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in Thousands)

	Common Stock					Treasury Stock		
	Shares Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Average Cost	Total
BALANCE, February 3, 2018	76,724	$ 926	$ 199,099	$ 704,395	$ —	15,923	$(256,106)	$ 648,314
Net income	—	—	—	9,630	—	—	—	9,630
Exercise of stock options and restricted stock	1,013	10	(232)	(161)	—	(28)	384	1
Share-based compensation	—	—	13,114	—	—	—	—	13,114
Repurchase of common stock	(10,313)	—	—	—	—	10,313	(85,881)	(85,881)
BALANCE, February 2, 2019	67,424	$ 936	$ 211,981	$ 713,864	$ —	26,208	$(341,603)	$ 585,178
Adoption of ASC Topic 842	—	—	—	(5,482)	—	—	—	(5,482)
Net loss	—	—	—	(164,358)	—	—	—	(164,358)
Exercise of stock options and restricted stock	1,204	—	(4,951)	(10,334)	—	(1,204)	15,285	—
Share-based compensation	—	—	8,177	—	—	—	—	8,177
Repurchase of common stock	(4,706)	—	—	—	—	4,706	(17,213)	(17,213)
BALANCE, February 1, 2020	63,922	$ 936	$ 215,207	$ 533,690	$ —	29,710	$(343,531)	$ 406,302
Net loss	—	—	—	(405,449)	—	—	—	(405,449)
Exercise of stock options and restricted stock	1,392	—	(2,528)	(13,509)	—	(1,392)	16,037	—
Share-based compensation	—	—	9,462	—	—	—	—	9,462
Repurchase of common stock	(343)	—	—	—	—	343	(626)	(626)
BALANCE, January 30, 2021	64,971	$ 936	$ 222,141	$ 114,732	$ —	28,661	$(328,120)	$ 9,689

See Notes to Consolidated Financial Statements.

EXPRESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/income	$ (405,449)	$ (164,358)	$ 9,630
Adjustments to reconcile net (loss)/income to net cash used in operating activities:			
Depreciation and amortization	73,698	85,383	85,853
Loss on disposal of property and equipment	901	916	368
Impairment of property, equipment, and lease assets	34,380	4,430	818
Impairment of intangible assets	—	197,618	—
Equity method investment impairment	3,233	500	8,400
Share-based compensation	9,462	8,177	13,114
Deferred taxes	54,967	(49,561)	536
Landlord allowance amortization	(416)	(2,205)	(11,606)
Other non-cash adjustments	(500)	(500)	(500)
Changes in operating assets and liabilities:			
Receivables, net	(3,732)	6,545	(5,284)
Income tax receivable	(108,342)	(1,500)	292
Inventories	(44,057)	47,463	(7,038)
Accounts payable, deferred revenue, and accrued expenses	68,275	(32,339)	(21,097)
Other assets and liabilities	(6,046)	(9,859)	231
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(323,626)	90,710	73,717
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(16,854)	(37,039)	(49,778)
NET CASH USED IN INVESTING ACTIVITIES	(16,854)	(37,039)	(49,778)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings under the revolving credit facility	165,000	—	—
Repayment of borrowings under the revolving credit facility	(58,950)	—	—
Proceeds from borrowings under the term loan facility	90,000	—	—
Proceeds on financing arrangements	2,634	—	—
Repayments of financing arrangements	(1,864)	—	(750)
Costs incurred in connection with debt arrangements	(6,979)	(899)	—
Payments on lease financing obligations	—	(90)	(1,860)
Repurchase of common stock under share repurchase programs (Note 7)	—	(15,610)	(83,172)
Repurchase of common stock for tax withholding obligations	(626)	(1,603)	(2,709)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	189,215	(18,202)	(88,491)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(151,265)	35,469	(64,552)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	207,139	171,670	236,222
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 55,874	$ 207,139	$ 171,670
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 2,676	$ —	$ —
Cash paid to taxing authorities	$ 621	$ 9,406	$ 11,642

See Notes to Consolidated Financial Statements.

EXPRESS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 | DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business Description

Express, Inc., together with its subsidiaries (“Express” or the “Company”), is a modern, versatile, dual gender apparel and accessories brand that helps people get dressed for every day and any occasion. Launched in 1980 with the idea that style, quality and value should all be found in one place, Express has been a brand of the now, offering some of the most important and enduring fashion trends. Express aims to *Create Confidence & Inspire Self-Expression* through a design & merchandising view that brings forward The Best of Now for Real Life Versatility. The Company operates over 500 retail and factory outlet stores in the United States and Puerto Rico, as well as an online destination.

As of January 30, 2021, Express operated 360 primarily mall-based retail stores in the United States and Puerto Rico as well as 210 factory outlet stores. Additionally, as of January 30, 2021, the Company earned revenue from 7 franchise stores in Latin America. These franchise stores are operated by franchisees pursuant to franchise agreements. Under the franchise agreements, the franchisees operate stand-alone Express stores that sell Express-branded apparel and accessories purchased directly from the Company.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are referred to by the calendar year in which the fiscal year commences. All references herein to the Company's fiscal years are as follows:

Fiscal Year	Year Ended	Number of Weeks
2020	January 30, 2021	52
2019	February 1, 2020	52
2018	February 2, 2019	52

Basis of Presentation

Express, Inc., a holding company, owns all of the outstanding equity interests in Express Topco LLC, a holding company, which owns all of the outstanding equity interests in Express Holding, LLC ("Express Holding"). Express Holding owns all of the outstanding equity interests in Express, LLC. Express, LLC, together with its subsidiaries, including Express Fashion Operations, LLC, conducts the operations of the Company.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Segment Reporting

The Company defines an operating segment on the same basis that it uses to evaluate performance internally. The Company has determined that, together, its Chief Executive Officer and its President and Chief Operating Officer are the Chief Operating Decision Maker, and that there is one operating segment. Therefore, the Company reports results as a single segment, which includes the operation of its Express brick-and-mortar retail and outlet stores, eCommerce operations, and franchise operations.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expense during the reporting period, as well as the related disclosure of contingent assets and liabilities as of the date of the Consolidated Financial Statements. Actual results may differ from those estimates. The Company revises its estimates and assumptions as new information becomes available.

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” (“ASC 842”). This ASU is a comprehensive new standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It requires lessees to recognize lease assets and lease liabilities for most leases, including those leases previously classified as operating leases. ASC 842 requires a modified retrospective transition for leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842): Targeted Improvements,” that allows entities to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without adjustment to the financial statements for periods prior to adoption.

The Company adopted ASC 842 on February 3, 2019 on a modified retrospective basis and applied the new standard to all leases through a cumulative-effect adjustment to beginning retained earnings. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for the respective periods. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which permitted companies not to reassess prior conclusions on lease identification, lease classification and initial direct costs. The Company did not elect the hindsight practical expedient.

On February 3, 2019, the Company recognized leases, primarily related to its stores and corporate headquarters, on its Consolidated Balance Sheet, as right-of-use assets of $1.2 billion with corresponding lease liabilities of $1.3 billion and eliminated certain existing lease-related assets and liabilities as a net adjustment to the right-of-use assets. The Company’s right-of-use assets represent a right to use underlying assets for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at the lease commencement date (date on which the Company gains access to the property) based on the estimated present value of lease payments over the lease term, net of landlord allowances to be received. The Company accounts for the lease and non-lease components as a single lease component for all current classes of leases. In connection with this adoption, the Company recorded a transition adjustment, which was a net reduction of retained earnings of $5.5 million. This adjustment primarily reflects the difference between the right-of-use assets and lease liabilities recorded upon adoption, the elimination of the lease financing obligations and related assets, including the related put option, and the recognition of the impairment, upon adoption, of certain right-of-use assets totaling $1.2 million. The adoption of the new standard had no material impact on the Consolidated Statements of Income and Comprehensive Income, or the Consolidated Statements of Cash Flows, and did not impact the Company's compliance with debt covenants.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19. The pandemic has significantly impacted global economies, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many industries.

During March 2020, in response to the COVID-19 outbreak and business disruption resulting from quarantines, stay-at-home orders, and similar mandates, Express temporarily closed all its Company stores and offices, and as a result, all store associates and a number of home office employees were furloughed. For the remainder of the home office employees, remote work arrangements were put in place and were designed to allow for continued operation of the business, including financial reporting systems and internal controls. The Company's website, www.express.com, remained open, supported by third-party logistics providers and Company employees working remotely.

The Company has considered the impact of COVID-19 on our Consolidated Financial Statements and expects it to have future impacts, the extent of which is uncertain and largely subject to whether the severity of the pandemic worsens and/or its duration lengthens. These impacts could include but may not be limited to risks and uncertainty in the near to medium term related to federal, state, and local store closure requirements, customer demand, worker availability, the Company's ability to procure inventory, distribution facility closures, shifts in demand between sales channels, and market volatility in supply chain and store rents. Consequently, this may subject the Company to future risk of long-lived asset and lease right of use asset impairments, increased reserves for uncollectible accounts, and adjustments for inventory, including the lower of cost or net realizable value adjustment.

Going Concern and Management's Plans

As previously disclosed, the COVID-19 pandemic has and continues to result in significant disruption to the Company's business. As a result, the Company's revenues, results of operations and cash flows continue to be materially adversely impacted. For the 52-week period ended January 30, 2021, the Company reported a net loss of $405.4 million and negative operating cash flows of $323.6 million. In response to the COVID-19 pandemic the Company borrowed $165.0 million under its Revolving Credit Facility and an additional $90.0 million under a Term Loan Facility. Upon receipt of proceeds from the Term Loan Facility the Company repaid $59.0 million of the Revolving Credit Facility. In addition, under the Term Loan Facility, the Company borrowed $50.0 million subsequent to year-end, that will be repaid upon receipt of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") receivable. The Revolving Credit Facility and the Term Loan Facility contain certain affirmative and negative covenants. Refer to Note 6 in the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details regarding the Revolving Credit Facility and Term Loan Facility. The Company is currently in compliance with its covenants and expects to remain in compliance, however, due to the uncertainty related to the duration of the COVID-19 pandemic and its continuing impacts, the Company could experience material changes to forecasted revenues and cash flows and may experience difficulty remaining in compliance with financial covenants under the Revolving Credit Facility and the Term Loan Facility. When conditions and events, in the aggregate, impact an entity's ability to continue as a going concern, management evaluates the mitigating effect of its plans to determine if it is probable that the plans will be effectively implemented and, when implemented, the plans will mitigate the relevant conditions or events.

The Company's plans are focused on improving its results and liquidity through increased sales and cost reductions. The Company's current forecasts include sales and profitability improvements over fiscal year 2020 results. In addition, the Company has entered into agreements, or is in discussions with, most of its retail landlords to modify rent payments, receive rent concessions or otherwise reduce operating costs. The Company also has $111.3 million in income tax refunds that are receivable from the U.S. government based primarily on provisions in the CARES Act. Any legislative changes to the CARES Act or significant delays in receiving this tax refund could adversely impact the Company's financial position and results. The Company also has contingency plans in which it would further reduce or defer additional expenses and cash outlays, should operations weaken beyond current forecasts or if cash inflows from tax receivables are not received when expected. The Company believes these plans are probable of being successfully implemented, which will result in adequate cash flows to support its ongoing operations and to meet its covenant requirements under the Revolving Credit Facility and Term Loan Facility for one year following the date these financial statements are issued.

The accompanying Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

NOTE 2 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds, payments due from banks for third-party credit and debit card transactions for up to five days of sales, cash on hand, and deposits with financial institutions. As of January 30, 2021 and February 1, 2020, amounts due from banks for credit and debit card transactions totaled approximately $7.5 million and $10.9 million, respectively.

Outstanding checks not yet presented for payment amounted to $32.1 million and $7.0 million as of January 30, 2021 and February 1, 2020, respectively, and are included in accounts payable on the Consolidated Balance Sheets.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date.

- **Level 1 -** Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2 -** Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- **Level 3 -** Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

Financial Assets

The following table presents the Company's financial assets measured at fair value on a recurring basis as of January 30, 2021 and February 1, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall.

	January 30, 2021		
	Level 1	Level 2	Level 3
	(in thousands)		
Money market funds	$ 35,964	$ —	$ —

	February 1, 2020		
	Level 1	Level 2	Level 3
	(in thousands)		
Money market funds	$ 188,182	$ —	$ —

The money market funds are valued using quoted market prices in active markets.

Non-Financial Assets

The Company's non-financial assets, which include fixtures, equipment, improvements, right of use assets, and intangible assets, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur indicating the carrying value of these assets may not be recoverable, or annually in the case of indefinite-lived intangibles, an impairment test is required. See additional discussion under the heading "Property and Equipment, Net" in this note below.

The carrying amounts reflected on the Consolidated Balance Sheets for cash, cash equivalents, receivables, prepaid expenses, and payables as of January 30, 2021 and February 1, 2020 approximated their fair values.

Receivables, Net

Receivables, net consist primarily of non-income tax CARES Act receivable, construction allowances, receivables from the Bank related to the Card Agreement, our franchisees, and third-party resellers of our gift cards, and other miscellaneous receivables. Outstanding receivables are continuously reviewed for collectability. The Company's allowance for estimated credit losses was not significant as of January 30, 2021 or February 1, 2020.

Inventories

Inventories are principally valued at the lower of cost or net realizable value on a weighted-average cost basis. The Company writes down inventory, the impact of which is reflected in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Income and Comprehensive Income, if the cost of specific inventory items on hand exceeds the amount the Company expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. The lower of cost or net realizable value adjustment to inventory as of January 30, 2021 and February 1, 2020 was $14.5 million and $10.4 million, respectively.

The Company also records an inventory shrink reserve for estimated merchandise inventory losses between the last physical inventory count and the balance sheet date. This estimate is based on management's analysis of historical results.

Advertising

Advertising production costs are expensed at the time the promotion first appears in media, stores, or on the website. Total advertising expense totaled $110.6 million, $114.7 million, and $123.1 million in 2020, 2019, and 2018, respectively. Advertising costs are included in selling, general, and administrative expenses in the Consolidated Statements of Income and Comprehensive Income.

Property and Equipment, Net

Property and equipment are stated at cost. Depreciation of property and equipment is computed on a straight-line basis, using the following useful lives:

Category	Depreciable Life
Software, including software developed for internal use	3 - 7 years
Store related assets and other property and equipment	3 - 10 years
Furniture, fixtures and equipment	5 - 7 years
Leasehold improvements	Shorter of lease term or useful life of the asset, typically no longer than 10 years
Building improvements	6 - 30 years

When a decision is made to dispose of property and equipment prior to the end of its previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in other operating expense (income), net, in the Consolidated Statements of Income and Comprehensive Income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Store Asset Impairment

Property and equipment, including the right of use assets, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur indicating the carrying value of these assets may not be recoverable, an impairment test is required. These events include, but are not limited to, material adverse changes in projected revenues and cost of goods sold (exclusive of buying and occupancy costs), present cash flow losses combined with a history of cash flow losses and a forecast that demonstrates significant continuing losses, significant negative economic conditions, a significant decrease in the market value of an asset and store closure or relocation decisions. The reviews are conducted at the store level, the lowest identifiable level of cash flow.

Stores that display an indicator of impairment are subjected to an impairment assessment. Such stores are tested for recoverability by comparing the sum of the estimated future undiscounted cash flows to the carrying amount of the asset. This recoverability test requires management to make assumptions and judgments related, but not limited, to management’s expectations for future cash flows from operating the store.

- The key assumptions used in the undiscounted future store cash flow models include sales growth rate and gross margin, exclusive of buying and occupancy costs.

An impairment loss may be recognized when these undiscounted future cash flows are less than the carrying amount of the asset group. In the circumstance of impairment, any loss would be measured as the excess of the carrying amount of the asset group over its fair value. Fair value of the store-related assets is determined at the individual store level based on the highest and best use of the asset group.

- The key assumptions used in the fair value analysis may include discounted estimates of future store cash flows from operating the store and/or comparable market rents.

As a result of the COVID-19 pandemic, which included temporary store closures and a related decline in sales beginning in March 2020 and continuing through the remainder of the year, the Company concluded that a triggering event had occurred. Consequently, the Company performed impairment testing. As a result of this testing, during 2020, the Company recognized impairment charges as follows:

	2020	2019	2018
		(in thousands)	
Right of use asset impairment	$ 25,117	$ 1,289	$ —
Property and equipment asset impairment	9,263	3,141	818
Total asset impairment	$ 34,380	$ 4,430	$ 818

Impairment charges are recorded in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Income and Comprehensive Income.

Investment in Equity Interests

In 2016, the Company made a $10.1 million investment in Homage, LLC, a privately held retail company based in Columbus, Ohio. The non-controlling investment in the entity was being accounted for under the equity method. Under the terms of the agreement governing the investment, the Company's investment was increased by $0.5 million during 2018, 2019 and 2020 as the result of an accrual of a non-cash preferred yield. This investment was assessed for impairment whenever factors indicated an other-than-temporary loss in value. Factors providing evidence of such a loss include the fair value of an investment that is less than its carrying value, absence of an ability to recover the carrying value or the investee’s inability to generate income sufficient to justify the carrying value. As a result of this assessment in 2018, the Company determined the carrying value exceeded the fair value and recognized an $8.4 million impairment charge in 2018 within other expense/(income), net in the Consolidated Statements of Income and Comprehensive Income. During 2020, the Company wrote off the remaining $2.7 million of its investment, inclusive of the $1.5 million preferred yield within other expense/(income), net in the Consolidated Statements of Income and Comprehensive Income. In addition, in 2020 and 2019, the Company recognized an additional $0.5 million impairment charge within other expense/(income), net in the Consolidated Statements of Income and Comprehensive Income. The fair value of the equity method investment was determined based on applying income and market approaches. The income approach relied on the discounted cash flow method and the market approach relied on a market multiple approach considering historical and projected financial results.

During the third quarter of 2020, the Company sold all of its interest in Homage, LLC back to Homage, LLC in exchange for a promissory note payable to the Company in the principal amount of $1.5 million. The Company has recorded a reserve against the full value of this promissory note.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of the Company's assets and liabilities. Valuation allowances are established against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur.

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

The Company considers all available evidence, both positive and negative, when evaluating whether deferred tax assets are realizable. Such factors include past operating results, taxable income in prior carryback years, future reversal of existing temporary differences, prudent and feasible tax planning strategies, and forecasts of future operating income. The past operating results is given more weight than expectations of future profitability, which is inherently uncertain. The assumptions utilized in determining future taxable income require significant judgment and actual operating results in future years could differ from the Company's current assumptions and estimates.

A tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

The Company recognizes tax liabilities for uncertain tax positions and adjusts these liabilities when the Company's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which the new information becomes available.

Interest and penalties related to unrecognized tax benefits are recognized within income tax expense in the Consolidated Statements of Income and Comprehensive Income. Accrued interest and penalties are included within other long-term liabilities on the Consolidated Balance Sheets.

The income tax liability was $0.7 million and $0.8 million as of January 30, 2021 and February 1, 2020, respectively, and is included in accrued expenses on the Consolidated Balance Sheets.

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

Self-Insurance

The Company is generally self-insured in the United States for medical, workers' compensation, and general liability benefits up to certain stop-loss limits. Such costs are accrued based on known claims and estimates of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates. The accrued liability for self-insurance is included in accrued expenses on the Consolidated Balance Sheets.

Revenue Recognition

The following is information regarding the Company's major product categories and sales channels:

	2020	2019	2018
		(in thousands)	
Apparel	$ 1,033,140	$ 1,736,700	$ 1,828,836
Accessories and other	132,069	216,152	222,611
Other revenue	43,165	66,342	64,897
Total net sales	$ 1,208,374	$ 2,019,194	$ 2,116,344

	2020	2019	2018
		(in thousands)	
Retail	$ 860,613	$ 1,467,261	$ 1,616,123
Outlet	304,596	485,591	435,324
Other revenue	43,165	66,342	64,897
Total net sales	$ 1,208,374	$ 2,019,194	$ 2,116,344

Merchandise returns are reflected in the accounting records of the channel where they are physically returned. Other revenue consists primarily of revenue earned from our private label credit card agreement, shipping and handling revenue related to eCommerce activity, sell-off revenue related to marked-out-of-stock inventory sales to third parties, revenue from gift card breakage and revenue from franchise agreements.

Revenue related to the Company's international franchise operations was not material for any period presented and, therefore, is not reported separately from domestic revenue.

Merchandise Sales

The Company recognizes sales for in-store purchases at the point-of-sale. Revenue related to eCommerce transactions is recognized upon shipment based on the fact that control transfers to the customer at that time. The Company has made a policy election to treat shipping and handling as costs to fulfill the contract and as a result any amounts received from customers are included in the transaction price allocated to the performance obligation of providing goods with a corresponding amount accrued within cost of goods sold, buying and occupancy costs in the Consolidated Statements of Income and Comprehensive Income for amounts paid to applicable carriers. Associate discounts on merchandise purchases are classified as a reduction of net sales. Net sales excludes sales tax collected from customers and remitted to governmental authorities.

The Company also sells merchandise to multiple franchisees pursuant to different franchise agreements. Revenues may consist of sales of merchandise and/or royalties. Revenues from merchandise sold to franchisees are recorded at the time title transfers to the franchisees. Royalty revenue is based upon a percentage of the franchisee's net sales to third parties and is earned when such sales to third parties occur.

Loyalty Program

The Company maintains a customer loyalty program in which customers earn points toward rewards for qualifying purchases and other marketing activities. Upon reaching specified point values, customers are issued a reward, which they may redeem on merchandise purchases at the Company's stores or on its website. Generally, rewards earned must be redeemed within 60 days from the date of issuance. The Company defers a portion of merchandise sales based on the estimated standalone selling price of the points earned. This deferred revenue is recognized as certificates that are redeemed or expire. To calculate this deferral, the Company makes assumptions related to card holder redemption rates based on historical experience. The loyalty liability is included in deferred revenue on the Consolidated Balance Sheets.

	2020	2019
	(in thousands)	
Beginning balance loyalty deferred revenue	$ 14,063	$ 15,319
Revenue recognized	(5,112)	(1,256)
Ending balance loyalty deferred revenue	$ 8,951	$ 14,063

Sales Returns Reserve

The Company reduces net sales and provides a reserve for projected merchandise returns based on prior experience. Merchandise returns are often resalable merchandise and are refunded by issuing the same payment tender as the original purchase. Merchandise exchanges of the same product and price, typically due to size or color preferences, are not considered merchandise returns. The sales returns reserve was $6.4 million and $9.1 million as of January 30, 2021 and February 1, 2020, respectively, and is included in accrued expenses on the Consolidated Balance Sheets. The asset related to projected returned merchandise is included in other assets on the Consolidated Balance Sheets.

Gift Cards

The Company sells gift cards in its stores, on its eCommerce website, and through third parties. These gift cards do not expire or lose value over periods of inactivity. The Company accounts for gift cards by recognizing a liability at the time a gift card is sold. The gift card liability balance was $23.5 million, and $24.1 million as of January 30, 2021 and February 1, 2020, respectively, and is included in deferred revenue on the Consolidated Balance Sheets. The Company recognizes revenue from gift cards when they are redeemed by the customer. The Company also recognizes income on unredeemed gift cards, referred to as "gift card breakage." Gift card breakage is recognized proportionately using a time-based attribution method from issuance of the gift card to the time when it can be determined that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit unredeemed gift cards to relevant jurisdictions. The gift card breakage rate is based on historical redemption patterns. Gift card breakage is included within the other revenue component of net sales in the Consolidated Statements of Income and Comprehensive Income.

	2020	2019
	(in thousands)	
Beginning gift card liability	$ 24,142	$ 25,133
Issuances	25,996	43,028
Redemptions	(24,027)	(40,527)
Gift card breakage	(2,633)	(3,492)
Ending gift card liability	$ 23,478	$ 24,142

Private Label Credit Card

The Company has an agreement with Comenity Bank (the "Bank") to provide customers with private label credit cards (the "Card Agreement") which was amended on August 28, 2017 to extend the term of the arrangement through December 31, 2024. Each private label credit card bears the logo of the Express brand and can only be used at the Company's store locations and eCommerce channel. The Bank is the sole owner of the accounts issued under the private label credit card program and absorbs the losses associated with non-payment by the private label card holders and a portion of any fraudulent usage of the accounts.

Pursuant to the Card Agreement, the Company receives amounts from the Bank during the term based on a percentage of private label credit card sales and is also eligible to receive incentive payments for the achievement of certain performance targets. These funds are recorded within the other revenue component of net sales in the Consolidated Statements of Income and Comprehensive Income. The Company also receives reimbursement funds from the Bank for certain expenses the Company incurs. These reimbursement funds are used by the Company to fund marketing and other programs associated with the private label credit card. The reimbursement funds received related to private label credit cards are recorded within the other revenue component of net sales in the Consolidated Statements of Income and Comprehensive Income.

In connection with the Card Agreement, the Bank agreed to pay the Company a $20.0 million refundable payment which the Company recognized upon receipt as deferred revenue within other long-term liabilities in the Consolidated Balance Sheets and began to recognize into income on a straight-line basis commencing January 2018. As of January 30, 2021, the deferred revenue balance of $11.3 million will be recognized over the remaining term of the amended Card Agreement within the other revenue component of net sales in the Consolidated Statements of Income and Comprehensive Income.

	2020	2019
	(in thousands)	
Beginning balance refundable payment liability	$ 14,150	$ 17,028
Recognized in revenue	(2,878)	(2,878)
Ending balance refundable payment liability	$ 11,272	$ 14,150

Cost of Goods Sold, Buying and Occupancy Costs

Cost of goods sold, buying and occupancy costs, includes merchandise costs, freight, inventory shrinkage, and other gross margin related expenses. Buying and occupancy expenses primarily include payroll, benefit costs, and other operating expenses for the buying departments (merchandising, design, manufacturing, and planning and allocation), distribution, eCommerce fulfillment, rent, common area maintenance, real estate taxes, utilities, maintenance, and depreciation for stores.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses include all operating costs not included in cost of goods sold, buying and occupancy costs, with the exception of proceeds received from insurance claims and gain/loss on disposal of assets, which are included in other operating expense, net. These costs include payroll and other expenses related to operations at our corporate home office, store expenses other than occupancy, and marketing expenses.

Other Operating Expense, Net

Other operating expense, net primarily consists of gains/losses on disposal of assets, excess proceeds from the settlement of insurance claims and the write off of certain costs associated with aborted debt negotiations.

Other Expense, Net

Other expense, net primarily consists of the pre-tax write-off of our 2016 investment in Homage, LLC.

NOTE 3 | PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of:

	January 30, 2021	February 1, 2020
	(in thousands)	
Building improvements	$ 16,206	$ 16,206
Furniture, fixtures and equipment, and software	552,412	525,720
Leasehold improvements	396,668	406,183
Construction in process	3,304	30,719
Other	812	811
Total	969,402	979,639
Less: accumulated depreciation	(789,204)	(731,309)
Property and equipment, net	$ 180,198	$ 248,330

Depreciation expense totaled $76.1 million, $87.9 million, and $88.2 million in 2020, 2019, and 2018, respectively, excluding impairment charges discussed in Note 2.

NOTE 4 | LEASES

The Company leases all of its store locations and its corporate headquarters, which also includes its distribution center, under operating leases. The store leases typically had initial terms of 5 to 10 years however, most of the leases that are coming to the end of their lease lives are being renegotiated with shorter terms. The current lease term for the corporate headquarters expires in 2026, with one optional five-year extension period. The Company also leases certain equipment and other assets under operating leases, typically with initial terms of 3 to 5 years. The lease term includes the initial contractual term as well as any options to extend the lease when it is reasonably certain that the Company will exercise that option. Leases with an initial term of 12 months or less (short-term leases) are not recorded on the balance sheet. The Company does not currently have any material short-term leases. The Company is generally obligated for the cost of property taxes, insurance and other landlord costs, including common area maintenance charges, relating to its leases. If these charges are fixed, they are combined with lease payments in determining the lease liability; however, if such charges are not fixed, they are considered variable lease costs and are expensed as incurred. The variable payments are not included in the measurement of the lease liability or asset. The Company’s finance leases are immaterial. The Company did not make any amendments to its lease modification policies as a result of the COVID-19 pandemic.

Certain lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a result of the impact of the COVID-19 pandemic, the Company did not initially make its store rent payments for certain stores in the first and second quarter of 2020. The Company established an accrual for rent payments that were not made and has continued to recognize accrued rent expense. As a result of negotiations with certain landlords, the Company has since made rent payments for certain stores and some landlords have agreed to abate certain rent payments. The appropriate adjustments were made to accrued rent. Accrued rent is within accrued expenses on the Consolidated Balance Sheets. Accrued minimum rent as of January 30, 2021 and February 1, 2020, was $56.3 million and $3.2 million, respectively.

The following table is a summary of the Company's components of net lease cost, which is included in cost of goods sold, buying and occupancy costs, in the Consolidated Statements of Income and Comprehensive Income:

	2020	2019
	(in thousands)	
Operating lease costs	$ 272,896	$ 280,166
Variable and short-term lease costs	60,925	65,535
Total lease costs	$ 333,821	$ 345,701

Total lease costs for 2018 were $356.8 million.

Supplemental cash flow information related to leases is as follows:

	2020	2019
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 197,824	$ 279,092
Right-of-use assets obtained in exchange for operating lease liabilities	$ 44,433	$ 39,851

Supplemental balance sheet information related to leases is as follows:

	2020	2019
Operating leases:		
Weighted average remaining lease term (in years)	5.1	5.7
Weighted average discount rate	5.4 %	4.8 %

The Company's lease agreements do not provide an implicit rate, so the Company uses an estimated incremental borrowing rate, which is derived from third-party information available at the lease commencement date, in determining the present value of lease payments. The rate used is for a secured borrowing of a similar term as the lease.

The following table reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the Consolidated Balance Sheets as of January 30, 2021:

		January 30, 2021
		(in thousands)
2021	$	229,299
2022		228,188
2023		200,719
2024		154,197
2025		115,812
Thereafter		132,843
Total minimum lease payments		1,061,058
Less: amount of lease payments representing interest		134,668
Present value of future minimum lease payments		926,390
Less: current obligations under leases		203,441
Long-term lease obligations	$	722,949

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount.

NOTE 5 | INCOME TAXES

The provision (benefit) for income taxes consists of the following:

		2020		2019		2018
Current:				(in thousands)		
U.S. federal	$	(109,627)	$	(602)	$	7,644
U.S. state and local		(1,240)		(363)		2,480
Total		(110,867)		(965)		10,124
Deferred:						
U.S. federal		37,292		(39,272)		371
U.S. state and local		17,675		(10,289)		165
Total		54,967		(49,561)		536
Income tax (benefit)/expense	$	(55,900)	$	(50,526)	$	10,660

The following table provides a reconciliation between the statutory federal income tax rate and the effective tax rate:

	2020	2019	2018
Federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal income tax effect	5.2 %	3.4 %	13.2 %
Change in uncertain tax positions	0.1 %	0.4 %	(1.5)%
Share-based compensation	(0.3)%	(1.3)%	5.5 %
Non-deductible executive compensation	(0.2)%	(0.4)%	13.8 %
Change in valuation allowance	(22.9)%	(0.1)%	6.3 %
Change in tax law	9.1 %	— %	(1.0)%
Tax credits	0.1 %	0.3 %	(5.0)%
Other items, net	— %	0.2 %	0.2 %
Effective tax rate	12.1 %	23.5 %	52.5 %

On March 27, 2020, the CARES Act was enacted into law. The CARES Act provides several provisions that impact the Company including the establishment of a five-year carryback of net operating losses originating in the tax years 2018, 2019, and 2020, temporarily suspending the 80% limitation on the use of net operating losses, relaxing limitation rules on business interest deductions, and retroactively clarifying that businesses may immediately write-off certain qualified leasehold improvement property dating back to January 1, 2018.

The decrease in the tax rate in 2020 compared to 2019 is primarily attributable to the impact of establishing a valuation allowance against the Company's net deferred tax assets. This was partially offset by the impact from the CARES Act of the 2019 and 2020 U.S. federal net operating losses that are able to be carried back to years with a higher federal statutory tax rate than is currently enacted.

The decrease in the tax rate in 2019 compared to 2018 is primarily attributable to the large pre-tax loss from the impairment of intangible assets, partially offset by the impact on the tax rate of the share-based compensation, non-deductible executive compensation, and valuation allowance recorded in 2018.

The following table provides the effect of temporary differences that created deferred income taxes as of January 30, 2021 and February 1, 2020. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carry-forwards at the end of the respective periods.

	January 30, 2021	February 1, 2020
	(in thousands)	
Deferred tax assets:		
Accrued expenses and deferred compensation	$ 10,478	$ 9,984
Lease liability	249,819	304,942
Intangible assets	24,592	26,059
Inventory	1,154	1,974
Deferred revenue	7,582	9,040
Net operating losses, tax credit and other carryforwards	51,204	2,265
Valuation allowance	(108,418)	(2,313)
Total deferred tax assets	236,411	351,951
Deferred tax liabilities:		
Prepaid expenses	3,861	3,702
Right of use asset	210,796	268,779
Other	1,200	464
Property and equipment	20,554	24,039
Total deferred tax liabilities	236,411	296,984
Net deferred tax asset	$ —	$ 54,967

Due to the ongoing impact of the COVID-19 pandemic, the Company no longer believes it is able to objectively forecast taxable income in future years, which provides significant negative evidence when assessing whether the Company will more likely than not realize the full amount of the U.S. net deferred tax assets. As such, the Company recorded a valuation allowance against the full amount of the U.S. net deferred tax assets that were not utilized with the 2020 net operating loss carryback under the CARES Act. We will continue to evaluate the Company's ability to realize the deferred tax assets on a quarterly basis.

As of January 30, 2021, the Company had U.S. federal net operating loss carryforwards of $92.8 million and U.S. state net operating loss carryforwards of $490.0 million. The U.S. federal net operating losses have an indefinite carryforward period. The U.S. state net operating losses have carryforward periods of five to twenty years with varying expiration dates and certain jurisdictions have an unlimited carryforward. The Company had U.S. federal and state capital loss carryforwards of $10.2 million, which, if unused, will expire in five years. In addition, certain U.S. federal tax credits generated in tax years 2015 to 2019 in the amount of $3.8 million will no longer be utilized due to the net operating loss carryback claims under the CARES Act. These tax credits can be carried forward 20 years and expire starting in 2035. The Company also has $0.1 million in foreign tax credits, which can be carried forward 10 years and expire starting in 2027. A valuation allowance has been recorded on all of these tax attributes.

The following table summarizes the presentation of the Company's net deferred tax assets on the Consolidated Balance Sheets:

	January 30, 2021	February 1, 2020
	(in thousands)	
Deferred tax assets	$ —	$ 54,973
Other long-term liabilities	—	(6)
Net deferred tax assets	$ —	$ 54,967

The following table summarizes the changes in the valuation allowance:

	2020	2019	2018
		(in thousands)	
Valuation allowance, beginning of year	$ 2,313	$ 2,108	$ 832
Changes in related gross deferred tax assets/liabilities	410	—	—
Charge	105,695	205	1,276
Valuation allowance, end of year	$ 108,418	$ 2,313	$ 2,108

Uncertain Tax Positions

The Company evaluates tax positions using a more likely than not recognition criterion.

A reconciliation of the beginning to ending unrecognized tax benefits is as follows:

	January 30, 2021	February 1, 2020	February 2, 2019
		(in thousands)	
Unrecognized tax benefits, beginning of year	$ 1,305	$ 1,928	$ 2,398
Gross addition for tax positions of the current year	—	—	42
Gross addition for tax positions of the prior year	327	300	—
Settlements	—	(2)	—
Reduction for tax positions of prior years	—	(240)	(28)
Lapse of statute of limitations	(244)	(681)	(484)
Unrecognized tax benefits, end of year	$ 1,388	$ 1,305	$ 1,928

The amount of the above unrecognized tax benefits as of January 30, 2021, February 1, 2020, and February 2, 2019 that would impact the Company's effective tax rate, if recognized, is $1.4 million, $1.3 million, and $1.9 million, respectively.

During 2020 and 2019, the Company released gross uncertain tax positions of $0.2 million and $0.7 million, respectively, and the related accrued interest and penalties of $0.2 million and $0.3 million, respectively, as a result of the expiration of associated statutes of limitation.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. The total amount of net interest in tax expense related to interest and penalties included in the Consolidated Statements of Income and Comprehensive Income was $(0.1) million for 2020, $(0.1) million for 2019, and $0.1 million for 2018. As of January 30, 2021 and February 1, 2020, the Company had accrued interest and penalties of $0.4 million and $0.5 million, respectively.

The Company is subject to examination by the IRS for years subsequent to 2013. The Company is also generally subject to examination by various U.S. state and local and non-U.S. tax jurisdictions for the years subsequent to 2013. The Company does not expect the results from any income tax audit to have a material impact on the Company's financial statements.

The Company believes that over the next twelve months, it is reasonably possible that up to $0.1 million of unrecognized tax benefits could be resolved as the result of settlements of audits and the expiration of statutes of limitation. Final settlement of these issues may result in payments that are more or less than this amount, but the Company does not anticipate that the resolution of these matters will result in a material change to its consolidated financial position or results of operations.

NOTE 6 | DEBT

The following table summarizes the Company's outstanding debt as of the dates indicated:

	January 30, 2021	February 1, 2020
	(in thousands)	
Term Loan Facility	$ 90,000	$ —
Revolving Facility	106,050	—
Total outstanding borrowings	196,050	—
Less: unamortized debt issuance costs	(4,018)	—
Total debt, net	192,032	—
Less: current portion of long-term debt	—	—
Long-term debt, net	$ 192,032	$ —
Outstanding letters of credit	$ 36,099	$ 12,742

Term Loan Facility

On January 13, 2021, Express Holding, LLC, a wholly-owned subsidiary of the Company ("Express Holding"), and its subsidiaries entered into the $140.0 million Asset-Based Term Loan Agreement (the "Term Loan Facility"), among the Loan Parties (as defined therein), Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent and collateral agent, and the other lenders named therein (the "Term Loan Lenders").

The Term Loan Facility provides for a "first in, last out" term loan in an amount equal to $90.0 million (the "FILO Term Loan") and a delayed draw term loan facility in an amount equal to $50.0 million (the "DDTL"). The Term Loan Facility is a senior secured obligation that ranks equally with the Loan Parties' other senior secured obligations.

The proceeds of the FILO Term Loan and the DDTL will be used, among other things, for working capital and other general corporate purposes.

Amounts borrowed under the FILO Term Loan will be repaid in quarterly installments at a rate of 1.25% per quarter based on the original principal amount of the FILO Term Loan, commencing with the fiscal quarter beginning on or about January 30, 2022. All remaining amounts of the Term Loan Facility outstanding on the maturity date will be paid in full on the maturity date, or May 24, 2024. The Loan Parties must repay amounts incurred under the Term Loan Facility with net proceeds from the incurrence of certain additional debt, after payment in full and termination of the $250.0 million asset-based loan credit facility, when outstanding loans under the Term Loan Facility and asset-based loan credit facility exceed the aggregate borrowing base under the Term Loan Facility and asset-based loan credit facility, and, in the case of the DDTL only, with tax refund proceeds payable to the Company pursuant to the CARES Act. Voluntary prepayments under the Term Loan Facility are permitted at any time upon proper notice and subject to minimum dollar amounts and, in certain instances, a prepayment fee.

Amounts borrowed under the Term Loan Facility will bear interest at a variable rate indexed to LIBOR plus a pricing margin ranging from 8.00% to 8.25% per annum, as determined in accordance with the provisions of the Term Loan

Facility based on EBITDA, as of any date of determination, for the most recently ended twelve month period. Interest payments under the Term Loan Facility are due on the first day of each calendar month. As of January 30, 2021 the interest rate on the outstanding FILO Term Loan was 9.0%.

The Term Loan Facility is subject to a borrowing base which is calculated based on specified percentages of eligible inventory, credit card receivables, intellectual property and, after the advance of the DDTL, the lesser of the amount of the tax refund claim under the CARES Act and the outstanding amount of the DDTL.

The Term Loan Facility financial covenant requires the Borrower to maintain minimum excess availability of at least the greater of (i) $25.0 million or (ii) 10% of the sum of (x) Amended Revolving Credit Facility (defined below) loan cap (calculated without giving effect to any term pushdown reserve) plus (y) the lesser of (A) the outstanding principal balance under the Term Loan Facility and (B) the term loan borrowing base. In addition, the Term Loan Facility contains customary covenants and restrictions on the Company's and its subsidiaries' activities, including, but not limited to, limitations on the amount of cash that can be held, the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, distributions, dividends, the repurchase of capital stock, transactions with affiliates, the ability to change the nature of its business or its fiscal year, and permitted activities of the Company.

The Term Loan Facility includes customary events of default that include, among other things, non-payment defaults, inaccuracy of representations and warranties, covenant defaults, cross-default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults, structural defaults under the loan documents and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the Term Loan Facility. Under certain circumstances, a default interest rate will apply on any amount payable under the Term Loan Facility during the existence of an event of default at a per annum rate equal to 2.00% above the applicable interest rate for any principal and 2.00% above the rate applicable for base rate loans for any other interest.

All obligations under the Term Loan Facility are guaranteed by the Loan Parties (other than the Borrower (as defined therein)) and secured by (a) a second priority lien on, substantially all of the Loan Parties' working capital assets, including cash, accounts receivable, and inventory, and (b) a first priority lien on, substantially all of the Loan Parties' non-working capital assets, including intellectual property, and the tax refund payable to the Company pursuant to the CARES Act, in each case, subject to certain permitted liens.

As of January 30, 2021, the Company had $90.0 million in borrowings outstanding under the Term Loan Facility. The fair value of the Term Loan Facility at January 30, 2021 was $90.1 million. Subsequent to its fiscal 2020 year-end, the Company also drew down the additional $50.0 million under the DDTL.

The Company recorded deferred financing costs associated with the issuance of the FILO Term Loan Facility of $4.1 million. These costs will be amortized over the respective contractual terms of the Term Loan Facility. The Company's FILO Term Loan debt is presented on the Consolidated Balance Sheets, net of the unamortized fees. The Company also recorded $2.3 million in deferred financing costs associated with the DDTL. These costs are recorded in other assets on the Consolidated Balance Sheet until the amounts are drawn down under the DDTL.

Maturities of the Term Loan Facility during the next five fiscal years and thereafter are as follows:

	January 30, 2021
	(in thousands)
2021	$ —
2022	4,500
2023	4,500
2024	81,000
2025	—
Thereafter	—
Total	$ 90,000

Revolving Credit Facility

On May 24, 2019, Express Holding and its subsidiaries entered into a First Amendment to the Second Amended and Restated $250.0 million Asset-Based Loan Credit Agreement (as amended, the "Revolving Credit Facility").

On March 17, 2020, the Company provided notice to the lenders under the Revolving Credit Facility of a request to borrow $165.0 million.

On January 13, 2021, Express Holding and its subsidiaries entered into the Second Amendment to the Second Amended and Restated $250.0 million Asset-Based Loan Credit Agreement and the Second Amendment to the Amended and Restated Security Agreement, among the Loan Parties (as defined therein), the lenders party thereto, and Wells Fargo, as administrative agent, as collateral agent, as issuing bank and as swing line lender (the "Revolving Credit Facility Amendment"). The Revolving Credit Facility Amendment amends the Loan Parties' existing asset-based Revolving Credit Facility (as amended by the Revolving Credit Facility Amendment, the "Amended Revolving Credit Facility"), which is scheduled to expire on May 24, 2024.

The Revolving Credit Facility Amendment added the Company and Express Topco LLC as Loan Parties, fully obligated and bound by all of the respective covenants, representations, warranties and events of default.

Under the Amended Revolving Credit Facility, revolving loans may be borrowed, repaid and reborrowed until May 24, 2024, at which time all amounts borrowed must be repaid. Borrowings under the Amended Revolving Credit Facility bear interest at variable rates that are indexed, at the Borrower's option, to LIBOR or the base rate as defined in the credit agreement governing the asset-based loan credit facility, in each case plus a pricing margin. The pricing margin for LIBOR loans ranges from 2.00% to 2.25% per annum, and the pricing margin for base rate loans ranges from 1.00% to 1.25% per annum, in each case as determined in accordance with the provisions of the Amended Revolving Credit Facility based on average daily excess availability. The Amended Revolving Credit Facility has a maximum borrowing amount of $250 million, subject to a borrowing base which is calculated based on specified percentages of eligible inventory, credit card receivables and cash, less certain reserves. Commitment reductions and termination of the Amended Revolving Credit Facility prior to the maturity date is permitted, subject in certain instances to a prepayment fee. As of January 30, 2021, the interest rate on the outstanding borrowings of $105.0 million at LIBOR was approximately 2.8% and the interest rate on the outstanding borrowings of $1.1 million at the base rate was approximately 4.5%.

The unused line fee payable under the Amended Revolving Credit Facility is 0.375% per annum when average daily excess availability during an applicable fiscal quarter is greater than or equal to 50% of the borrowing base and 0.20% per annum when average daily excess availability is less than 50% of the borrowing base, payable quarterly in arrears on the first day of each calendar month. The Borrower is also obligated to pay other customary closing fees, arrangement fees, administration fees and letter of credit fees for a credit facility of this size and type.

Interest payments under the Amended Revolving Credit Facility are due on the first day of each calendar month for base rate loans. Interest payments under the Amended Revolving Credit Facility are due on the last day of the interest period for LIBOR loans for interest periods of one and three months, and additionally every three months after the first day of the interest period for LIBOR loans for interest periods of greater than three months.

The Amended Revolving Credit Facility financial covenant requires the Borrower to maintain minimum excess availability of at least the greater of (i) $25 million or (ii) 10% of the sum of (x) Amended Revolving Credit Facility loan cap (calculated without giving effect to any term pushdown reserve) plus (y) the lesser of (A) the outstanding principal balance under the Term Loan Facility and (B) the term loan borrowing base. Subject to certain conditions, the Amended Revolving Credit Facility restricts prepayment of the Term Loan Facility, except in connection with a prepayment made solely from the tax refund payable to the Company pursuant to the CARES Act. In addition, the Amended Revolving Credit Facility contains customary covenants and restrictions on the Company's and its subsidiaries' activities, including, but not limited to, limitations on the amount of cash that can be held, incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, distributions, dividends, the repurchase of capital stock, transactions with affiliates, the ability to change the nature of its business or its fiscal year, and permitted activities of the Company.

The Amended Revolving Credit Facility includes customary events of default that, include among other things, non-payment defaults, inaccuracy of representations and warranties, covenant defaults, cross-default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults, structural defaults under the loan documents and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the Amended Revolving Credit Facility. Under certain circumstances, a default interest rate will apply on any amount payable under the Amended Revolving Credit Facility during the existence of an event of default at a per annum rate equal to 2.00% above the applicable interest rate for any principal and 2.00% above the rate applicable for base rate loans for any other interest.

All obligations under the Amended Revolving Credit Facility are guaranteed by the Loan Parties (other than the Borrower) and secured by (a) a first priority lien on, substantially all of the Loan Parties' working capital assets, including cash, accounts receivable, and inventory, and (b) a second priority lien on, substantially all of the Loan Parties' non-working capital assets, including intellectual property, and the refund payable to the Company pursuant to the CARES Act, in each case, subject to certain permitted liens.

Approximately $59.0 million of the proceeds from the Term Loan Facility were used to repay the Amended Revolving Credit Facility, which previously had $165.0 million in outstanding revolving borrowings. As of January 30, 2021, the Company had $106.1 million in borrowings outstanding under the Revolving Credit Facility and approximately $35.6 million remained available for borrowing under the Revolving Credit Facility after giving effect to outstanding letters of credit in the amount of $36.1 million and subject to certain borrowing base limitations as further discussed above. The fair value of the Revolving Credit Facility at January 30, 2021 was $106.1 million.

Letters of Credit

The Company may enter into various trade letters of credit ("trade LCs") in favor of certain vendors to secure merchandise. These trade LCs are issued for a defined period of time, for specific shipments, and generally expire three weeks after the merchandise shipment date. As of January 30, 2021 and February 1, 2020, there were no outstanding trade LCs. Additionally, the Company enters into stand-by letters of credit ("stand-by LCs") on an as-needed basis to secure payment obligations for third party logistic services, merchandise purchases, and other general and administrative expenses. As of January 30, 2021 and February 1, 2020, outstanding stand-by LCs totaled $36.1 million and $12.7 million, respectively.

NOTE 7 | STOCKHOLDERS' EQUITY

Share Repurchase Programs

On November 28, 2017, the Company's Board of Directors ("Board") approved a share repurchase program that authorizes the Company to repurchase up to $150.0 million of the Company's outstanding common stock using available cash (the "2017 Repurchase Program"). The Company may repurchase shares on the open market, including through Rule 10b5-1 plans, in privately negotiated transactions, through block purchases, or otherwise in compliance with applicable laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The timing and amount of stock repurchases will depend on a variety of factors, including business and market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified, or discontinued at any time and the Company has no obligation to repurchase any amount of its common stock under the program. In 2018, the Company repurchased 10.0 million shares of its common stock under the 2017 Repurchase Program for an aggregate amount equal to $83.2 million, including commissions. In 2019, the Company repurchased 4.3 million shares of its common stock under the 2017 Repurchase Program for an aggregate amount equal to $15.6 million, including commissions. In 2020, the Company did not repurchase shares of its common stock. As of January 30, 2021, the Company had approximately $34.2 million remaining under this authorization.

Stockholder Rights Agreement

On April 20, 2020, the Board adopted a Stockholder Rights Agreement (the "Rights Agreement"). Under the Rights Agreement, one preferred share purchase right was distributed for each share of common stock, par value $0.01, outstanding at the close of business on April 30, 2020 and one right will be issued for each new share of common stock issued thereafter. The rights will initially trade with common stock and will generally become exercisable only if any person (or any persons acting as a group) acquires 10% (or 20% in the case of certain passive investors) or more of the Company's outstanding common stock (the "triggering percentage"). In the event the rights become exercisable, each holder of a right, other than the triggering person, will be entitled to purchase additional shares of common stock at a 50% discount or the Company may exchange each right held by such holders for one share of common stock. Existing 10% or greater stockholders are grandfathered to the extent of their April 21, 2020 ownership levels. The Rights Agreement will continue in effect until April 19, 2021, or unless earlier redeemed or terminated by the Company, as provided in the Rights Agreement. The rights have no voting or dividend privileges, and, unless and until they become exercisable, have no dilutive effect on the earnings of the Company.

NOTE 8 | LONG-TERM INCENTIVE COMPENSATION

The Company records the fair value of share-based payments to employees in the Consolidated Statements of Income and Comprehensive Income as compensation expense, net of forfeitures, over the requisite service period. The Company issues shares of common stock from treasury stock, at average cost, upon exercise of stock options and vesting of restricted stock units, including those with performance conditions.

Long-Term Incentive Compensation Plans

In 2010, the Board approved, and the Company implemented, the Express, Inc. 2010 Incentive Compensation Plan (as amended, the "2010 Plan"). The 2010 Plan authorized the Compensation Committee (the "Committee") of the Board and its designees to offer eligible employees and directors cash and stock-based incentives as deemed appropriate in order to attract, retain, and reward such individuals.

On April 30, 2018, upon the recommendation of the Committee, the Board unanimously approved and adopted, subject to stockholder approval, the Express, Inc. 2018 Incentive Compensation Plan (the “2018 Plan”) to replace the 2010 Plan. On June 13, 2018, stockholders of the Company approved the 2018 Plan and all grants made subsequent to that approval will be made under the 2018 Plan. The primary change made by the 2018 Plan was to increase the number of shares of common stock available for equity-based awards by 2.4 million shares. In addition to increasing the number of shares, the Company also made several enhancements to the 2010 Plan to reflect best practices in corporate governance. The 2018 Plan incorporates these concepts and also includes several other enhancements which were practices the Company already followed but were not explicitly stated in the 2010 Plan. None of these changes will have a significant impact on the accounting for awards made under the 2018 Plan.

In the third quarter of 2019, in connection with updates made by the Company to its policy regarding the clawback of incentive compensation awarded to associates, the Board approved an amendment to the 2018 Plan, solely for the purpose of updating the language regarding the recoupment of awards granted under the 2018 Plan.

On March 17, 2020, upon the recommendation of the Committee, the Board unanimously approved and adopted, subject to stockholder approval, a second amendment to the 2018 Plan, which increased the number of shares of common stock available under the 2018 Plan by 2.5 million shares. On June 10, 2020, stockholders of the Company approved this plan amendment.

The following summarizes long-term incentive compensation expense:

	2020	2019	2018
		(in thousands)	
Restricted stock units and restricted stock	$ 8,220	$ 7,956	$ 10,982
Stock options	1,242	795	1,564
Performance-based restricted stock units	—	(574)	568
Total share-based compensation	$ 9,462	$ 8,177	$ 13,114
Cash-settled awards	695	53	469
Total long-term incentive compensation	$ 10,157	$ 8,230	$ 13,583

The stock compensation related income tax benefit recognized by the Company in 2020, 2019, and 2018 was $0.9 million, $1.8 million, and $2.6 million, respectively.

Equity Awards

Restricted Stock Units

During 2020, the Company granted restricted stock units ("RSUs") under the terms of the 2018 Plan. The fair value of the RSUs is determined based on the Company's closing stock price on the day prior to the grant date in accordance with the 2018 Plan. The RSUs granted in 2020, in general, vest ratably over three years and the expense related to these RSUs will be recognized using the straight-line attribution method over this vesting period.

The Company's activity with respect to RSUs and restricted stock, including awards with performance conditions granted prior to 2018, for 2020 was as follows:

	Number of Shares		Grant Date Weighted Average Fair Value
	(in thousands, except per share amounts)		
Unvested, February 1, 2020	4,260	$	4.78
Granted	5,143	$	1.73
Vested	(1,392)	$	5.32
Forfeited	(921)	$	3.50
Unvested, January 30, 2021	7,090	$	2.63

The total fair value of RSUs and restricted stock that vested was $7.4 million, $12.2 million, and $13.8 million, during 2020, 2019, and 2018, respectively. As of January 30, 2021, there was approximately $11.4 million of total unrecognized compensation expense related to unvested RSUs and restricted stock, which is expected to be recognized over a weighted-average period of approximately 1.4 years.

Stock Options

During 2020, the Company did not grant stock options. The expense for stock options is recognized using the straight-line attribution method.

The Company's activity with respect to stock options during 2020 was as follows:

	Number of Shares		Grant Date Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)		Aggregate Intrinsic Value
	(in thousands, except per share amounts and years)					
Outstanding, February 1, 2020	3,650	$	7.67			
Granted	—	$	—			
Exercised	—	$	—			
Forfeited or expired	(326)	$	18.15			
Outstanding, January 30, 2021	3,324	$	6.65	7.0	$	7,888
Expected to vest at January 30, 2021	2,038	$	2.69	8.4	$	6,833
Exercisable at January 30, 2021	1,255	$	13.17	4.6	$	952

The following provides additional information regarding the Company's stock options:

	2020		2019	2018
	(in thousands, except per share amounts)			
Weighted average grant date fair value of options granted	N/A	$	1.25	N/A
Total intrinsic value of options exercised	N/A	$	—	N/A

As of January 30, 2021, there was approximately $1.2 million of total unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted-average period of approximately 1.3 years.

The Company uses the Black-Scholes-Merton option-pricing model to value stock options granted to employees and directors. The Company's determination of the fair value of stock options is affected by the Company's stock price as well as a number of subjective and complex assumptions. These assumptions include the risk-free interest rate, the Company's expected stock price volatility over the term of the awards, expected term of the award, and dividend yield. The following are the weighted-average assumptions used in the determination of the fair value of the Company's stock options:

	2020	2019	2018
Risk-free interest rate (1)	N/A	1.93 %	N/A
Price Volatility (2)	N/A	47.27 %	N/A
Expected term (years) (3)	N/A	6.29	N/A
Dividend yield (4)	N/A	—	N/A

(1) Represents the yield on U.S. Treasury securities with a term consistent with the expected term of the stock options.
(2) Primarily based on the historical volatility of the Company's common stock over a period consistent with the expected term of the stock options.
(3) The Company calculated the expected term assumption using the midpoint scenario, which combines historical exercise data with hypothetical exercise data for outstanding options. The Company believes this data currently represents the best estimate of the expected term of new employee options.
(4) The Company does not currently plan on paying regular dividends.

Performance-based Restricted Stock Units

In the first quarter of 2018, the Company granted performance shares to a limited number of senior executive-level employees, which entitle these employees to receive a specified number of shares of the Company’s common stock upon vesting. The number of shares earned could range between 0% and 200% of the target amount depending upon performance achieved over the three year vesting period. The performance conditions of the award include adjusted diluted earnings per share ("EPS") targets and total shareholder return (TSR) of the Company’s common stock relative to a select group of peer companies. A Monte Carlo valuation model was used to determine the fair value of the awards. The TSR performance metric is a market condition. Therefore, fair value of the awards is fixed at the measurement date and is not revised based on actual performance. The number of shares that will ultimately vest will change based on estimates of the Company’s adjusted EPS performance in relation to the pre-established targets. As of January 30, 2021, it is estimated that none of the shares granted in 2018 will vest based on the performance against predefined financial targets to date.

Cash-Settled Awards

Time-Based Cash-Settled Awards

During 2020, the Company granted time-based cash-settled awards to employees that vest ratably over three years. These awards are classified as liabilities, are valued based on the fair value of the award at the grant date and do not vary based on changes in the Company's stock price or performance. The expense related to these awards will be recognized using the straight-line attribution method over this vesting period. As of January 30, 2021, $3.1 million of total unrecognized compensation cost is expected to be recognized on cash-settled awards over a weighted-average period of 1.6 years.

Performance-Based Cash-Settled Awards

During 2019 and 2018, the Company granted cash-settled awards to a limited number of senior executive-level employees. These awards are classified as liabilities, are valued based on the fair value of the award at the grant date and are remeasured at each reporting date until settlement with compensation expense being recognized in proportion to the completed requisite period up until date of settlement. The amount of cash earned could range between 0% and 200% of the target amount depending upon performance achieved over the three-year vesting period. The performance conditions of the award include EPS targets and TSR of the Company’s common stock relative to a select group of peer companies. A Monte Carlo valuation model is used to determine the fair value of the awards. As of January 30, 2021, it is estimated that none of the performance-based cash-settled awards granted in 2019 and 2018 will vest based on the performance against predefined financial targets to date.

NOTE 9 | EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted weighted-average shares used to calculate basic and diluted earnings per share:

	2020	2019	2018
		(in thousands)	
Weighted-average shares - basic	64,624	66,133	72,518
Dilutive effect of stock options, restricted stock units, and restricted stock	—	—	721
Weighted-average shares - diluted	64,624	66,133	73,239

Equity awards representing 10.6 million, 7.5 million, and 3.4 million shares of common stock were excluded from the computation of diluted earnings per share for 2020, 2019, and 2018, respectively, as the inclusion of these awards would have been anti-dilutive.

Additionally, for 2020, 0.2 million shares were excluded from the computation of diluted weighted average shares because the number of shares that will ultimately be issued is contingent on the Company's performance compared to pre-established performance goals, which have not been achieved as of January 30, 2021.

NOTE 10 | RETIREMENT BENEFITS

The employees of the Company, if eligible, participate in a qualified defined contribution retirement plan (the “Qualified Plan”) sponsored by the Company.

Participation in the Company's Qualified Plan is available to employees who meet certain age and service requirements. The Qualified Plan permits employees to elect contributions up to the lesser of 15% of their compensation or the maximum limits allowable under the Internal Revenue Code ("IRC"). The Company matches employee contributions according to a predetermined formula. Employee contributions and Company matching contributions vest immediately.

Total expense recognized related to the Qualified Plan employer match was $3.4 million, $4.2 million, and $4.1 million in 2020, 2019, and 2018, respectively.

In addition to the Qualified Plan, participation in a non-qualified supplemental retirement plan (the "Non-Qualified Plan") was previously made available to employees who met certain age, service, job level, and compensation requirements. The Non-Qualified Plan was an unfunded plan which provided benefits beyond the IRC limits for qualified defined contribution plans. In the first quarter of 2017, the Company elected to terminate the Non-Qualified Plan effective March 31, 2017. Outstanding participant balances were distributed via lump sum in the first quarter of 2018 in the amount of $25.6 million. The Company had no further liability under the non-qualified plan as of or subsequent to February 2, 2019.

NOTE 11 | COMMITMENTS AND CONTINGENCIES

In a complaint filed in January 2017 by Mr. Jorge Chacon in the Superior Court for the State of California for the County of Orange, certain subsidiaries of the Company were named as defendants in a representative action alleging violations of California state wage and hour statutes and other labor standards. The lawsuit seeks unspecified monetary damages and attorneys’ fees.

In July 2018, former associate Ms. Christie Carr filed suit in Alameda County Superior Court for the State of California naming certain subsidiaries of the Company in a representative action alleging violations of California State wage and hour statutes and other labor standard violations. The lawsuit seeks unspecified monetary damages and attorneys’ fees.

In August 2018, former associate Leticia Rosete filed suit in Los Angeles County Superior Court for the State of California alleging violations of California state wage and hour statutes and other labor standard violations (including claims for discrimination, harassment, retaliation, etc.). The lawsuit seeks unspecified monetary damages and attorneys’ fees.

On January 29, 2019, Mr. Jorge Chacon filed a second representative action in the Superior Court for the State of California for the County of Orange alleging violations of California state wages and hour statutes and other labor standard violations. The lawsuit seeks unspecified monetary damages and attorneys' fees.

The Company is vigorously defending itself against these claims and, as of January 30, 2021, has established an estimated liability based on its best estimate of the outcome of the matters.

The Company is subject to various other claims and contingencies arising out of the normal course of business. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company’s results of operations, financial condition, or cash flows.

NOTE 12 | RESTRUCTURING COSTS

In the fourth quarter of 2019, in connection with the announcement with the Company’s new strategy and the restructuring of the Company’s work force to align to this strategy, the Company recognized $7.3 million in restructuring and related reorganization charges. The charges were primarily related to employee severance, benefits and professional fees. As of January 30, 2021, approximately $0.5 million remains in accrued expenses on the Consolidated Balance Sheet and will be paid out in 2021.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act of 1934 reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation prior to filing this report of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of January 30, 2021.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with generally accepted accounting principles. We conducted an evaluation of the effectiveness of our internal control over financial reporting based on Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 30, 2021. In making this assessment, we used the criteria set forth by COSO. Based on our assessment, management concluded that, as of January 30, 2021, the Company's internal control over financial reporting was effective.

PricewaterhouseCoopers, LLP, an independent registered public accounting firm that audited the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of January 30, 2021, as stated in their report which is included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934) that occurred during the fourth quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders.

The following table summarizes share and exercise price information about our equity compensation plan as of January 30, 2021.

Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	10,621,599	$ 6.65	5,170,867
Equity compensation plans not approved by security holders	—	—	—
Total	10,621,599	$ 6.65	5,170,867

The table above includes 207,515 RSUs with performance conditions. The number of performance-based RSUs that are ultimately earned may vary from 0% to 200% of target depending on achievement relative to the predefined financial performance targets. The amounts in columns (a) and (c) reflected in the table are calculated assuming the target payout for all performance-based restricted stock units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated herein by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of Express, Inc. and its subsidiaries are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Report of Independent Registered Public Accounting Firm - PricewaterhouseCoopers, LLP

Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020

Consolidated Statements of Income and Comprehensive Income for the years ended January 30, 2021, February 1, 2020, and February 2, 2019

Consolidated Statements of Changes in Stockholders' Equity for the years ended January 30, 2021, February 1, 2020, and February 2, 2019

Consolidated Statements of Cash Flows for the years ended January 30, 2021, February 1, 2020, and February 2, 2019

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(3) List of Exhibits

The following exhibits are either included in this report or incorporated by reference as indicated in the following:

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation of Express, Inc. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 (File No. 333-168097), filed with the SEC on July 14, 2010).
3.2	Certificate of Amendment of Certificate of Incorporation of Express, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on June 11, 2013).
3.3	Bylaws of Express, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, filed with the SEC on June 11, 2013).
3.4	Certificate of Designations of Series A Preferred Stock of Express, Inc., as filed with the Secretary of State of the State of Delaware on April 20, 2020 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on April 21, 2020).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1/A (File No. 333-164906), filed with the SEC on April 30, 2010 (the "Express S-1")).
4.2*	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.3	Rights Agreement, dated as of April 20, 2020, between Express, Inc. and Computershare Trust Company, N.A., as rights agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed with the SEC on April 21, 2020).
10.1+	Second Amended and Restated Employment Agreement by and between the Company and David Kornberg (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 21, 2014).
10.2+	Form of Amended and Restated Employment Agreement (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q, filed with the SEC on June 6, 2013).
10.3+	Form of Amended and Restated Severance Agreement (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q, filed with the SEC on June 6, 2013).

10.4+	Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.11 to the Express S-1).
10.5+	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.17 to the Express S-1).
10.6+	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.19 to the Express S-1).
10.7+	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.13 to the Express S-1).
10.8+	Form of Stock Option Grant Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, filed with the SEC on June 6, 2013).
10.9+	Form of Performance Share Unit Agreement (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q, filed with the SEC on June 6, 2013).
10.10+	Form of Non-Qualified Stock Option Grant (incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the SEC on April 4, 2014).
10.11+	Form of Restricted Stock Unit Agreement for Restricted Stock Units (incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the SEC on April 4, 2014).
10.12+	Form of Restricted Stock Unit Agreement for Performance Stock Units (incorporated by reference to Exhibit 10.3 to the Form 8-K filed with the SEC on April 4, 2014).
10.13	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.22 to the Express S-1
10.14	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on January 5, 2012).
10.15	Form of Letter Agreement by and among Limited Brands, Inc., Express, Inc., Express Topco LLC, Express Holding, LLC, Express, LLC, Express Finance Corp. and Express GC, LLC (incorporated by reference to Exhibit 10.23 to the Express S-1).
10.16	Form of Letter Agreement by and among Golden Gate Private Equity, Inc., Express, Inc., Express Topco LLC, Express Holding, LLC, Express, LLC, Express Finance Corp. and Express GC, LLC (incorporated by reference to Exhibit 10.24 to the Express S-1).
10.17+	Letter Agreement, dated as of April 28, 2010, between Michael F. Devine, III and Express Parent LLC (incorporated by reference to Exhibit 10.26 to the Express S-1).
10.18+	Letter Agreement, dated as of July 23, 2010, between Mylle H. Mangum and Express, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on August 3, 2010).
10.19	Second Amended and Restated $250,000,000 Asset-Based Loan Credit Agreement, dated as of May 20, 2015 among Express Holding, LLC, as Parent, Express, LLC, as Borrower, the Initial Lenders, Initial Issuing Bank and Swing Line Bank, Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent, U.S. Bank National Association, as Syndication Agent, and Wells Fargo Bank, National Association, as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on May 27, 2015).
10.20+	Form of Severance Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on July 7, 2015).
10.21	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on July 7, 2015).
10.22+	Form of Restricted Stock Unit Agreement for Performance Stock Units (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on April 1, 2016).
10.23	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on August 3, 2016).
10.24+	Form of Restricted Stock Unit Agreement for Performance Stock Units (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on March 17, 2017).
10.25+	Form of Second Amended and Restated Employment Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on March 17, 2017).
10.26+	Form of Amended and Restated Severance Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the SEC on March 17, 2017).
10.27+	Second Amended and Restated Express, Inc. 2010 Incentive Compensation Plan (incorporated by reference to Appendix B to Express, Inc.'s definitive proxy statement on Schedule 14A, filed with the SEC on April 28, 2017).
10.28+	Form of Restricted Stock Unit and Other Cash-Based Award Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on April 6, 2018).
10.29+	Form of Restricted Stock Unit Agreement for Directors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on June 14, 2018).

10.30+	Letter Agreement, dated as of January 28, 2019, between Express, Inc. and Matt Moellering (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K, filed with the SEC on March 19, 2019).
10.31+	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on March 21, 2019).
10.32+	Form of Other Cash-Based Award Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on March 21, 2019).
10.33+	Employment Agreement, dated as of May 21, 2019, between Timothy Baxter and Express, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on May 21, 2019).
10.34	First Amendment to Second Amended and Restated $250,000,000 Asset-Based Loan Credit Agreement and First Amendment to Amended and Restated Security Agreement, dated as of May 24, 2019, among Express Holding, LLC, as Parent, Express, LLC, as Borrower, the subsidiary guarantors party thereto, the lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, as Collateral Agent, as Issuing Bank and as Swingline Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on May 30, 2019).
10.35+	Amendment to the Letter Agreement, dated as of January 28, 2019, between Express, Inc. and Matt Moellering (incorporated by reference to Exhibit 10.33 to the Quarterly Report on Form 10-Q, filed with the SEC on June 11, 2019).
10.36+	Form of Express, Inc. Employment Inducement Award Agreement of Non-qualified Stock Options (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed with the SEC on September 10, 2019).
10.37+	Form of Express, Inc. Employment Inducement Award Agreement of Restricted Stock Units (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, filed with the SEC on September 10, 2019).
10.38+	Letter Agreement, dated as of September 23, 2019, between Express, Inc. and Matt Moellering (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on September 23, 2019).
10.39+	Second Amended and Restated Express, Inc. 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8, filed with the SEC on June 15, 2020).
10.40	$140,000,000 Asset-Based Term Loan Agreement, dated January 13, 2021 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on January 13, 2021).
10.41	Second Amendment to the Second Amended and Restated $250,000,000 Asset-Based Loan Credit Agreement, dated January 13, 2021 incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on January 13, 2021).
21.1*	List of subsidiaries of registrant.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Financial Officer and Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its 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 (formatted as Inline XBRL and contained in Exhibit 101).

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

(b) Exhibits

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Financial Statement Schedules

None.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

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

Date: March 25, 2021	EXPRESS, INC.
	By: /s/ Periclis Pericleous
	Periclis Pericleous
	Senior Vice President, Chief Financial Officer and Treasurer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned constitutes and appoints Periclis Pericleous as attorney-in-fact and agent, with full power of substitution and re-substitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in son, hereby ratifying and confirming all that said attorney-in-fact or substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Date:	March 25, 2021	By:	/s/ Timothy Baxter Timothy Baxter Chief Executive Officer (Principal Executive Officer), Director
Date:	March 25, 2021	By:	/s/ Periclis Pericleous Periclis Pericleous Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Date:	March 25, 2021	By:	/s/ Michael G. Archbold Michael G. Archbold Director
Date:	March 25, 2021	By:	/s/ Terry Davenport Terry Davenport Director
Date:	March 25, 2021	By:	/s/ Michael F. Devine Michael F. Devine Director
Date:	March 25, 2021	By:	/s/ Karen Leever Karen Leever Director
Date:	March 25, 2021	By:	/s/ Mylle H. Mangum Mylle H. Mangum Director
Date:	March 25, 2021	By:	/s/ Peter Swinburn Peter Swinburn Director
Date:	March 25, 2021	By:	/s/ Winifred Park Winifred Park Director

Executive Officers of Express, Inc.

Timothy Baxter

Chief Executive Officer

Matthew Moellering

President and Chief Operating Officer

Malissa Akay

Executive Vice President and Chief Merchandising Officer

Sara Tervo

Executive Vice President and Chief Marketing Officer

Periclis ("Perry") Pericleous

Senior Vice President, Chief Financial Officer and Treasurer

Board of Directors

Michael Archbold **(1)**

Retired Chief Executive Officer, GNC Holdings Inc.

Timothy Baxter

Chief Executive Officer, Express, Inc.

Terry Davenport **(2)**

Retired Global Brand Advisor, Starbucks Coffee Company

Michael F. Devine **(1)**

Retired Executive Vice President and Chief Financial Officer, Coach

Karen Leever **(2)**

President, U.S. Digital Products and Marketing, Discovery Communications

Mylle Mangum **(1,2,3)**

Chief Executive Officer, IBT Holdings, LLC

Winnie Park **(1)**

Chief Executive Officer, Paper Source

Peter Swinburn **(2)**

Retired Chief Executive Officer and President, Molson Coors Brewing Company

1 = Member of the Audit Committee
2 = Member of the Compensation and Governance Committee
3 = Chairman of the Board

Company Information

Headquarters

Express, Inc.
1 Express Drive
Columbus, Ohio 43230

(614) 474-7000

Annual Meeting of Stockholders

8:30 a.m., June 9, 2021

The Annual Meeting will be held virtually via live webcast at www.virtualshareholdermeeting.com/EXPR2021

Stock Exchange Listing

New York Stock Exchange
(Trading Symbol "EXPR")

Independent Registered Public Accounting Firm

PricewaterhouseCoopers, LLP
Columbus, Ohio

Information Requests

Through our website:	www.express.com/investor
Upon written request to:	Express, Inc. Investor Relations 1 Express Drive Columbus, Ohio 43230
By calling:	(888) 423-2421

Stock Transfer Agent

Computershare Trust Company N.A.
150 Royall Street
Canton, MA 02021

(800) 962-4284
www.computershare.com

NYSE Certification Statement

Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended January 30, 2021. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual meeting of shareholders on June 10, 2020.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Annual Report on Form 10-K are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "potential," "intend," "believe," "may," "will," "should," "can have," "likely," "continue to," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, and financial results; our plans, objectives, strategies, and initiatives for future operations or growth; the expected outcome of such plans, objectives, strategies, and initiatives; or expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including, but not limited to those under the heading "Risk Factors" in Part I, Item 1A in this Annual Report on Form 10-K. Those factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this Annual Report on Form 10-K. We caution you not to place undue reliance on these forward-looking statements. We do not undertake any obligation to make any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as required by law, including the securities laws of the United States and rules and regulations of the Securities and Exchange Commission ("SEC").

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