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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 1, 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: 001-14077

WILLIAMS-SONOMA, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

3250 Van Ness Avenue, San Francisco, CA

(Address of principal executive offices)

94-2203880

(I.R.S. Employer
Identification No.)

94109

(Zip Code)

Registrant's telephone number, including area code: (415) 421-7900

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock, par value \$.01 per share	WSM	New York Stock Exchange, Inc.

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 29, 2021, 74,365,546 shares of the registrant’s Common Stock were outstanding.

**WILLIAMS-SONOMA, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED AUGUST 1, 2021**

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ITEM 1. FINANCIAL STATEMENTS

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
<i>In thousands, except per share amounts</i>				
Net revenues	\$ 1,948,339	\$ 1,490,777	\$ 3,697,368	\$ 2,725,980
Cost of goods sold	1,089,951	939,575	2,086,127	1,760,518
Gross profit	858,388	551,202	1,611,241	965,462
Selling, general and administrative expenses	535,288	365,841	1,012,964	731,456
Operating income	323,100	185,361	598,277	234,006
Interest (income) expense, net	(39)	6,464	1,833	8,623
Earnings before income taxes	323,139	178,897	596,444	225,383
Income taxes	77,069	44,333	122,572	55,396
Net earnings	\$ 246,070	\$ 134,564	\$ 473,872	\$ 169,987
Basic earnings per share	\$ 3.29	\$ 1.73	\$ 6.29	\$ 2.19
Diluted earnings per share	\$ 3.21	\$ 1.70	\$ 6.11	\$ 2.16
Shares used in calculation of earnings per share:				
Basic	74,786	77,783	75,293	77,522
Diluted	76,584	79,264	77,516	78,841

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
<i>In thousands</i>				
Net earnings	\$ 246,070	\$ 134,564	\$ 473,872	\$ 169,987
Other comprehensive income (loss):				
Foreign currency translation adjustments	(3,522)	6,737	178	1,461
Change in fair value of derivative financial instruments, net of tax (tax benefit) of \$25, \$(71), \$(216), and \$125	65	(200)	(600)	349
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax (tax benefit) of \$(126), \$38, \$(181), and \$51	337	(107)	490	(144)
Comprehensive income	\$ 242,950	\$ 140,994	\$ 473,940	\$ 171,653

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>In thousands, except per share amounts</i>	August 1, 2021	January 31, 2021	August 2, 2020
ASSETS			
Current assets			
Cash and cash equivalents	\$ 655,211	\$ 1,200,337	\$ 947,760
Accounts receivable, net	141,814	143,728	128,737
Merchandise inventories, net	1,170,561	1,006,299	1,042,340
Prepaid expenses	85,587	93,822	109,495
Other current assets	20,537	22,894	27,098
Total current assets	2,073,710	2,467,080	2,255,430
Property and equipment, net	875,295	873,894	887,401
Operating lease right-of-use assets	1,052,617	1,086,009	1,146,229
Deferred income taxes, net	58,848	61,854	37,789
Goodwill	85,421	85,446	85,419
Other long-term assets, net	99,146	87,141	75,028
Total assets	\$ 4,245,037	\$ 4,661,424	\$ 4,487,296
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 601,879	\$ 542,992	\$ 373,086
Accrued expenses	224,089	267,592	158,407
Gift card and other deferred revenue	403,409	373,164	292,684
Income taxes payable	61,335	69,476	28,502
Current debt	—	299,350	—
Borrowings under revolving line of credit	—	—	487,823
Operating lease liabilities	213,784	209,754	221,575
Other current liabilities	74,331	85,672	102,086
Total current liabilities	1,578,827	1,848,000	1,664,163
Deferred lease incentives	18,359	20,612	24,684
Long-term debt	—	—	298,995
Long-term operating lease liabilities	994,165	1,025,057	1,080,622
Other long-term liabilities	126,967	116,570	85,910
Total liabilities	2,718,318	3,010,239	3,154,374
Commitments and contingencies – See Note F			
Stockholders' equity			
Preferred stock: \$0.01 par value; 7,500 shares authorized; none issued	—	—	—
Common stock: \$0.01 par value; 253,125 shares authorized; 74,426, 76,340 and 77,796 shares issued and outstanding at August 1, 2021, January 31, 2021 and August 2, 2020, respectively	745	764	778
Additional paid-in capital	569,734	638,375	608,892
Retained earnings	964,000	1,019,762	736,772
Accumulated other comprehensive loss	(7,049)	(7,117)	(12,921)
Treasury stock, at cost: 4, 8 and 8 shares as of August 1, 2021, January 31, 2021 and August 2, 2020, respectively	(711)	(599)	(599)
Total stockholders' equity	1,526,719	1,651,185	1,332,922
Total liabilities and stockholders' equity	\$ 4,245,037	\$ 4,661,424	\$ 4,487,296

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

<i>In thousands</i>	Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Shares	Amount	Paid-in	Earnings	Other	Stock	Stockholders'
			Capital		Comprehensive		Equity
					Income (Loss)		
Balance at January 31, 2021	76,340	\$ 764	\$ 638,375	\$ 1,019,762	\$ (7,117)	\$ (599)	\$ 1,651,185
Net earnings	—	—	—	227,802	—	—	227,802
Foreign currency translation adjustments	—	—	—	—	3,700	—	3,700
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	(665)	—	(665)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	153	—	153
Conversion/release of stock-based awards ¹	686	7	(97,958)	—	—	(500)	(98,451)
Repurchases of common stock	(1,791)	(18)	(9,239)	(306,272)	—	—	(315,529)
Reissuance of treasury stock under stock-based compensation plans ¹	—	—	(344)	(44)	—	388	—
Stock-based compensation expense	—	—	25,471	—	—	—	25,471
Dividends declared	—	—	—	(46,370)	—	—	(46,370)
Balance at May 2, 2021	75,235	\$ 753	\$ 556,305	\$ 894,878	\$ (3,929)	\$ (711)	\$ 1,447,296
Net earnings	—	—	—	246,070	—	—	246,070
Foreign currency translation adjustments	—	—	—	—	(3,522)	—	(3,522)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	65	—	65
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	337	—	337
Conversion/release of stock-based awards ¹	25	—	(1,709)	—	—	—	(1,709)
Repurchases of common stock	(834)	(8)	(4,358)	(131,493)	—	—	(135,859)
Stock-based compensation expense	—	—	19,496	—	—	—	19,496
Dividends declared	—	—	—	(45,455)	—	—	(45,455)
Balance at August 1, 2021	74,426	\$ 745	\$ 569,734	\$ 964,000	\$ (7,049)	\$ (711)	\$ 1,526,719

¹. Amounts are shown net of shares withheld for employee taxes.

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

<i>In thousands</i>	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance at February 2, 2020	77,137	\$ 772	\$ 605,822	\$ 644,794	\$ (14,587)	\$ (941)	\$ 1,235,860
Net earnings	—	—	—	35,423	—	—	35,423
Foreign currency translation adjustments	—	—	—	—	(5,276)	—	(5,276)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	549	—	549
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(37)	—	(37)
Conversion/release of stock-based awards ¹	622	6	(28,747)	—	—	(171)	(28,912)
Reissuance of treasury stock under stock-based compensation plans ¹	—	—	(499)	(14)	—	513	—
Stock-based compensation expense	—	—	19,608	—	—	—	19,608
Dividends declared	—	—	—	(38,286)	—	—	(38,286)
Balance at May 3, 2020	77,759	\$ 778	\$ 596,184	\$ 641,917	\$ (19,351)	\$ (599)	\$ 1,218,929
Net earnings	—	—	—	134,564	—	—	134,564
Foreign currency translation adjustments	—	—	—	—	6,737	—	6,737
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	(200)	—	(200)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(107)	—	(107)
Conversion/release of stock-based awards ¹	37	—	(677)	—	—	—	(677)
Stock-based compensation expense	—	—	13,385	—	—	—	13,385
Dividends declared	—	—	—	(39,709)	—	—	(39,709)
Balance at August 2, 2020	77,796	\$ 778	\$ 608,892	\$ 736,772	\$ (12,921)	\$ (599)	\$ 1,332,922

¹ Amounts are shown net of shares withheld for employee taxes.

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Twenty-six Weeks Ended	
	August 1, 2021	August 2, 2020
<i>In thousands</i>		
Cash flows from operating activities:		
Net earnings	\$ 473,872	\$ 169,987
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	96,687	93,120
Loss on disposal/impairment of assets	455	25,408
Amortization of deferred lease incentives	(2,254)	(2,975)
Non-cash lease expense	105,739	108,448
Deferred income taxes	(7,037)	(2,229)
Tax benefit related to stock-based awards	10,302	12,694
Stock-based compensation expense	46,260	33,395
Other	(274)	255
Changes in:		
Accounts receivable	2,002	(16,740)
Merchandise inventories	(163,621)	60,055
Prepaid expenses and other assets	(4,622)	(30,968)
Accounts payable	48,457	(141,602)
Accrued expenses and other liabilities	(43,653)	12,117
Gift card and other deferred revenue	30,308	2,936
Operating lease liabilities	(108,791)	(113,489)
Income taxes payable	(8,162)	5,988
Net cash provided by operating activities	475,668	216,400
Cash flows from investing activities:		
Purchases of property and equipment	(78,281)	(76,123)
Other	97	241
Net cash used in investing activities	(78,184)	(75,882)
Cash flows from financing activities:		
Repurchases of common stock	(451,388)	—
Repayment of long-term debt	(300,000)	—
Tax withholdings related to stock-based awards	(100,160)	(29,589)
Payment of dividends	(91,069)	(79,274)
Borrowings under revolving line of credit	—	487,823
Debt issuance costs	—	(1,050)
Net cash (used in) provided by financing activities	(942,617)	377,910
Effect of exchange rates on cash and cash equivalents	7	(2,830)
Net (decrease) increase in cash and cash equivalents	(545,126)	515,598
Cash and cash equivalents at beginning of period	1,200,337	432,162
Cash and cash equivalents at end of period	\$ 655,211	\$ 947,760

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A. FINANCIAL STATEMENTS - BASIS OF PRESENTATION

These financial statements include Williams-Sonoma, Inc. and its wholly owned subsidiaries (“we,” “us” or “our”). The Condensed Consolidated Balance Sheets as of August 1, 2021 and August 2, 2020, the Condensed Consolidated Statements of Earnings, the Condensed Consolidated Statements of Comprehensive Income, the Condensed Consolidated Statements of Stockholders’ Equity for the thirteen and twenty-six weeks then ended and the Condensed Consolidated Statements of Cash Flows for the twenty-six weeks then ended, have been prepared by us, without audit. In our opinion, the financial statements include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at the balance sheet dates and the results of operations for the thirteen and twenty-six weeks then ended. Intercompany transactions and accounts have been eliminated. The balance sheet as of January 31, 2021, presented herein, has been derived from our audited Consolidated Balance Sheet included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

The results of operations for the thirteen and twenty-six weeks ended August 1, 2021 are not necessarily indicative of the operating results of the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been omitted. These financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

COVID-19

In March 2020, we announced the temporary closures of all of our retail store operations to protect our employees, customers and the communities in which we operate and to help contain the COVID-19 pandemic. As of August 1, 2021, all of our U.S.-based and the majority of our global retail stores have reopened for in-person shopping. However, we continue to experience intermittent closures or restrictions on retail capacity in certain geographies, in accordance with state and local guidelines, which may continue to impact our store traffic and retail revenues in the future and result in future store impairments. We continue to operate our e-commerce sites and distribution centers and continue to deliver products to our customers. However, we have experienced, and expect to continue to experience, delays in inventory receipts, increased raw material costs and higher shipping-related charges as a result of port slowdowns and congestion, as well as shipping container and foam shortages, due in part to the impact from COVID-19.

New Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (Topic 740). This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standards Codification (“ASC”) 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This ASU was effective for us in the first quarter of fiscal 2021. The adoption of this ASU did not have an impact on our financial condition, results of operations or cash flows.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848). The ASU is intended to ease the potential accounting and financial reporting burden of reference rate reform, including the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The guidance provides optional expedients and scope exceptions for transactions if certain criteria are met. These transactions include contract modifications, hedge accounting, and the sale or transfer of debt securities classified as held-to-maturity. We may elect to apply the provisions of the new standard prospectively through December 31, 2022. Unlike other topics, the provisions of this update are only available until December 31, 2022, by which time the reference rate replacement activity is expected to be completed. We have yet to elect an adoption date, but do not believe the adoption would have a material impact on our financial condition, results of operations or cash flows.

NOTE B. BORROWING ARRANGEMENTS

Credit Facility

We have a credit facility which provides for a \$500,000,000 unsecured revolving line of credit (“revolver”). The revolver may be used to borrow revolving loans or request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders, at such lenders’ option, to increase the revolver by up to \$250,000,000 to provide for a total of \$750,000,000 of unsecured revolving credit. Our credit facility also provided for a \$300,000,000 unsecured term loan facility (“term loan”). In February 2021, prior to maturity, we repaid the full outstanding balance of \$300,000,000 on our term loan.

During the second quarter of fiscal 2021 and for year-to-date fiscal 2021, we had no borrowings under the revolver. Additionally, as of August 1, 2021, \$12,927,000 in issued but undrawn standby letters of credit were outstanding under the revolver. The standby letters of credit were primarily issued to secure the liabilities associated with workers’ compensation and other insurance programs. We had no borrowings during the second quarter of fiscal 2020, and for year-to-date fiscal 2020, we had borrowings of \$487,823,000 under the revolver (at a year-to-date weighted average interest rate of 2.48%) all of which were repaid prior to the end of fiscal 2020. The revolver matures on January 8, 2023, at which time all outstanding borrowings must be repaid and all outstanding letters of credit must be cash collateralized. We may elect to extend the maturity date subject to lender approval.

The interest rate applicable to the revolver is variable, and may be elected by us as: (i) the LIBOR plus an applicable margin based on our leverage ratio ranging from 0.91% to 1.775% or (ii) a base rate as defined in the credit facility, plus an applicable margin ranging from 0% to 0.775%.

In addition to the credit facility, during the second quarter of fiscal 2020 we entered into a new agreement (the “364-Day Credit Agreement”) for an additional \$200,000,000 unsecured revolving line of credit. Under the 364-Day Credit Agreement, the interest rate was variable and could be elected by us as: (i) LIBOR plus an applicable margin based on our leverage ratio ranging from 1.75% to 2.50% or (ii) a base rate as defined in the agreement, plus an applicable margin ranging from 0.75% to 1.50%. During the second quarter of fiscal 2021 and for year-to-date fiscal 2021, we had no borrowings under the 364-Day Credit Agreement. We did not renew the 364-Day Credit Agreement upon its maturity in May 2021.

The credit facility contains and the 364-Day Credit Agreement contained certain restrictive loan covenants, including, among others, a financial covenant requiring a maximum leverage ratio (funded debt adjusted for lease and rent expense to earnings before interest, income tax, depreciation, amortization and rent expense), and covenants limiting our ability to incur indebtedness, grant liens, make acquisitions, merge or consolidate, and dispose of assets. As of August 1, 2021, we were in compliance with our covenants under the credit facility and, based on current projections, we expect to remain in compliance with our covenants under the credit facility throughout the next 12 months.

Letter of Credit Facilities

As of August 1, 2021, we had three unsecured letter of credit reimbursement facilities for a total of \$35,000,000. The letter of credit facilities contains covenants that are consistent with our credit facility. Interest on unreimbursed amounts under the letter of credit facilities accrues at a base rate as defined in the credit facility, plus an applicable margin based on our leverage ratio. As of August 1, 2021, an aggregate of \$8,404,000 was outstanding under the letter of credit facilities, which represents only a future commitment to fund inventory purchases to which we had not taken legal title. On August 22, 2021, we renewed all three of our letter of credit facilities on substantially similar terms and extended each of these facilities’ maturity dates until August 22, 2022. The latest expiration date possible for any future letters of credit issued under the facilities is January 19, 2023.

NOTE C. STOCK-BASED COMPENSATION

Equity Award Programs

Our Amended and Restated 2001 Long-Term Incentive Plan (the “Plan”) provides for grants of incentive stock options, nonqualified stock options, stock-settled stock appreciation rights, restricted stock awards, restricted stock units (including those that are performance-based), deferred stock awards (collectively, “stock awards”) and dividend equivalents up to an aggregate of 42,720,000 shares. As of August 1, 2021, there were approximately 7,489,000 shares available for future grant. Awards may be granted under the Plan to officers, employees and non-employee members of the board of directors of the company (the “Board”) or any parent or subsidiary. Shares issued as a result of award exercises or releases are primarily funded with the issuance of new shares.

Stock Awards

Annual grants of stock awards are limited to 1,000,000 shares on a per person basis. Stock awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain performance-based awards, which have variable payout conditions based on predetermined financial targets, generally vest three years from the date of grant. Certain stock awards and other agreements contain vesting acceleration clauses resulting from events including, but not limited to, retirement, disability, death, merger or a similar corporate event. Stock awards granted to non-employee Board members generally vest in one year. Non-employee Board members automatically receive stock awards on the date of their initial election to the Board and annually thereafter on the date of the annual meeting of stockholders (so long as they continue to serve as a non-employee Board member).

Stock-Based Compensation Expense

During the thirteen and twenty-six weeks ended August 1, 2021, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses of \$19,930,000 and \$46,260,000, respectively. During the thirteen and twenty-six weeks ended August 2, 2020, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses of \$13,692,000 and \$33,395,000, respectively.

Restricted Stock Units

The following table summarizes our restricted stock unit activity during the twenty-six weeks ended August 1, 2021:

	Shares
Balance at January 31, 2021	3,118,884
Granted	371,890
Granted, with vesting subject to performance conditions	107,075
Released ¹	(1,064,620)
Cancelled	(93,749)
Balance at August 1, 2021	2,439,480
Vested plus expected to vest at August 1, 2021	2,250,339

¹ Excludes 228,666 incremental shares released due to achievement of performance conditions above target.

NOTE D. EARNINGS PER SHARE

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding and common stock equivalents outstanding for the period. Common stock equivalents consist of shares subject to stock-based awards with exercise prices less than or equal to the average market price of our common stock for the period, to the extent their inclusion would be dilutive.

The following is a reconciliation of net earnings and the number of shares used in the basic and diluted earnings per share computations:

<i>In thousands, except per share amounts</i>	Net Earnings	Weighted Average Shares	Earnings Per Share
Thirteen weeks ended August 1, 2021			
Basic	\$ 246,070	74,786	\$ 3.29
Effect of dilutive stock-based awards		1,798	
Diluted	\$ 246,070	76,584	\$ 3.21
Thirteen weeks ended August 2, 2020			
Basic	\$ 134,564	77,783	\$ 1.73
Effect of dilutive stock-based awards		1,481	
Diluted	\$ 134,564	79,264	\$ 1.70
Twenty-six weeks ended August 1, 2021			
Basic	\$ 473,872	75,293	\$ 6.29
Effect of dilutive stock-based awards		2,223	
Diluted	\$ 473,872	77,516	\$ 6.11
Twenty-six weeks ended August 2, 2020			
Basic	\$ 169,987	77,522	\$ 2.19
Effect of dilutive stock-based awards		1,319	
Diluted	\$ 169,987	78,841	\$ 2.16

Stock-based awards of 8,000 and 15,000 were excluded from the computation of diluted earnings per share for the thirteen and twenty-six weeks ended August 1, 2021, respectively, as their inclusion would be anti-dilutive. Stock-based awards of 2,000 and 4,000 were excluded from the computation of diluted earnings per share for the thirteen and twenty-six weeks ended August 2, 2020, respectively, as their inclusion would be anti-dilutive.

NOTE E. SEGMENT REPORTING

We identify our operating segments according to how our business activities are managed and evaluated. Each of our brands are operating segments. Because they share similar economic and other qualitative characteristics, we have aggregated our operating segments into a single reportable segment.

The following table summarizes our net revenues by brand for the thirteen and twenty-six weeks ended August 1, 2021 and August 2, 2020.

<i>In thousands</i>	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Pottery Barn	\$ 732,323	\$ 563,276	\$ 1,411,378	\$ 1,042,891
West Elm	579,636	380,552	1,056,953	695,982
Williams Sonoma	255,455	243,133	521,062	442,435
Pottery Barn Kids and Teen	273,937	235,987	510,004	424,539
Other ¹	106,988	67,829	197,971	120,133
Total ²	\$ 1,948,339	\$ 1,490,777	\$ 3,697,368	\$ 2,725,980

¹ Primarily consists of net revenues from our international franchise operations, Rejuvenation and Mark and Graham.

² Includes net revenues related to our international operations (including our operations in Canada, Australia, the United Kingdom and our franchise businesses) of approximately \$116.1 million and \$77.6 million for the thirteen weeks ended August 1, 2021 and August 2, 2020, respectively, and approximately \$216.0 million and \$132.7 million for the twenty-six weeks ended August 1, 2021 and August 2, 2020, respectively.

Long-lived assets by geographic location are as follows:

<i>In thousands</i>	August 1, 2021	August 2, 2020
U.S.	\$ 2,021,577	\$ 2,076,079
International	149,750	155,787
Total	\$ 2,171,327	\$ 2,231,866

NOTE F. COMMITMENTS AND CONTINGENCIES

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. These disputes, which are not currently material, are increasing in number as our business expands and our company grows. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. In view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our Condensed Consolidated Financial Statements taken as a whole.

NOTE G. STOCK REPURCHASE PROGRAM AND DIVIDENDS

Stock Repurchase Program

During the thirteen weeks ended August 1, 2021, we repurchased 834,294 shares of our common stock at an average cost of \$162.84 per share for a total cost of approximately \$135,859,000 under our current stock repurchase program. During the twenty-six weeks ended August 1, 2021, we repurchased 2,625,019 shares of our common stock at an average cost of \$171.96 per share for a total cost of approximately \$451,388,000 under our current stock repurchase program. As of August 1, 2021, there was approximately \$567,974,000 remaining under our current stock repurchase program. On August 25, 2021, we announced a new \$1,250,000,000 stock repurchase authorization, which is an increase of approximately \$700,000,000 to our current stock repurchase program and superseded the remaining amount outstanding under our prior stock repurchase authorization.

During the thirteen and twenty-six weeks ended August 2, 2020, we did not repurchase any shares of our common stock.

As of August 1, 2021 and August 2, 2020, we held treasury stock of \$711,000 and \$599,000, respectively, that represents the cost of shares available for issuance that are intended to satisfy future stock-based award settlements in certain foreign jurisdictions.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions.

Dividends

We declared cash dividends of \$0.59 and \$0.48 per common share during the thirteen weeks ended August 1, 2021 and August 2, 2020, respectively. We declared cash dividends of \$1.18 and \$0.96 per common share during the twenty-six weeks ended August 1, 2021 and August 2, 2020, respectively. On August 25, 2021, we announced a 20.3% increase in our quarterly cash dividend from \$0.59 to \$0.71 per share. Our quarterly cash dividend may be limited or terminated at any time.

NOTE H. DERIVATIVE FINANCIAL INSTRUMENTS

We have retail and e-commerce businesses in Canada, Australia and the United Kingdom, and operations throughout Asia and Europe, which expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies. We do not enter into such contracts for speculative purposes. The assets or liabilities associated with the derivative financial instruments are measured at fair value and recorded in either other current or long-term assets or other current or long-term liabilities. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on whether the derivative financial instrument is designated as a hedge and qualifies for hedge accounting in accordance with the ASC 815, *Derivatives and Hedging*.

Cash Flow Hedges

We enter into foreign currency forward contracts designated as cash flow hedges (to sell Canadian dollars and purchase U.S. dollars) for forecasted inventory purchases in U.S. dollars by our Canadian subsidiary. These hedges have terms of up to 12 months. All hedging relationships are formally documented, and the forward contracts are designed to mitigate foreign currency exchange risk on hedged transactions. We record the effective portion of changes in the fair value of our cash flow hedges in other comprehensive income ("OCI") until the earlier of when the hedged forecasted inventory purchase occurs or the respective contract reaches maturity. Subsequently, as the inventory is sold to the customer, we reclassify amounts previously recorded in OCI to cost of goods sold.

Changes in the fair value of the forward contract related to interest charges (or forward points) are excluded from the assessment and measurement of hedge effectiveness and are recorded in cost of goods sold. Based on the rates in effect as of August 1, 2021, we expect to reclassify a net pre-tax loss of approximately \$1,124,000 from OCI to cost of goods sold over the next 12 months.

As of August 1, 2021 and August 2, 2020, we had foreign currency forward contracts outstanding (in U.S. dollars) with notional values as follows:

<i>In thousands</i>	August 1, 2021	August 2, 2020
Contracts designated as cash flow hedges	\$ 19,500	\$ 6,800

Hedge effectiveness is evaluated prospectively at inception, on an ongoing basis, as well as retrospectively using regression analysis. Any measurable ineffectiveness of the hedge is recorded in selling, general and administrative expenses. No gain or loss was recognized for cash flow hedges due to hedge ineffectiveness and all hedges were deemed effective for assessment purposes for the thirteen and twenty-six weeks ended August 1, 2021 and August 2, 2020.

The effect of derivative instruments in our Condensed Consolidated Financial Statements from gains or losses recognized in income was not material for the thirteen and twenty-six weeks ended August 1, 2021 and August 2, 2020.

The fair values of our derivative financial instruments are presented in other current assets and or other current liabilities in our Condensed Consolidated Balance Sheets. All fair values were measured using Level 2 inputs as defined by the fair value hierarchy described in Note I. We record all derivative assets and liabilities on a gross basis. They do not meet the balance sheet netting criteria as discussed in ASC 210, *Balance Sheet*, because we do not have master netting agreements established with our derivative counterparties that would allow for net settlement.

NOTE I. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy established by ASC 820, *Fair Value Measurement*, which defines three levels of inputs that may be used to measure fair value, as follows:

- Level 1: inputs which include quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs which include observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and
- Level 3: inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The fair values of our cash and cash equivalents are based on Level 1 inputs, which include quoted prices in active markets for identical assets.

Foreign Currency Derivatives and Hedging Instruments

We use the income approach to value our derivatives using observable Level 2 market data at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the assets and liabilities, which include interest rates and credit risk ratings. We use mid-market pricing as a practical expedient for fair value measurements. Key inputs for foreign currency derivatives are the spot rates, forward rates, interest rates and credit derivative market rates.

The counterparties associated with our foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration, therefore, we do not consider counterparty concentration and non-performance to be material risks at this time. Both we and our counterparties are expected to perform under the contractual terms of the instruments. None of the derivative contracts we entered into are subject to credit risk-related contingent features or collateral requirements.

Long-lived Assets

We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure property and equipment at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. We measure right-of-use assets on a nonrecurring basis using Level 2 inputs that are corroborated by market data. Where Level 2 inputs are not readily available, we use Level 3 inputs. Fair value of these long-lived assets is based on the present value of estimated future cash flows using a discount rate commensurate with the risk.

The significant unobservable inputs used in the fair value measurement of our store assets are sales growth/decline, gross margin, employment costs, lease escalations, market rental rates, changes in local real estate markets in which we operate, inflation and the overall economics of the retail industry. Significant fluctuations in any of these inputs individually could significantly impact our measurement of fair value.

During the thirteen and twenty-six weeks ended August 1, 2021, no impairment charges were recognized. During the thirteen and twenty-six weeks ended August 2, 2020, we recognized impairment charges of \$4,689,000 and \$16,514,000, respectively,

related to the impairment of property and equipment and \$1,666,000 and \$5,461,000, respectively, related to the impairment of operating lease right-of-use assets, due to lower projected revenues and fair market values resulting from the impact of COVID-19.

There were no transfers in and out of Level 3 categories during the thirteen and twenty-six weeks ended August 1, 2021 or August 2, 2020.

NOTE J. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income (loss) by component, net of tax, are as follows:

<i>In thousands</i>	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 31, 2021	\$ (6,398)	\$ (719)	\$ (7,117)
Foreign currency translation adjustments	3,700	—	3,700
Change in fair value of derivative financial instruments	—	(665)	(665)
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	153	153
Other comprehensive income (loss)	3,700	(512)	3,188
Balance at May 2, 2021	\$ (2,698)	\$ (1,231)	\$ (3,929)
Foreign currency translation adjustments	(3,522)	—	(3,522)
Change in fair value of derivative financial instruments	—	65	65
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	337	337
Other comprehensive income (loss)	(3,522)	402	(3,120)
Balance at August 1, 2021	\$ (6,220)	\$ (829)	\$ (7,049)
Balance at February 2, 2020	\$ (14,593)	\$ 6	\$ (14,587)
Foreign currency translation adjustments	(5,276)	—	(5,276)
Change in fair value of derivative financial instruments	—	549	549
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	(37)	(37)
Other comprehensive income (loss)	(5,276)	512	(4,764)
Balance at May 3, 2020	\$ (19,869)	\$ 518	\$ (19,351)
Foreign currency translation adjustments	6,737	—	6,737
Change in fair value of derivative financial instruments	—	(200)	(200)
Reclassification adjustment for realized (gain) loss on derivative financial instruments ¹	—	(107)	(107)
Other comprehensive income (loss)	6,737	(307)	6,430
Balance at August 2, 2020	\$ (13,132)	\$ 211	\$ (12,921)

¹ Refer to Note H for additional disclosures about reclassifications out of accumulated other comprehensive income.

NOTE K. REVENUE

The majority of our revenues are generated from sales of merchandise to our customers through our e-commerce websites, our direct mail catalogs, or at our retail stores and include shipping fees received from customers for delivery of merchandise to their homes. The remainder of our revenues are primarily generated from sales to our franchisees and other wholesale transactions, breakage income related to stored-value cards, and incentives received from credit card issuers in connection with our private label and co-branded credit cards.

We recognize revenue as control of promised goods or services are transferred to our customers. We record a liability at each period end where we have an obligation to transfer goods or services for which we have received consideration or have a right to consideration. We exclude from revenue any taxes assessed by governmental authorities, including value-added and other sales-related taxes, that are imposed on and are concurrent with revenue-generating activities. Our payment terms are primarily at the point of sale for merchandise sales and for most services.

See Note E for the disclosure of our net revenues by operating segment.

Merchandise Sales

Revenues from the sale of our merchandise through our e-commerce websites, our direct mail catalogs, at our retail stores, as well as to our franchisees and wholesale customers are, in each case, recognized at a point in time when control of merchandise is transferred to the customer. Merchandise can either be picked up in our stores or delivered to the customer. For merchandise picked up in the store, control is transferred at that time. For merchandise delivered to the customer, control is transferred when either delivery has been completed or, for certain merchandise, upon conveyance of the merchandise to the carrier for delivery. We exclude from revenue any taxes assessed by governmental authorities, including value-added and other sales-related taxes, that are imposed on and are concurrent with revenue-generating activities. Our payment terms are primarily at the point of sale for merchandise sales and for most services. We have elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation.

Revenue from the sale of merchandise is reported net of sales returns. We estimate future returns based on historical return trends together with current product sales performance. As of August 1, 2021 and August 2, 2020, we recorded a liability for expected sales returns of approximately \$28,315,000 and \$48,773,000, respectively, within other current liabilities and a corresponding asset for the expected net realizable value of the merchandise inventory to be returned of approximately \$7,798,000 and \$17,496,000, respectively, within other current assets in our Condensed Consolidated Balance Sheet.

Stored-value Cards

We issue stored-value cards that may be redeemed on future merchandise purchases. Our stored-value cards have no expiration dates. Revenue from stored-value cards is recognized at a point in time upon redemption of the card and as control of the merchandise is transferred to the customer. Revenue from estimated unredeemed stored-value cards (breakage) is recognized in a manner consistent with our historical redemption patterns over the estimated period of redemption of our cards of approximately four years, the majority of which is recognized within one year of the card issuance. Breakage revenue is not material to our Condensed Consolidated Financial Statements.

Credit Card Incentives

We enter into agreements with credit card issuers in connection with our private label and co-branded credit cards whereby we receive cash incentives in exchange for promised services, such as licensing our brand names and marketing the credit card program to customers. Services promised under these agreements are interrelated and are thus considered a single performance obligation. Revenue is recognized over time as we transfer promised services throughout the contract term.

Customer Loyalty Programs

We have customer loyalty programs which allow members to earn points for each qualifying purchase. Points earned enable members to receive certificates that may be redeemed on future merchandise purchases. This customer option is a material right and, accordingly, represents a separate performance obligation to the customer. The allocated consideration for the points earned by our loyalty program members is deferred based on the standalone selling price of the points and recorded within gift card and other deferred revenue within our Condensed Consolidated Balance Sheet. The measurement of standalone selling prices takes into consideration the discount the customer would receive in a separate transaction for the delivered item, as well as our estimate of certificates expected to be redeemed, based on historical redemption patterns. This measurement is applied to our portfolio of performance obligations for points earned, as all obligations have similar economic characteristics. We believe the impact to our Condensed Consolidated Financial Statements would not be materially different if this measurement was applied to each individual performance obligation. Revenue is recognized for these performance obligations at a point in time when certificates are redeemed by the customer. These obligations relate to contracts with terms less than one year, as our certificates generally expire within six months from issuance.

Deferred Revenue

We defer revenue when cash payments are received in advance of satisfying performance obligations, primarily associated with our stored-value cards, merchandise sales, and incentives received from credit card issuers. As of August 1, 2021 and August 2, 2020, we had recorded \$406,450,000 and \$293,104,000 for gift card and other deferred revenue in our Condensed Consolidated Balance Sheet, substantially all of which is expected to be recognized into revenue within the next 12 months.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or are proven incorrect, could cause our business and results of operations to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to: the continuing impact of the COVID-19 pandemic on our business, results of operations and financial condition; our revenue growth; expanding our operating margin; production, transportation and supply chain; backorder levels; our strategic initiatives; our beliefs regarding customer behavior and industry trends; our merchandise strategies; our growth strategies for our brands; our beliefs regarding the resolution of current lawsuits, claims and proceedings; our stock repurchase program; our expectations regarding our cash flow hedges and foreign currency risks; our planned use of cash, including our commitment to continue or increase quarterly dividend payments; our future compliance with the financial covenants contained in our credit facility; our belief that our cash on-hand, in addition to our available credit facility, will provide adequate liquidity for our business operations over the next 12 months; our beliefs regarding our exposure to foreign currency exchange rate fluctuations; and our beliefs regarding seasonal patterns associated with our business, as well as statements of belief and statements of assumptions underlying any of the foregoing. You can identify these and other forward-looking statements by the use of words such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of such terms, or other comparable terminology. The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading “Risk Factors” in this document and our Annual Report on Form 10-K for the year ended January 31, 2021, and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

OVERVIEW

Williams-Sonoma, Inc. is a specialty retailer of high-quality sustainable products for the home. Our products, representing distinct merchandise strategies – Williams Sonoma, Pottery Barn, Pottery Barn Kids, Pottery Barn Teen, West Elm, Williams Sonoma Home, Rejuvenation, and Mark and Graham – are marketed through e-commerce websites, direct-mail catalogs and retail stores. These brands are also part of The Key Rewards, our free-to-join loyalty program that offers members exclusive benefits across the Williams-Sonoma family of brands. We operate in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, offer international shipping to customers worldwide, and have unaffiliated franchisees that operate stores in the Middle East, the Philippines, Mexico, South Korea, and India as well as e-commerce websites in certain locations. We are also proud to be a leader in the industry with our Environmental, Social and Governance (“ESG”) efforts.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources for the thirteen weeks ended August 1, 2021 (“second quarter of fiscal 2021”), as compared to the thirteen weeks ended August 2, 2020 (“second quarter of fiscal 2020”) and the twenty-six weeks ended August 1, 2021 (“year-to-date fiscal 2021”), as compared to the twenty-six weeks ended August 2, 2020 (“year-to-date fiscal 2020”), should be read in conjunction with our Condensed Consolidated Financial Statements and the notes thereto. All explanations of changes in operational results are discussed in order of magnitude.

COVID-19

In March 2020, we announced the temporary closures of all of our retail store operations to protect our employees, customers and the communities in which we operate and to help contain the COVID-19 pandemic. As of August 1, 2021, all of our U.S.-based and the majority of our global retail stores have reopened for in-person shopping. However, we continue to experience intermittent closures or restrictions on retail capacity in certain geographies, in accordance with state and local guidelines, which may continue to impact our store traffic and retail revenues in the future and result in future store impairments. We continue to operate our e-commerce sites and distribution centers and continue to deliver products to our customers. However, we have experienced, and expect to continue to experience, delays in inventory receipts, increased raw material costs and higher shipping-related charges as a result of port slowdowns and congestion, as well as shipping container and foam shortages, due in part to the impact from COVID-19.

Second Quarter of Fiscal 2021 Financial Results

Net revenues in the second quarter of fiscal 2021 increased by \$457,562,000 or 30.7%, compared to the second quarter of fiscal 2020, with comparable brand revenue growth of 29.8% and growth in all brands. This was primarily driven by strength in both our e-commerce and retail channels primarily due to an increase in furniture and other home decor sales, as well as the impact of stores operating at a limited capacity due to COVID-19 during the second quarter of fiscal 2020. The increase in net revenues also included a 49.7% increase in international revenues primarily related to our franchise and company-owned operations. On a two-year basis, comparable brand revenues increased 40.3%, with growth in both channels.

For the second quarter of fiscal 2021, we delivered comparable brand revenue growth of 29.8%. In West Elm, comparable brand revenue growth was 51.1%, which was an acceleration from the first quarter, and an over 58% comparable brand revenue growth on a two-year basis. We saw strength across all categories with triple-digit growth in our upholstery and outdoor furniture business. Pottery Barn, our largest brand, delivered almost \$750,000,000 of revenue, with 29.6% comparable brand revenue growth during the quarter and an almost 38% comparable brand revenue growth on a two-year basis. All categories outperformed with notable strength in our indoor rustic modern casual point of view and in our outdoor business. The Williams Sonoma brand delivered comparable brand revenue growth of 6.4%, on top of 29.4% growth last year, resulting in an almost 36% two-year comparable brand revenue growth. This growth was powered by our content-led marketing and a higher percentage of exclusive and Williams Sonoma branded products. In our Pottery Barn Kids and Teen business, we saw double digit comparable brand revenue growth of 18.0% during the quarter and an almost 23% comparable brand revenue growth on a two-year basis, with strength across our proprietary 100% GREENGUARD GOLD furniture, back-to-school and baby businesses. And, our emerging brands Rejuvenation and Mark and Graham, combined accelerated to 42.3% comparable brand revenue growth, and an almost 58% comparable brand revenue growth on a two-year basis.

As of August 1, 2021, we had approximately \$655,211,000 in cash and generated positive operating cash flow of \$475,668,000 year-to-date. In addition to our strong cash balance, we also ended the quarter with no amount outstanding under our line of credit. This strong liquidity position allowed us to fund the operations of the business by investing over \$78,000,000 in capital expenditures year-to-date, providing shareholder returns of approximately \$542,457,000 year-to-date through share repurchases and dividends, and repaying in full, prior to maturity, our \$300,000,000 term loan facility earlier this year.

For the second quarter of fiscal 2021, diluted earnings per share was \$3.21 (which included a \$0.03 impact related to acquisition-related compensation expense and amortization of acquired intangibles of Outward, Inc.), versus \$1.70 in the second quarter of fiscal 2020 (which included a \$0.06 impact related to store asset impairments and a \$0.04 impact related to acquisition-related compensation expense and amortization of acquired intangibles of Outward, Inc.).

Looking Ahead

Looking forward to the balance of the year, we will continue to focus on driving net revenue and operating margin growth. We believe our operating model and our pricing power resulting from our key differentiators – our in-house design, our digital-first channel strategy, and our values, will set us apart from our competition and allow us to drive long-term growth and profitability. We believe our operating margin expansion will be driven by overall sales leverage, including the additional accretion from our growth initiatives that have a higher operating margin, an accelerating shift online where the operating margin profile is higher, continued occupancy leverage from the renegotiation of our lease agreements and further store closures, the pricing power in our merchandise margins (due to our differentiated product positioning, with design-led, value engineered and sustainable products), various supply chain efficiencies (including automation and in-stock inventory levels), as well as from continued emphasis on overall strong financial discipline. Our merchandise inventories increased 12% over last year, however our inventory on-hand and available for sale is still down to last year 2.5%. We continue to be impacted by stronger than expected demand across all brands, as well as various supply chain disruptions including industry-wide container shortages coming out of Asia, delays due to COVID-19 surges in Vietnam and Indonesia and a recent port closure in China. It is hard to predict with certainty when these supply chain challenges will be fully resolved and as a result, we expect backorder levels to remain elevated with moderate improvement in our inventory levels through the balance of the year. Overall, the long-term impact of COVID-19 on our business, results of operations and financial condition still remains uncertain. For more information on risks associated with COVID-19, please see “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

NET REVENUES

Net revenues primarily consist of sales of merchandise to our customers through our e-commerce websites, direct mail catalogs, and at our retail stores and include shipping fees received from customers for delivery of merchandise to their homes. Our revenues also include sales to our franchisees and wholesale customers, breakage income related to our stored-value cards, and incentives received from credit card issuers in connection with our private label and co-branded credit cards.

Net revenues in the second quarter of fiscal 2021 increased by \$457,562,000 or 30.7%, compared to the second quarter of fiscal 2020, with comparable brand revenue growth of 29.8% and growth in all brands. This was primarily driven by strength in both our e-commerce and retail channels primarily due to an increase in furniture and other home decor sales, as well as the impact of stores operating at a limited capacity due to COVID-19 during the second quarter of fiscal 2020. The increase in net revenues also included a 49.7% increase in international revenues primarily related to our franchise and company-owned operations. On a two-year basis, comparable brand revenues increased 40.3%, with growth in both channels.

Net revenues for year-to-date fiscal 2021 increased by \$971,388,000, or 35.6%, compared to year-to-date fiscal 2020, with comparable brand revenue growth of 34.6% and double-digit comparable revenue growth across all our brands. This was primarily driven by strength in both our e-commerce and retail channels due to an increase in furniture and other home decor, and the impact of stores operating at a limited capacity due to COVID-19 during fiscal 2020. The increase in net revenues also included a 62.8% increase in international revenues primarily related to our franchise and company-owned operations. On a two-year basis, comparable brand revenues increased 41.4%, with growth in both channels.

Comparable Brand Revenue

Comparable brand revenue includes comparable store sales and e-commerce sales, including through our direct mail catalogs, as well as shipping fees, sales returns and other discounts associated with current period sales. Comparable stores are typically defined as permanent stores where gross square footage did not change by more than 20% in the previous 12 months and which have been open for at least 12 consecutive months without closure for seven or more consecutive days. Comparable stores that were temporarily closed due to COVID-19 were not excluded from the comparable stores calculation. Outlet comparable store net revenues are included in their respective brands. Sales to our international franchisees are excluded from comparable brand revenue as their stores and e-commerce websites are not operated by us. Sales from certain operations are also excluded until such time that we believe those sales are meaningful to evaluating their performance. Additionally, comparable brand revenue growth for newer concepts is not separately disclosed until such time that we believe those sales are meaningful to evaluating the performance of the brand.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
<i>Comparable brand revenue growth</i>				
Pottery Barn	29.6 %	8.1 %	35.0 %	3.6 %
West Elm	51.1 %	7.0 %	51.0 %	5.3 %
Williams Sonoma	6.4 %	29.4 %	19.4 %	17.4 %
Pottery Barn Kids and Teen	18.0 %	4.8 %	22.3 %	6.4 %
Total ¹	29.8 %	10.5 %	34.6 %	6.7 %

¹ Total comparable brand revenue growth includes the results of Rejuvenation and Mark and Graham.

STORE DATA

	Store Count ¹					Average Leased Square Footage Per Store	
	May 2, 2021	Openings	Closings	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Williams Sonoma	195	3	(2)	196	210	6,800	6,800
Pottery Barn	195	1	(1)	195	201	14,600	14,400
West Elm	121	2	—	123	121	13,100	13,200
Pottery Barn Kids	57	—	—	57	72	7,800	7,800
Rejuvenation	10	—	—	10	10	8,500	8,500
Total	578	6	(3)	581	614	10,900	10,700
Store selling square footage at period-end						3,994,000	4,145,000
Store leased square footage at period-end						6,319,000	6,571,000

¹ Store count data does not reflect temporary closures due to COVID-19.

COST OF GOODS SOLD

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	August 1, 2021	% Net Revenues	August 2, 2020	% Net Revenues	August 1, 2021	% Net Revenues	August 2, 2020	% Net Revenues
<i>In thousands</i>								
Cost of goods sold ¹	\$ 1,089,951	55.9 %	\$ 939,575	63.0 %	\$ 2,086,127	56.4 %	\$ 1,760,518	64.6 %

¹ Includes total occupancy expenses of \$176.0 million and \$166.2 million for the second quarter of fiscal 2021 and the second quarter of fiscal 2020, respectively, and \$351.7 million and \$341.1 million for year-to-date fiscal 2021 and year-to-date fiscal 2020, respectively.

Cost of goods sold includes cost of goods, occupancy expenses and shipping costs. Cost of goods consists of cost of merchandise, inbound freight expenses, freight-to-store expenses and other inventory related costs such as replacements, damages, obsolescence and shrinkage. Occupancy expenses consist of rent, depreciation and other occupancy costs, including common area maintenance, property taxes and utilities. Shipping costs consist of third-party delivery services and shipping materials.

Our classification of expenses in cost of goods sold may not be comparable to other public companies, as we do not include non-occupancy related costs associated with our distribution network in cost of goods sold. These costs, which include distribution network employment, third-party warehouse management and other distribution related administrative expenses, are recorded in selling, general and administrative expenses.

Second Quarter of Fiscal 2021 vs. Second Quarter of Fiscal 2020

Cost of goods sold increased by \$150,376,000, or 16.0%, in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020. Cost of goods sold as a percentage of net revenues decreased to 55.9% in the second quarter of fiscal 2021 from 63.0% in the second quarter of fiscal 2020. This decrease was primarily driven by higher selling margins from reduced promotional activity and the leverage of occupancy costs from higher sales and low occupancy dollar growth.

Year-to-date Fiscal 2021 vs. Year-to-date Fiscal 2020

Cost of goods sold increased by \$325,609,000, or 18.5%, for year-to-date fiscal 2021, compared to year-to-date fiscal 2020. Cost of goods sold as a percentage of net revenues decreased to 56.4% for year-to-date fiscal 2021 from 64.6% for year-to-date fiscal 2020. This decrease was primarily driven by higher selling margins from reduced promotional activity and the leverage of occupancy costs from higher sales and low occupancy dollar growth, as well as inventory write-offs of approximately \$11,378,000 from the closure of our outlet stores due to COVID-19 in the first quarter of fiscal 2020 that did not recur in fiscal 2021.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands</i>	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	August 1, 2021	% Net Revenues	August 2, 2020	% Net Revenues	August 1, 2021	% Net Revenues	August 2, 2020	% Net Revenues
Selling, general and administrative expenses	\$ 535,288	27.5 %	\$ 365,841	24.5 %	\$ 1,012,964	27.4 %	\$ 731,456	26.8 %

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution and manufacturing facilities, customer care centers, supply chain operations (buying, receiving and inspection) and corporate administrative functions. These costs include employment, advertising, third party credit card processing and other general expenses.

Second Quarter of Fiscal 2021 vs. Second Quarter of Fiscal 2020

Selling, general and administrative expenses increased by \$169,447,000, or 46.3%, in the second quarter of fiscal 2021, compared to the second quarter of fiscal 2020. Selling, general and administrative expenses as a percentage of net revenues increased to 27.5% in the second quarter of fiscal 2021 from 24.5% in the second quarter of fiscal 2020. This increase was primarily driven by higher advertising costs in the second quarter of fiscal 2021 compared to significantly reduced advertising costs as a result of our initial financial response to COVID-19 in the second quarter of fiscal 2020. This increase was partially offset by the leverage of other general expenses from higher sales and overall cost discipline.

Year-to-date Fiscal 2021 vs. Year-to-date Fiscal 2020

Selling, general and administrative expenses increased by \$281,508,000, or 38.5%, for year-to-date fiscal 2021, compared to year-to-date fiscal 2020. Selling, general and administrative expenses as a percentage of net revenues increased to 27.4% for year-to-date fiscal 2021 from 26.8% for year-to-date fiscal 2020. This increase was primarily driven by higher advertising costs for year-to-date fiscal 2021 compared to significantly reduced advertising costs as a result of our initial financial response to COVID-19 for year-to-date fiscal 2020. This increase was partially offset by the leverage of other general expenses and employment costs from higher sales and overall cost discipline, as well as store asset impairment charges of approximately \$21,975,000 due to the impact of COVID-19 on our retail stores in year-to-date fiscal 2020 that did not recur in year-to-date fiscal 2021.

INCOME TAXES

The effective tax rate was 20.6% for year-to-date fiscal 2021 compared to 24.6% for year-to-date fiscal 2020. The decrease in the effective tax rate is primarily due to an increase in our excess tax benefit from stock-based compensation in fiscal 2021 compared to fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

As of August 1, 2021, we held \$655,211,000 in cash and cash equivalents, the majority of which was held in interest-bearing demand deposit accounts and money market funds, and of which \$217,580,000 was held by our international subsidiaries. As is consistent within our industry, our cash balances are seasonal in nature, with the fourth quarter historically representing a significantly higher level of cash than other periods.

For the remainder of fiscal 2021, we plan to use our cash resources to fund our inventory and inventory-related purchases, employment-related costs, stock repurchases and dividend payments, advertising and marketing initiatives, and property and equipment purchases.

In addition to our cash balances, we have a credit facility which provides for a \$500,000,000 unsecured revolving line of credit (“revolver”). The revolver may be used to borrow revolving loans or to request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the revolver by up to \$250,000,000, at such lenders’ option, to provide for a total of \$750,000,000 of unsecured revolving credit.

During the second quarter of fiscal 2021, we had no borrowings under the revolver. Additionally, as of August 1, 2021, a total of \$12,927,000 in issued but undrawn standby letters of credit was outstanding under the credit facility. The standby letters of credit were primarily issued to secure the liabilities associated with workers’ compensation and other insurance programs.

In addition to the credit facility, during the second quarter of fiscal 2020 we entered into a new agreement (the “364-Day Credit Agreement”) for an additional \$200,000,000 unsecured revolving line of credit. During the second quarter of fiscal 2021 and for year-to-date fiscal 2021, we had no borrowings under the 364-Day Credit Agreement. We did not renew the 364-Day Credit Agreement upon its maturity in May 2021.

The credit facility contains and the 364-Day Credit Agreement contained certain restrictive loan covenants, including, among others, a financial covenant requiring a maximum leverage ratio (funded debt adjusted for lease and rent expense to earnings before interest, income tax, depreciation, amortization and rent expense), and covenants limiting our ability to incur indebtedness, grant liens, make acquisitions, merge or consolidate, and dispose of assets. As of August 1, 2021, we were in compliance with our financial covenants under the credit facility and, based on our current projections, we expect to remain in compliance with the covenants under our credit facility throughout the next 12 months. We believe our cash on hand, in addition to our available credit facility, will provide adequate liquidity for our business operations over the next 12 months.

Letter of Credit Facilities

As of August 1, 2021, we had three unsecured letter of credit reimbursement facilities for a total of \$35,000,000. The letter of credit facilities contains covenants that are consistent with our credit facility. Interest on unreimbursed amounts under the letter of credit facilities accrues at a base rate as defined in the credit facility, plus an applicable margin based on our leverage ratio. As of August 1, 2021, an aggregate of \$8,404,000 was outstanding under the letter of credit facilities, which represents only a future commitment to fund inventory purchases to which we had not taken legal title. On August 22, 2021 we renewed all three of our letter of credit facilities on substantially similar terms and extended each of these facilities' maturity dates until August 22, 2022. The latest expiration date possible for any future letters of credit issued under the facilities is January 19, 2023.

Cash Flows from Operating Activities

For year-to-date fiscal 2021, net cash provided by operating activities was \$475,668,000 compared to \$216,400,000 for year-to-date fiscal 2020. For year-to-date fiscal 2021, net cash provided by operating activities was primarily attributable to net earnings adjusted for non-cash items, partially offset by an increase in merchandise inventories. Net cash provided by operating activities for year-to-date fiscal 2021 increased compared to year-to-date fiscal 2020 primarily due to an increase in net earnings and an increase in accounts payable, partially offset by an increase in merchandise inventories.

Cash Flows from Investing Activities

For year-to-date fiscal 2021, net cash used in investing activities was \$78,184,000 compared to \$75,882,000 for year-to-date fiscal 2020, and was primarily attributable to purchases of property and equipment.

Cash Flows from Financing Activities

For year-to-date fiscal 2021, net cash used in financing activities was \$942,617,000 compared to net cash provided by financing activities of \$377,910,000 for year-to-date fiscal 2020. For year-to-date fiscal 2021, net cash used in financing activities was primarily attributable to repurchases of common stock, the repayment of our term loan and tax withholdings related to stock-based awards. Net cash used in financing activities for year-to-date fiscal 2021 increased compared to net cash provided by financing activities for year-to-date fiscal 2020 primarily due to borrowings under our revolving line of credit in year-to-date fiscal 2020 that did not recur in year-to-date fiscal 2021, an increase in repurchases of common stock, and the repayment of our term loan in year-to-date fiscal 2021.

Stock Repurchase Program and Dividends

See Note G to our Condensed Consolidated Financial Statements, *Stock Repurchase Program and Dividends*, within Item 1 of this Quarterly Report on Form 10-Q for further information.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts

of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ significantly from these estimates. During the second quarter of fiscal 2021, there were no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

Seasonality

Our business is subject to substantial seasonal variations in demand. Historically, a significant portion of our revenues and net earnings have been realized during the period from October through January, and levels of net revenues and net earnings have typically been lower during the period from February through September. We believe this is the general pattern associated with the retail industry. In preparation for and during our holiday selling season, we hire a substantial number of additional temporary employees, primarily in our retail stores, customer care centers and distribution facilities, and incur significant fixed catalog production and mailing costs.

Contractual Obligations, Commitments, Contingencies and Off-balance Sheet Arrangements

Other than the natural expiration of our 364-Day Credit Agreement, there were no material changes during the quarter to the Company's contractual obligations, commitments, contingencies and off-balance sheet arrangements that are described in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2021, which is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which include significant deterioration of the U.S. and foreign markets, changes in U.S. interest rates, foreign currency exchange rate fluctuations, and the effects of economic uncertainty which may affect the prices we pay our vendors in the foreign countries in which we do business. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk

Our revolver has a variable interest rate which, when drawn upon, subjects us to risks associated with changes in that interest rate. During the second quarter of fiscal 2021, we had no borrowings under the revolver.

In addition, we have fixed and variable income investments consisting of short-term investments classified as cash and cash equivalents, which are also affected by changes in market interest rates. As of August 1, 2021, our investments, made primarily in interest-bearing demand deposit accounts and money market funds, are stated at cost and approximate their fair values.

Foreign Currency Risks

We purchase the majority of our inventory from vendors outside of the U.S. in transactions that are denominated in U.S. dollars and, as such, any foreign currency impact related to our international purchase transactions was not significant to us during the second quarter of fiscal 2021 or the second quarter of fiscal 2020. Since we pay for the majority of our international purchases in U.S. dollars, however, a decline in the U.S. dollar relative to other foreign currencies would subject us to risks associated with increased purchasing costs from our vendors in their effort to offset any lost profits associated with any currency devaluation. We cannot predict with certainty the effect these increased costs may have on our financial statements or results of operations.

In addition, our businesses in Canada, Australia and the United Kingdom, and our operations throughout Asia and Europe, expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. While the impact of foreign currency exchange rate fluctuations was not material to us in the second quarter of fiscal 2021 or the second quarter of fiscal 2020, we have continued to see volatility in the exchange rates in the countries in which we do business. As we continue to expand globally, the foreign currency exchange risk related to our foreign operations may increase. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies (see Note H to our Condensed Consolidated Financial Statements).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of August 1, 2021, an evaluation was performed by management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely discussions regarding required disclosures, and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the second quarter of fiscal 2021, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

Information required by this Item is contained in Note F to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 for a description of the risks and uncertainties associated with our business. There were no material changes to such risk factors in the current quarterly reporting period.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information as of August 1, 2021 with respect to shares of common stock we repurchased during the second quarter of fiscal 2021 under our current stock repurchase program. For additional information, please see Note G to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

Fiscal Period	Total Number of Shares Purchased ¹	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program ¹	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
May 3, 2021 – May 30, 2021	116,095	\$ 171.91	116,095	\$ 683,875,000
May 31, 2021 – June 27, 2021	644,966	\$ 161.67	644,966	\$ 579,605,000
June 28, 2021 – August 1, 2021	73,233	\$ 158.82	73,233	\$ 567,974,000
Total	834,294	\$ 162.84	834,294	\$ 567,974,000

¹ Excludes shares withheld for employee taxes upon vesting of stock-based awards.

On August 25, 2021, we announced a new \$1,250,000,000 stock repurchase authorization, which is an increase of approximately \$700,000,000 to our current stock repurchase program and superseded the remaining amount outstanding under our prior stock repurchase authorization.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Exhibit Description
10.1+	<u>Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement as filed on April 16, 2021, File No. 001-14077)</u>
10.2+*	<u>Williams-Sonoma, Inc. Director Compensation Policy</u>
10.3+*	<u>Williams-Sonoma, Inc. 2001 Long-Term Incentive Plan Non-Employee Director Deferred Stock Unit Award Agreement</u>
31.1*	<u>Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended</u>
31.2*	<u>Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended</u>
32.1*	<u>Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Earnings, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data Files submitted under Exhibit 101).

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLIAMS-SONOMA, INC.

By: /s/ Julie Whalen

Julie Whalen

Duly Authorized Officer and Chief Financial Officer

Date: September 9, 2021

WILLIAMS-SONOMA, INC.
DIRECTOR COMPENSATION POLICY

(Adopted and approved on June 2, 2021)

Each member of the Board of Directors (the “**Board**”) of Williams-Sonoma, Inc. (the “**Company**”), who is not an employee of the Company (each such member, a “**Non-Employee Director**”), will receive the compensation described in this Director Compensation Policy (the “**Director Compensation Policy**”) for his or her Board service following the date set forth above (the “**Effective Date**”).

The Director Compensation Policy will become effective upon the Effective Date. The Director Compensation Policy may be amended at any time in the sole discretion of the Board.

Annual Cash Compensation

Subject to Section 6 hereof, each Non-Employee Director will receive the cash compensation set forth below for service on the Board or a committee of the Board. The annual cash compensation amounts will be payable in arrears, in equal quarterly installments following the end of each fiscal quarter of the Company in which the service occurred. Any amount payable for a partial quarter of service in an applicable role will be pro-rated by multiplying such amount by a fraction, the numerator of which will be the number of days of service in such role that the Non-Employee Director provided in such quarter and the denominator of which will be the number of days in such quarter. All annual cash fees are vested upon payment. For purposes of clarity, the first quarterly installment of the annual retainers set forth below shall be paid for the first quarter that ends on or after the Effective Date, with the amount of such payment equal to the full quarterly installment, pro-rated, if applicable, based on the days of service that the Non-Employee Director provided in such quarter.

1. **Annual Board Member Service Retainer:**
 - a. All Non-Employee Directors: \$80,000.
 - b. Non-Employee Director serving as Board Chair: \$100,000 (in addition to above).
 2. **Annual Committee Member Service Retainer:**
 - a. Member of the Audit and Finance Committee: \$8,750.
 - b. Member of the Compensation Committee: \$7,500.
 - c. Member of the Nominations, Corporate Governance and Social Responsibility Committee: \$5,000.
 3. **Annual Committee Chair Service Retainer (in lieu of Annual Committee Member Service Retainer):**
 - a. Chair of the Audit and Finance Committee: \$25,500.
 - b. Chair of the Compensation Committee: \$15,000.
-

- c. Chair of the Nominations, Corporate Governance and Social Responsibility Committee: \$12,500.

Equity Compensation

The equity awards contemplated by Sections 4 through 7 of this Director Compensation Policy will be granted under the Company's 2001 Long-Term Incentive Plan, as amended, or any successor equity incentive plan adopted by the Board and the stockholders of the Company (the "**Plan**"), and this Director Compensation Policy, as it relates to such equity awards, forms a part of the Plan. In the event of any inconsistency between the Plan and this Director Compensation Policy, this Director Compensation Policy shall control.

4. **Automatic Equity Grants.** Annual grants made on or after the annual meeting of the Company's stockholders (the "**Annual Meeting**") during 2021 (the "**2021 Annual Meeting**") shall be made as follows:

- a. Annual Grant for Continuing Non-Employee Directors. Without any further action of the Board, at the close of business on the date of each Annual Meeting beginning with the 2021 Annual Meeting, each continuing Non-Employee Director shall be granted a restricted stock unit award ("**RSU Award**") under the Plan covering shares ("**Shares**") of the Company's Common Stock (as defined in the Plan) having an RSU Value as set forth in clauses (i) through (iii) below, as applicable (a "**Continuing Director Annual RSU Award**"); provided that the number of Shares covered by each Continuing Director Annual RSU Award will be rounded down to the nearest whole Share. Each Continuing Director Annual RSU Award shall vest on the earlier of (x) the day before the next Annual Meeting or (y) the one-year anniversary of the grant date, subject to the applicable Non-Employee Director's continued service as a member of the Board through such vesting date.

- i. **Annual Board Member RSU Value:**

- 1) All Non-Employee Directors: \$165,000.
- 2) Non-Employee Director serving as Board Chair: \$100,000 (in addition to above).

- ii. **Annual Committee Member RSU Value:**

- 1) Member of the Audit and Finance Committee: \$8,750.
- 2) Member of the Compensation Committee: \$7,500.
- 3) Member of the Nominations, Corporate Governance and Social Responsibility Committee: \$5,000.

- iii. **Annual Committee Chair RSU Value (in lieu of Annual Committee Member RSU Value):**

- 1) Chair of the Audit and Finance Committee: \$25,500.

2) Chair of the Compensation Committee: \$15,000.

3) Chair of the Nominations, Corporate Governance and Social Responsibility Committee: \$12,500.

- b. Annual Grant for New Non-Employee Directors. Without any further action of the Board, each person who, on or after the 2021 Annual Meeting, is elected or appointed for the first time to be a Non-Employee Director will automatically, upon the effective date of his or her initial election or appointment to be a Non-Employee Director, be granted an RSU Award under the Plan covering Shares having an RSU Value as set forth in Sections 4(a)(i) through (iii) above, as applicable, multiplied by a fraction, the numerator of which is the number of days that are expected to lapse between the Non-Employee Director's appointment to the Board and the next Annual Meeting and the denominator of which is 365 (a "***New Director Annual RSU Award***"); provided that the number of Shares covered by each New Director Annual RSU Award will be rounded down to the nearest whole Share. Each New Director Annual RSU Award shall vest in full on the earlier of (x) the day before the next Annual Meeting or (y) the one-year anniversary of the prior annual meeting, subject to the applicable Non-Employee Director's continued service as a member of the Board through such vesting date.
5. **Calculation of RSU Value.** The "***RSU Value***" of an RSU Award to be granted under this policy will equal the number of Shares subject to the restricted stock unit award multiplied by the closing price of a Share on the stock exchange or a national market system on which the Shares are listed on the closest trading day preceding the grant date.
6. **Remaining Terms.** The remaining terms and conditions of each RSU Award granted under this policy will be as set forth in the Plan and the Company's standard form of RSU Award agreement for Non-Employee Directors currently in effect, as it may be amended from time to time by the Board or the Compensation Committee of the Board, as applicable. If permitted by the Company, the issuance of the Shares issuable with respect to an RSU Award may be deferred upon such terms and conditions as determined by the Company, subject to the Company's determination that any such right of deferral or any term thereof complies with applicable laws or regulations in effect from time to time.
7. **Annual Cash Compensation Election.** Notwithstanding anything to the contrary herein, with respect to annual cash compensation amounts to be earned in respect of service during the Company's last two fiscal quarters of 2021, and for each fiscal year thereafter, a Non-Employee Director may elect (on terms prescribed by the Company) to receive 100% of the annual cash compensation to be earned in respect of the applicable fiscal year (or the last two quarters thereof in the case of fiscal 2021) either in the form of (i) fully vested stock units or (ii) fully vested deferred stock units ("***DSUs***"), in each case, covering a number of Shares equal to the quotient of (i) the dollar value of the annual cash compensation for the applicable quarter to be received in the form of fully vested stock units or DSUs that the Non-Employee Director actually earns under this Director Compensation Policy over (ii) the closing price of a Share on the stock exchange or a national market system on which the Shares are listed on the closest trading day preceding the grant date; provided that the number of Shares covered thereby will be rounded down to the nearest whole Share. To the extent the underlying annual cash compensation that is otherwise payable is earned, each such fully vested stock unit or DSU shall be automatically granted,

without further action by the Board, on the first day of the quarter that immediately follows the applicable quarter to which such annual cash compensation relates (or, earlier, on the last day of a Non-Employee Director's service on the Board for departing Non-Employee Directors). The remaining terms and conditions of each DSU granted under this policy will be as set forth in the Plan, the form of DSU grant agreement attached hereto as Exhibit A, as it may amended from time to time by the Board or the Compensation Committee of the Board, as applicable, and the Non-Employee Director's deferral election form applicable to such DSUs. Any fully vested stock units that are elected by a Non-Employee Director under this Section 7 shall be settled in fully vested Shares as soon as practicable after the grant date of such units.

Expenses; Other

The Company will reimburse each Non-Employee Director for ordinary, necessary, and reasonable out-of-pocket travel expenses to cover in-person attendance at, and participation in, Board and committee meetings, *provided*, that the Non-Employee Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time.

Each Non-Employee Director will also be able to participate in the Company's merchandise discount program as in effect from time to time.

This Director Compensation Policy was adopted by the Board and may only be amended or terminated by the Board.

Exhibit A
(Form of DSU Agreement)

**WILLIAMS-SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN
NON-EMPLOYEE DIRECTOR DEFERRED STOCK UNIT AWARD AGREEMENT
("AGREEMENT")**

Name: **Number of DSUs:**

Grant Date: **Grant Date FMV:**

1. **Award.** Williams-Sonoma, Inc. (the "Company") has awarded you the number of Deferred Stock Units indicated above ("Award"). Each Deferred Stock Unit entitles you to receive one share of Common Stock of the Company upon the terms and subject to the conditions set forth in the Company's 2001 Long-Term Incentive Plan (the "Plan") and this Award. Prior to the distribution of any shares, this Award represents an unsecured obligation, payable only from the general assets of the Company.

Except as specified herein, shares of Common Stock will be issued to you or, in case of your death, your beneficiary designated in accordance with the procedures specified by the Administrator on or shortly following the vesting date. If, at the time of your death, there is not an effective beneficiary designation on file or you are not survived by your designated beneficiary, the shares will be issued to the legal representative of your estate or other beneficiary as determined under applicable law.

2. **Vesting.** The Award is fully vested.
 3. **Settlement.** Your Award shall be settled earlier upon the earliest to occur of (i) the deferred settlement date elected by you, (ii) your death, (iii) your separation from service (within the meaning of Code Section 409A) for any reason, or (iv) a Transaction (other than a dissolution, liquidation, or corporate reorganization of the Company) that qualifies as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company (each, within the meaning of Code Section 409A); provided, however, if your Award that is settled upon your separation from service and in the unlikely event that you are a "specified employee" within the meaning of Section 409A at the time of such separation, delivery of the related shares of Common Stock shall be delayed to the date that is six months and one day following the date upon which you separate from service. ***Please note this proviso is applicable only to U.S. taxpayers.***
 4. **Dividend Equivalents.** During the period beginning on the Grant Date as indicated above and ending on the date that your Award is settled, you will accrue cash dividends with respect to the shares of Common Stock underlying your Deferred Stock Units and such amounts shall be paid to you at the same time as your Award is settled in accordance with the terms hereof and your deferral election.
 5. **Nontransferable.** Without the prior written consent of the Company, you may not sell, assign, pledge, encumber or otherwise transfer any interest in the Deferred Stock Units or the right to receive dividend equivalents thereon in accordance with Section 4 hereof.
 6. **Other Restrictions.** The issuance of Common Stock under this Award is subject to compliance by the Company and you with all applicable legal requirements applicable thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed at the time of issuance. The Company may delay the issuance of shares of Common Stock under this Award to ensure at the time of issuance there is a registration statement for the shares in effect under the Securities Act of 1933.
 7. **Additional Provisions.** This Award is subject to the provisions of the Plan. Capitalized terms not defined in this Award are used as defined in the Plan. If the Plan and this Award are inconsistent, the provisions of the Plan will govern, except as specifically provided herein. Interpretations of the Plan and this Award by the Committee are binding on you and the Company.
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8. **No Employment Agreement.** Neither the award to you of the Deferred Stock Units nor the delivery to you of this Award or any other document relating to the Deferred Stock Units will confer on you the right to continued employment or service or be interpreted as forming an employment or service contract with the Company or any Subsidiary.
9. **Tax Withholding.** You acknowledge that, regardless of any action taken by the Company, the ultimate liability for any or all income tax, social insurance contributions, payroll tax or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items") is and remains your responsibility and may exceed the amount, if any, withheld by the Company. You further acknowledge that the Company (1) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award and (2) does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or one of its foreign Subsidiaries or Affiliates may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

As a condition of this Award, you agree to pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations, if any, of the Company by the applicable due date.

If the Company determines to withhold taxes, you agree that the Company may satisfy such withholding by any or a combination of the following methods: (i) by requiring you to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to you; (iii) by the Company withholding a number of shares issuable in respect of the Award having a fair market value equal to the amount of Tax-Related Items that the Company determines it is required to withhold; and/or (iv) arranging for the Company's designated broker (if any, or any broker acceptable to the Company) to sell shares having a fair market value equal to the amount of Tax-Related Items that the Company determines it is required to withhold (and, in the case of using the Company's designated broker, you authorize such sale by accepting the terms of this Award). If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, you are deemed to have been issued the full number of shares subject to the vested Award, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

If the Tax-Related Items are not satisfied for any reason or if you otherwise fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the shares pursuant to this Award.

10. **Data Protection (Applicable Only If You Are Located Outside the U.S.)** *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among the Company and its Subsidiaries for the exclusive purpose of implementing, administering, and managing your participation in the Plan.*

You understand that the Company and its Subsidiaries hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of implementing, administering, and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration, and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the

purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock pursuant to this Award. You understand that Data will be held only as long as is necessary to implement, administer, and manage your participation in the Plan, including any deferral election thereunder. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status (if any) or service and career with the Company or your employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Deferred Stock Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

11. **Governing Law and Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of California without regard to the conflict of law provisions, as provided in the Plan. Further, for purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.
12. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
13. **Severability and Waiver.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable. Further, you acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Plan participant.
14. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
15. **No Advice.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of Common Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
16. **Address for Notices.** Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Stock Plan Administrator, at 3250 Van Ness Avenue, San Francisco, CA 94109 USA, or at such other address as the Company may hereafter designate in writing.

CERTIFICATION

I, Laura Alber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Williams-Sonoma, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2021

By: /s/ Laura Alber
 Laura Alber
 Chief Executive Officer

CERTIFICATION

I, Julie Whalen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Williams-Sonoma, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2021

By: /s/ Julie Whalen
 Julie Whalen
 Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q for the period ended August 1, 2021 of Williams-Sonoma, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Laura Alber, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ Laura Alber
Laura Alber
Chief Executive Officer

Date: September 9, 2021

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

In connection with the Quarterly Report on Form 10-Q for the period ended August 1, 2021 of Williams-Sonoma, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Julie Whalen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ Julie Whalen
Julie Whalen
Chief Financial Officer

Date: September 9, 2021