

TILE SHOP HOLDINGS, INC.  
Form 424B4  
June 05, 2013

Filed Pursuant to Rule 424(b)(4)  
File No. 333-188861

PROSPECTUS

**4,250,000 Shares**  
**TILE SHOP HOLDINGS, INC.**  
**Common Stock**  
**\$24.25 per share**

The selling stockholders named in this prospectus, which include certain members of our board of directors and management, are selling 4,250,000 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock is listed on The NASDAQ Global Market under the symbol **TTS**. The last reported sale price of our common stock on The NASDAQ Global Market on June 4, 2013 was \$24.65 per share.

On May 24, 2013, we entered into a Stock Purchase Agreement with Nabron International, Inc., whereby we agreed to repurchase a number of shares of our common stock having an aggregate value of \$46.0 million, which we refer to as the Post-offering Nabron Stock Purchase, at a price per share equal to the public offering price less the underwriters discount. The closing of the Post-offering Nabron Stock Purchase is conditioned upon the completion of this offering. The closing of this offering is not conditioned upon the completion of the Post-offering Nabron Stock Purchase. We expect to fund the purchase price for the Post-offering Nabron Stock Purchase with the proceeds from the warrant exercises as described in this prospectus. We cannot assure you that the conditions to the Post-offering Nabron Stock Purchase will be satisfied or that the share repurchase will take place on the terms described above or at all.

**Investing in our common stock involves risks. See Risk Factors beginning on page 10.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this prospectus or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$24.25	\$103,062,500
Underwriters discount <sup>(1)</sup>	\$1.09125	\$4,637,812
Proceeds to the selling stockholders (before expenses)	\$23.15875	\$98,424,688

(1) We refer you to Underwriting beginning on page 78 for additional information regarding underwriting compensation.

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To the extent that the underwriters sell more than 4,250,000 shares of common stock to the public, the underwriters have the option to purchase up to 637,500 additional shares from certain selling stockholders at the public offering price less the underwriters discount. We will not receive any proceeds from the sale of the additional shares by the selling stockholders.

The underwriters expect to deliver the shares to purchasers on or about June 10, 2013 through the book-entry facilities of The Depository Trust Company.

Citigroup

**Baird**

**Piper Jaffray**

Wedbush Securities

**Telsey Advisory Group**

**CJS Securities, Inc.**

June 4, 2013

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We are responsible for the information contained in this prospectus and in any free-writing prospectus we prepare or authorize. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.

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## **INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases you can identify these statements by forward-looking words such as may, might, will, will likely result, should, anticipates, expects, intends, plans, seeks, continue, believes and similar expressions, although some forward-looking statements are expressed differently.

These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from any expected future results, performance, or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These risks and uncertainties include, but are not limited to:

- the level of demand for our products;
- our ability to grow and remain profitable in the highly competitive retail tile industry;
- our ability to access additional capital;
- our ability to attract and retain qualified personnel;
- changes in general economic, business and industry conditions;
- our ability to introduce new products that satisfy market demand; and

legal, regulatory, and tax developments, including additional requirements imposed by changes in domestic and foreign laws and regulations.

There is no assurance that our expectations will be realized. If one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated, or projected. Such risks and uncertainties also include those set forth under Risk Factors herein. Our forward-looking statements speak only as of the time that they are made and do not necessarily reflect our outlook at any other point in time. Except as required by law or regulation, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or for any other reason.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. Unless the context requires otherwise, the words Tile Shop Holdings, we, company, us, and our refer to Tile Shop Holdings, Inc. and our consolidated subsidiaries.*

### Overview

#### Our Company

We are a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories in the United States. We offer a wide selection of products, attractive prices, and exceptional customer service in an extensive showroom setting. We sell over 4,500 products from around the world, including ceramic, porcelain, glass, and stainless steel manufactured tiles and marble, granite, quartz, sandstone, travertine, slate, and onyx natural tiles, primarily under our proprietary Rush River and Fired Earth brand names. We purchase our tile products and accessories directly from producers. We manufacture our own setting and maintenance materials, such as thinset, grout, and sealers under our Superior brand name. We operate 73 stores in 24 states, with an average size of 23,000 square feet. We also sell our products on our website.

We believe that our long-term producer relationships, together with our design, manufacturing and distribution capabilities, enable us to offer a broad assortment of high-quality products to our customers, who are primarily homeowners, at competitive prices. We have invested significant resources to develop our proprietary brands and product sources and believe that we are a leading retailer of stone tiles, accessories, and related materials in the United States.

In 2012, we reported net sales and income from operations of \$182.7 million and \$34.4 million, respectively. In the first quarter of fiscal 2013 we reported net sales and income from operations of \$56.8 million and \$12.0 million, respectively. We opened 15 new stores in 2012 and intend to open no fewer than 17 stores in 2013, five of which have already been opened. As of the end of the first quarter of fiscal 2013 and the end of fiscal years 2012, 2011 and 2010, we had total assets of \$202.4 million, \$176.1 million, \$119.0 million, and \$108.9 million, respectively.

#### Recent Developments

On April 12, 2013, the Company instructed its transfer agent to notify holders of all remaining outstanding warrants to purchase shares of the Company's common stock that the Company had satisfied the conditions necessary to exercise its right to call all warrants for redemption and that the Company was requiring any holders who exercise warrants before their redemption to exercise them on a cashless basis. Prior to the issuance of the notice to redeem the warrants, the Company had received instructions to exercise 7,514,320 warrants in exchange for payment of the warrant exercise price, which in the aggregate totaled \$86.4 million. The Company also processed the exercise of 6,731,938 warrants on a cashless basis and repurchased 3,587,075 warrants. As a result, the Company issued an aggregate of 10,304,380 shares of common stock in exchange for the 17.8 million warrants that were originally outstanding. The Company utilized \$30.1 million of the \$86.4 million received from the warrant exercises to effect warrant repurchases

and plans on retaining \$10.3 million for general corporate purposes. The Company plans to utilize \$46.0 million of the balance of the \$86.4 million of cash received from warrant exercises to complete the repurchase of shares from Nabron International, Inc. following this offering as described below.

On May 24, 2013, we entered into a Stock Purchase Agreement with Nabron International, Inc., which we refer to as Nabron, whereby we agreed to repurchase a number of shares of our common stock having an aggregate value of \$46.0 million, which we refer to as the Post-offering Nabron Stock Purchase, at a price per share equal to the public offering price less the underwriters discount. The closing of the Post-offering Nabron Stock Purchase is conditioned upon the completion of this offering. The closing of this offering is not conditioned upon the completion of the Post-offering Nabron Stock Purchase. We expect to

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fund the purchase price for the Post-offering Nabron Stock Purchase with the proceeds from the warrant exercise as described above. We cannot assure you that the conditions to the Post-offering Nabron Stock Purchase will be satisfied or that the share repurchase will take place on the terms described above or at all.

# **Competitive Strengths**

We believe that the following factors differentiate us from our competitors and position us to continue to grow our specialty tile business.

## **Inspiring Customer Experience**

Our showrooms bring our products to life. Each showroom features up to 60 different mockups, or vignettes, of bathrooms, kitchens, fireplaces, foyers, and other settings that showcase our broad array of products. Each store also features over 1,400 hand-crafted display boards showing tile that we offer for sale. Our stores are spacious, well-lit, and organized by product type to make our customers' shopping experience easy.

## **Broad Product Assortment at Attractive Prices**

We offer over 4,500 manufactured and natural tile products, setting and maintenance materials, and accessories. We are able to maintain every-day low prices by purchasing tile and accessories directly from producers and manufacturing our own setting and maintenance materials.

## **Customer Service and Satisfaction**

Our sales personnel are highly-trained and knowledgeable about the technical and design aspects of our products. We offer weekly do-it-yourself classes in all of our showrooms. In addition, we provide one-on-one installation training as required to meet customer needs. We offer a liberal return policy, with no restocking fees.

## **Worldwide Sourcing Capabilities**

We have long-standing relationships with producers of our tiles throughout the world and work with them to design products exclusively for us. We believe that these direct relationships differentiate us from our competitors, who generally purchase commodity products through distributors. We are often the largest or exclusive customer for many of our producers.

## **Proprietary Branding**

We sell the majority of our products under our proprietary brand names, which helps us to differentiate our products from those of our competitors. We offer products across a range of price points and quality levels that allow us to target discrete market segments and to appeal to diverse groups of customers.

## **Centralized Distribution System**

We service our retail locations from three distribution centers and expect to open a fourth distribution center in the second quarter of 2013. Our distribution centers can cost-effectively service stores within a 700-mile radius, providing us with the ability to open new locations in markets where we believe that we have a competitive advantage or see attractive demographics.

### **Experienced Team**

Our management team has substantial experience in the specialty tile industry and retail sales operations. Robert Rucker, our founder and Chief Executive Officer, has over 25 years of experience in the tile industry. Both Carl Randazzo, senior vice president retail, and Joseph Kinder, senior vice president operations, have been with us for over 20 years. Tim Clayton, our Chief Financial Officer, has more than 30 years of public company financial management leadership experience. William Watts, who serves as the chairman of our board of directors, is the former Chief Executive Officer of General Nutrition Corporation and the chairman of Mattress Firm, Inc., Brookstone, Inc., and JA Apparel Corp. (Joseph Abboud).

### **Historically Attractive Returns on New Store Investment**

Our new stores have historically begun generating operating profit within the first year of operations and we generally recoup our initial net capital investment from a new store's four-wall profitability within the first 36 months of operations. We measure four-wall profitability as store level operating profit before pre-opening costs and depreciation and amortization.



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## **Growth Strategy**

We intend to increase our net sales and profitability through a combination of new store openings and same store sales growth. In the five years ended December 31, 2012, we grew through a combination of opening 29 new retail locations and increases in same store sales. We expect to continue to gain market share. Specific elements of our strategy for continued growth include the following:

### **Open New Stores**

We believe that the highly-fragmented U.S. retail tile market provides us with a significant opportunity to expand our store base. During 2012, we opened 15 new stores. We intend to open no fewer than 17 new stores in 2013, primarily in our existing markets, Northeast, Southeast, mid-Atlantic, and Southwest regions of the United States. We believe that there will continue to be additional expansion opportunities in the United States. We expect our store base growth to increase operational efficiencies.

### **Increase Sales and Profitability of Existing Stores**

We believe that our ongoing investment in new products and our enhanced training program for our sales associates, together with our associate incentive compensation structure, will result in continued same store sales growth.

## **Risk Factors**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary, that represent challenges that we face in connection with the successful implementation of our strategy and the growth of our business.

## **Corporate Information**

We were incorporated in the State of Delaware in June 2012 in order to become the parent company of The Tile Shop, LLC, or The Tile Shop, following the consummation of a business combination, or the Business Combination, with JWC Acquisition Corp., or JWCAC, a blank check company incorporated in the State of Delaware in July 2010. On August 21, 2012, we consummated the Business Combination and, in connection therewith, became a successor issuer to JWCAC by operation of Rule 12g-3(a) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Our principal executive offices are located at 14000 Carlson Parkway, Plymouth, Minnesota, 55441, and our telephone number is (763) 852-2901. Our website address is *www.tileshop.com*. We had approximately 914 employees as of May 15, 2013. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

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## THE OFFERING

Common stock offered by the selling stockholders

4,250,000 shares

Common stock to be privately purchased in the Post-offering Nabron Stock Purchase<sup>(1)</sup>

1,986,290 shares

Shares outstanding after the offering and the Post-offering Nabron Stock Purchase<sup>(2)</sup>

51,147,949 shares

Underwriters' option to purchase additional shares

The underwriters may purchase an additional 637,500 shares from certain selling stockholders if the underwriters sell more than the total number of shares set forth above.

Use of proceeds

The selling stockholders, including certain members of our board of directors and management, will receive all of the proceeds from this offering and we will not receive any proceeds from the sale of shares in this offering. See "Use of Proceeds." For more information on the selling stockholders, see "Principal and Selling Stockholders."

Risk factors

See "Risk Factors" beginning on page 10 of this prospectus and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

NASDAQ Global Market symbol

TTS

(1) Reflects a public offering price less the underwriters discount of \$23.15875 per share.

(2) The number of shares of our common stock outstanding immediately after this offering and the Post-offering Nabron Stock Purchase is based on 53,134,239 shares outstanding as of May 15, 2013, and excludes:

2,635,000 shares of common stock reserved for issuance under our 2012 Omnibus Award Plan; and 2,070,000 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock granted pursuant to our 2012 Omnibus Award Plan at a weighted average exercise price of \$11.50 per share.

Except as otherwise indicated, information in this prospectus reflects or assumes no exercise of the underwriters' option to purchase up to 637,500 additional shares of our common stock from certain selling stockholders.

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# SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected historical financial information derived from (i) our unaudited financial statements included elsewhere in this prospectus as of and for the three months ended March 31, 2013 and 2012, (ii) our audited financial statements included elsewhere in this prospectus as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011, and 2010 and (iii) our audited financial statements not included in this prospectus as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2009 and 2008. You should read the following selected financial data in conjunction with the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the related notes appearing elsewhere in this prospectus.

	As of March 31, or for the three months ended March 31,		As of December 31, or for the year ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(In thousands, except share data)						
Statement of Income Data							
Net sales	\$56,835	\$45,861	\$182,650	\$152,717	\$135,340	\$116,247	\$118,960
Cost of sales	16,462	12,173	49,626	40,321	36,124	31,706	34,001
Gross profit	40,373	33,688	133,024	112,396	99,216	84,541	84,959
Selling, general and administrative expenses	28,354	22,064	94,716	78,368	68,105	60,051	61,322
Deferred compensation expense		1,160	3,897	1,415	450	120	260
Income from operations	12,019	10,464	34,411	32,613	30,661	24,370	23,377
Interest expense	594	90					