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

FORM 10-Q/A

Amendment No. 1

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 25, 2022

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 001-35588

Franchise Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-3561876**
(State of incorporation)	(IRS employer identification no.)

109 Innovation Court, Suite J
Delaware, Ohio 43015
(Address of principal executive offices)
(740) 363-2222
(Registrant's telephone number, including area code)

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	FRG	NASDAQ Global Market
7.50% Series A Cumulative Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share	FRGAP	NASDAQ Global Market

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 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 ☒

The number of shares outstanding of the registrant's common stock, par value $0.01 value per share, as of July 29, 2022 was 40,361,906 shares.

Explanatory Note

Franchise Group, Inc. (the "Company") is filing this Quarterly Report on Form 10-Q/A, Amendment No. 1 (the “Amended Report”) to amend its Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2022 originally filed with the Securities and Exchange Commission (“SEC”) on August 4, 2022 (the

“Original Report”). The purpose of this Amended Report is to amend and restate the Company's Condensed Consolidated Statement of Cash Flows as of and for the six months ended June 25, 2022. Details regarding the restatement can be found in Note 15 "Restatement of Previously Issued Financial Statements" in this Amended Report.

The restatement has no impact on the balance sheet, the income statement or the operations of the Company. An explanation of the impact on the Company’s financial statements, and the Condensed Consolidated Statement of Cash Flows as of and for the six months ended June 25, 2022 as originally reported is contained in Note 15 “Impact of Corrections on Previously Issued Consolidated Financial Statements” in this Amended Report.

Items Amended in This Amended Report

This Amended Report amends and restates the following items of the Original Report as of and for the fiscal quarter ended June 25, 2022:

- Part I — Item 1. Financial Statements (Unaudited)
- Part I — Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
- Part I — Item 4. Controls and Procedures
- Part II — Item 6. Exhibits

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this Amended Report includes new certifications specified in Rule 13a-14 under the Exchange Act, from the Company's Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amended Report.

Pursuant to Rule 12b-15 under the Exchange Act, this Amended Report contains only the items and exhibits to the Original Report that are being amended and restated, and unaffected items and exhibits are not included herein. Except as noted herein, the information included in the Original Report remains unchanged. This Amended Report continues to describe the conditions as of the date of the Original Report and, except as contained herein, we have not updated or modified the disclosures contained in the Original Report to reflect any events that have occurred after the Original Report. Accordingly, forward-looking statements included in this Amended Report may represent management’s views as of the Original Report and should not be assumed to be accurate as of any date thereafter. This Amended Report should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Report, including any amendment to those filings.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Form 10-Q for the Quarterly Period Ended June 25, 2022

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1
FINANCIAL STATEMENTS (UNAUDITED)

FRANCHISE GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

(In thousands, except share count and per share data)	Three Months Ended June 25, 2022	Three Months Ended June 26, 2021	Six Months Ended June 25, 2022	Six Months Ended June 26, 2021
Revenues:				
Product	$ 952,009	$ 805,768	$ 1,931,173	$ 1,389,585
Service and other	135,648	48,193	283,929	76,768
Rental	7,341	8,797	15,365	17,750
Total revenues	1,094,998	862,758	2,230,467	1,484,103
Operating expenses:				
Cost of revenue:				
Product	600,780	522,576	1,217,364	861,991
Service and other	8,732	934	17,395	1,339
Rental	2,741	2,935	5,603	5,940
Total cost of revenue	612,253	526,445	1,240,362	869,270
Selling, general, and administrative expenses	405,639	278,157	782,633	503,702
Total operating expenses	1,017,892	804,602	2,022,995	1,372,972
Income from operations	77,106	58,156	207,472	111,131
Other expense:				
Bargain purchase gain	3,581	—	3,514	—
Gain on sale-leaseback transactions, net	49,854	—	49,854	—
Other	12,853	—	(9,122)	(36,726)
Interest expense, net	(88,839)	(22,865)	(181,167)	(70,300)
Income from continuing operations before income taxes	54,555	35,291	70,551	4,105
Income tax expense (benefit)	13,572	2,770	17,250	(81)
Income from continuing operations	40,983	32,521	53,301	4,186
Income from discontinued operations, net of tax	—	6,215	—	48,363
Net income attributable to Franchise Group, Inc.	$ 40,983	$ 38,736	$ 53,301	$ 52,549
Income per share from continuing operations:				
Basic	$ 0.96	$ 0.76	$ 1.22	$ —
Diluted	0.94	0.74	1.19	—
Net income per share:				
Basic	$ 0.96	$ 0.91	$ 1.22	$ 1.20
Diluted	0.94	0.89	1.19	1.20
Weighted-average shares outstanding:				
Basic	40,356,299	40,175,058	40,331,855	40,142,571
Diluted	41,126,605	40,905,567	41,148,668	40,142,571

See accompanying notes to condensed consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended		Six Months Ended	
(In thousands)	**June 25, 2022**	**June 26, 2021**	**June 25, 2022**	**June 26, 2021**
Net income	$ 40,983	$ 38,736	$ 53,301	$ 52,549
Other comprehensive income (loss)				
Unrealized (gain) loss on interest rate swap agreement, net of taxes of $0, $(1), $0, and $13, respectively	—	(2)	—	45
Foreign currency translation adjustment	—	158	—	381
Forward contracts related to foreign currency exchange rates	—	(17)	—	—
Other comprehensive income	—	139	—	426
Comprehensive income	$ 40,983	$ 38,875	$ 53,301	$ 52,975

See accompanying notes to condensed consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except share count and per share data)	June 25, 2022	December 25, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 95,038	$ 292,714
Current receivables, net	178,687	118,698
Current securitized receivables, net	322,028	369,567
Inventories, net	825,393	673,170
Current assets held for sale	27,999	—
Other current assets	26,389	24,063
Total current assets	1,475,534	1,478,212
Property, plant, and equipment, net	226,771	449,886
Non-current receivables, net	10,402	11,755
Non-current securitized receivables, net	40,820	47,252
Goodwill	806,653	806,536
Intangible assets, net	122,347	127,951
Tradenames	222,703	222,687
Operating lease right-of-use assets	866,226	714,741
Investment in equity securities	24,394	35,249
Other non-current assets	19,151	18,902
Total assets	$ 3,815,001	$ 3,913,171
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term obligations	$ 322,363	$ 486,170
Current operating lease liabilities	178,278	173,101
Accounts payable and accrued expenses	425,728	410,552
Other current liabilities	41,671	50,833
Total current liabilities	968,040	1,120,656
Long-term obligations, excluding current installments	1,281,530	1,383,725
Non-current operating lease liabilities	701,185	557,071
Other non-current liabilities	95,392	88,888
Total liabilities	3,046,147	3,150,340
Stockholders' equity:		
Common stock, $0.01 par value per share, 180,000,000 shares authorized, 40,358,754 and 40,296,688 shares issued and outstanding at June 25, 2022 and December 25, 2021, respectively.	404	403
Preferred stock, $0.01 par value per share, 20,000,000 shares authorized, and 4,541,125 shares issued and outstanding at June 25, 2022 and December 25, 2021, respectively.	45	45
Additional paid-in capital	486,059	475,396
Retained earnings	282,346	286,987
Total equity	768,854	762,831
Total liabilities and equity	$ 3,815,001	$ 3,913,171

See accompanying notes to condensed consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Three Months Ended June 25, 2022							
(In thousands)	Common stock shares	Common stock	Preferred stock shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group equity
Balance at March 26, 2022	40,354	$ 404	4,541	$ 45	$ 480,628	$ —	$ 270,609	$ 751,686
Net income	—	—	—	—	—	—	40,983	40,983
Stock-based compensation expense, net	4	—	—	—	5,407	—	—	5,407
Issuance of common stock	1	—	—	—	24	—	—	24
Common dividend declared ($0.625 per share)	—	—	—	—	—	—	(27,117)	(27,117)
Preferred dividend declared ($0.469 per share)	—	—	—	—	—	—	(2,129)	(2,129)
Balance at June 25, 2022	40,359	$ 404	4,541	$ 45	$ 486,059	$ —	$ 282,346	$ 768,854

	Six Months Ended June 25, 2022							
(In thousands)	Common stock shares	Common stock	Preferred stock shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group equity
Balance at December 25, 2021	40,297	$ 403	4,541	$ 45	$ 475,396	$ —	$ 286,987	$ 762,831
Net income	—	—	—	—	—	—	53,301	53,301
Exercise of stock options	15	—	—	—	180	—	—	180
Stock-based compensation expense, net	46	1	—	—	10,434	—	—	10,435
Issuance of common stock	1	—	—	—	49	—	—	49
Common dividend declared ($0.625 per share)	—	—	—	—	—	—	(53,685)	(53,685)
Preferred dividend declared ($0.469 per share)	—	—	—	—	—	—	(4,257)	(4,257)
Balance at June 25, 2022	40,359	$ 404	4,541	$ 45	$ 486,059	$ —	$ 282,346	$ 768,854

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Three Months Ended June 26, 2021													
(In thousands)	**Common stock shares**		**Common stock**	**Preferred stock shares**		**Preferred stock**		**Additional paid-in-capital**		**Accumulated other comprehensive loss**		**Retained earnings**		**Total Franchise Group equity**
Balance at March 27, 2021	40,157	$	402	4,541	$	45	$	464,106	$	(1,112)	$	19	$	463,460
Net income	—		—	—		—		—		—		38,736		38,736
Total other comprehensive income	—		—	—		—		—		139		—		139
Exercise of stock options	33		—	—		—		360		—		—		360
Stock-based compensation expense, net	18		—	—		—		2,884		—		—		2,884
Issuance of Series A Preferred Stock	—		—	—		—		1		—		—		1
Common dividend declared ($0.375 per share)	—		—	—		—		—		—		(15,457)		(15,457)
Preferred dividend declared ($0.469 per share)	—		—	—		—		—		—		(2,128)		(2,128)
Balance at June 26, 2021	40,208	$	402	4,541	$	45	$	467,351	$	(973)	$	21,170	$	487,995

	Six Months Ended June 26, 2021													
(In thousands)	**Common stock shares**		**Common stock**	**Preferred stock shares**		**Preferred stock**		**Additional paid-in-capital**		**Accumulated other comprehensive loss**		**Retained earnings**		**Total Franchise Group equity**
Balance at December 26, 2020	40,092	$	401	1,250	$	13	$	382,383	$	(1,399)	$	3,769	$	385,167
Net income	—		—	—		—		—		—		52,549		52,549
Total other comprehensive income	—		—	—		—		—		426		—		426
Exercise of stock options	36		—	—		—		385		—		—		385
Stock-based compensation expense, net	80		1	—		—		5,073		—		—		5,074
Issuance of Series A Preferred Stock	—		—	3,291		32		79,510		—		—		79,542
Common dividend declared ($0.375 per share)	—		—	—		—		—		—		(30,891)		(30,891)
Preferred dividend declared ($0.469 per share)	—		—	—		—		—		—		(4,257)		(4,257)
Balance at June 26, 2021	40,208	$	402	4,541	$	45	$	467,351	$	(973)	$	21,170	$	487,995

See accompanying notes to condensed consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Six Months Ended June 25, 2022 As Restated (1)	Six Months Ended June 26, 2021
Operating Activities		
Net income	$ 53,301	$ 52,549
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	56,840	1,910
Depreciation, amortization, and impairment charges	42,236	31,157
Amortization of deferred financing costs and prepayment penalties	12,032	69,923
Amortization of securitized debt discount	59,618	—
Stock-based compensation expense	10,853	5,478
Change in fair value of investment	10,855	—
Gain on sale-leaseback, bargain purchases, and sales of Company-owned stores	(55,883)	(731)
Other non-cash items	(2,182)	645
Changes in operating assets and liabilities	(238,903)	(55,305)
Net cash provided by (used in) operating activities	(51,233)	105,626
Investing Activities		
Purchases of property, plant, and equipment	(21,809)	(25,028)
Proceeds from sale of property, plant, and equipment	240,558	293
Acquisition of business, net of cash and restricted cash acquired	(3,754)	(462,821)
Issuance of operating loans to franchisees	—	(17,612)
Payments received on operating loans to franchisees	1,000	23,013
Net cash provided by (used in) investing activities	215,995	(482,155)
Financing Activities		
Dividends paid	(54,665)	(32,808)
Issuance of long-term debt and other obligations	219,056	1,306,724
Repayment of long-term debt and other obligations	(524,825)	(856,385)
Issuance of common stock	49	—
Issuance of preferred stock	—	79,542
Principal payments of finance lease obligations	(1,383)	—
Payment for debt issue costs and prepayment penalty on extinguishment	(431)	(87,502)
Other stock compensation transactions	(239)	(18)
Net cash provided by (used in) financing activities	(362,438)	409,553
Effect of exchange rate changes on cash, net	—	142
Net increase (decrease) in cash equivalents and restricted cash	(197,676)	33,166
Cash, cash equivalents and restricted cash at beginning of period	292,714	151,502
Cash, cash equivalents and restricted cash at end of period	$ 95,038	$ 184,668
Supplemental Cash Flow Disclosure		
Cash paid for taxes, net of refunds	$ 17,842	$ 1,284
Cash paid for interest	42,013	61,249
Accrued capital expenditures	2,751	3,406
Capital expenditures funded by finance lease liabilities	—	1,211

(1) As restated - See Note 15 "Restatement of Previously Issued Financial Statements" to Condensed Consolidated Financial Statements. See accompanying notes to condensed consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Cash Flows.

(In thousands)	June 25, 2022	June 26, 2021
Cash and cash equivalents	$ 95,038	$ 165,432
Restricted cash included in other non-current assets	—	367
Cash and cash equivalents for discontinued operations	—	18,869
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 95,038	$ 184,668

Amounts included in other non-current assets represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims.

(1) Basis of Presentation

Unless otherwise stated, references to the "Company," "we," "us," and "our" in this Quarterly Report on Form 10-Q (the "Quarterly Report") refer to Franchise Group, Inc. and its direct and indirect subsidiaries on a consolidated basis. The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K for the year ended December 25, 2021 that was filed with the Securities and Exchange Commission ("SEC") on February 23, 2022 (the "Form 10-K").

In the opinion of management, all adjustments (including those of a normal recurring nature) necessary for a fair presentation of such condensed consolidated financial statements in accordance with GAAP have been recorded. The December 25, 2021 balance sheet information was derived from the audited financial statements as of that date.

Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "*Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*", which changes how companies will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables. The ASU should be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the standard is effective. The ASU is effective for the Company for the fiscal year beginning January 1, 2023. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The ASU is effective for the Company for the fiscal year beginning January 1, 2023. The Company is currently evaluating the impact of the adoption of this standard to its consolidated financial statements.

The London Interbank Offered Rate ("LIBOR") is scheduled to be discontinued on June 30, 2023. In an effort to address the various challenges created by such discontinuance, the FASB issued an amendment to existing guidance, ASU No. 2020-04 "*Reference Rate Reform.*" The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g. loans, debt securities, derivatives, borrowings) necessitated by the reference rate reform. It also provides option expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. As further described in "Note 7. Long-Term Obligations", the Company entered into an amendment to a debt agreement which changed the reference rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). The adoption of ASU 2020-04 did not result in a material impact to the Company's financial results or disclosures.

(2) Acquisitions

The Company continually looks to diversify and grow its portfolio of brands through acquisitions. On September 27, 2021, the Company completed its acquisition (the "Sylvan Acquisition") of Sylvan Learning ("Sylvan"), and on November 22, 2021, the Company completed its acquisition (the "Badcock Acquisition" and, together with the Sylvan Acquisition, the "Acquisitions") of W.S. Badcock Corporation ("Badcock").

Badcock Acquisition

On November 22, 2021, the Company completed the Badcock Acquisition. The preliminary fair value of the consideration transferred at the acquisition date was $548.8 million. For the six months ended June 25, 2022, $0.8 million of acquisition fees had been incurred that are recorded in selling, general and administrative expenses.

The table below summarizes the unaudited preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Badcock Acquisition on November 22, 2021. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below. In the six months ended June 25, 2022, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, which resulted in an increase to the bargain purchase gain of $3.5 million. The increase was primarily due to the valuation of the property, plant, and equipment partially offset by an increase in other long-term liabilities for deferred taxes. The Company expects to complete the purchase price allocation as soon as reasonably possible but not to exceed one year from the date of completion of the Badcock Acquisition.

(In thousands)		**Preliminary November 22, 2021**
Cash and cash equivalents	$	23,413
Inventories, net		130,045
Accounts receivable		411,268
Other current assets		5,023
Property, plant, and equipment		238,865
Operating lease right-of-use assets		55,626
Other non-current assets		2,506
Total assets		866,746
Current operating lease liabilities		12,070
Accounts payable and accrued expenses		71,436
Other current liabilities		18,942
Current installments of long-term obligations		5,261
Long-term obligations, excluding current installments		7,247
Non-current operating lease liabilities		39,599
Other long-term liabilities		27,849
Total liabilities		182,404
Bargain purchase gain		(135,557)
Consideration transferred	$	548,785

Operating lease right-of-use assets of $55.6 million and operating and lease liabilities of $51.7 million, consist of leases for retail store locations, warehouses and office equipment.

Property, plant, and equipment consists of fixtures and equipment of $93.0 million, buildings and building improvements of $98.0 million, land and land improvements of $33.4 million, leasehold improvements of $23.7 million, and construction in progress of $1.4 million.

During the six months ended June 25, 2022, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, which resulted in a $3.5 million increase to the bargain purchase gain for a cumulative bargain purchase gain of $135.6 million. The adjustment is classified as "Bargain purchase gain" on the Consolidated Statements of Operations. The Company believes the seller in the Badcock Acquisition was willing to accept a bargain purchase price in return for the Company's ability to act more quickly, partially due to the Company's access to capital to complete the transaction, and with greater certainty than any other prospective acquirer. Additionally, the Company believes the seller in the Badcock Acquisition was motivated to complete the transaction as part of an overall repositioning of its business. Upon completion of this reassessment, the Company concluded that recording a bargain purchase gain with respect to the Badcock

Acquisition was appropriate and required under GAAP. The tax impact related to the bargain purchase gain was non-taxable and impacted the Company's effective tax rate for the period.

Sylvan Acquisition

On September 27, 2021, the Company completed the Sylvan Acquisition. The preliminary fair value of the consideration transferred at the acquisition date was $82.9 million.

The table below summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Sylvan Acquisition on September 27, 2021. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below. The Company expects to complete the purchase price allocation as soon as reasonably possible but not to exceed one year from the date of completion of the Sylvan Acquisition.

(In thousands)	**Preliminary September 27, 2021**
Cash and cash equivalents	$ 4,364
Other current assets	3,592
Property, plant, and equipment	26,324
Goodwill	19,406
Tradenames	24,987
Operating lease right-of-use assets	2,874
Other intangible assets	19,412
Other non-current assets	185
Total assets	101,144
Current operating lease liabilities	891
Accounts payable and accrued expenses	6,072
Non-current operating lease liabilities	1,984
Other long-term liabilities	9,320
Total liabilities	18,267
Consideration transferred	$ 82,877

Other intangible assets consists of the franchise agreements of $18.3 million and proprietary content of $1.1 million.

Property, plant and equipment consists of fixtures and equipment of $0.3 million, leasehold improvements of $0.7 million, and software and electronic content of $25.3 million.

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill recognized is attributable to operational synergies in the expected franchise models and growth opportunities. None of the acquired goodwill is deductible for tax purposes.

Pet Supplies Plus Acquisition

On March 10, 2021, the Company completed its acquisition of Pet Supplies Plus. Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill recognized is attributable to operational synergies in the expected franchise models and growth opportunities. All of the acquired goodwill is deductible for tax purposes.

Wag N' Wash Acquisition

On February 22, 2022, the Company's Pet Supplies Plus segment completed the acquisition of Wag N' Wash, an emerging natural pet food, self-wash, and grooming franchise, for an all cash purchase price of $0.9 million, and five of the Wag N' Wash stores were subsequently sold to a franchisee for $0.6 million. The components of the purchase price allocation are not presented herein due to the immateriality of the transaction to the Company overall.

Pro forma financial information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the Acquisitions as if they had occurred on January 1, 2020.

	Pro forma (Unaudited)			
	Three Months Ended		Six Months Ended	
(In thousands)	**June 25, 2022**	**June 26, 2021**	**June 25, 2022**	**June 26, 2021**
Revenue	$ 1,094,997	$ 1,101,517	$ 2,230,467	$ 2,145,743
Net income	38,275	64,277	50,642	119,691
Basic net income per share	$ 0.90	$ 1.55	$ 1.15	$ 2.88
Diluted net income per share	$ 0.88	$ 1.52	$ 1.13	$ 2.82

These unaudited pro forma results include adjustments such as inventory step-up, amortization of acquired intangible assets, depreciation of acquired property, equipment, and software and interest expense on debt financing in connection with the Acquisitions. Material, nonrecurring pro forma adjustments directly attributable to the Acquisitions include:

- Acquired inventory step-up to its fair value of $2.3 million is assumed to be recorded in the first quarter of 2020 and therefore removed from the six months ended June 26, 2021.

- Acquisition transaction related costs of $4.9 million that were incurred during the six months ended June 26, 2021 are assumed to have occurred on the pro forma close date of January 1, 2020, and recognized as if incurred in the first quarter of 2020.

The unaudited consolidated pro forma financial information was prepared in accordance with GAAP and is not necessarily indicative of the results of operations that would have occurred if the Acquisitions had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after the Acquisitions, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. They also do not give effect to certain charges that the Company expects to incur in connection with the acquisition, including, but not limited to, additional professional fees and employee integration.

(3) Divestitures

Liberty Tax Divestiture

On July 2, 2021, the Company completed the sale of its Liberty Tax business (the "Liberty Transaction") to NextPoint Acquisition Corp. ("NextPoint") and received total consideration of approximately $255.3 million, consisting of approximately $181.2 million in cash and approximately $74.1 million in proportionate voting shares of NextPoint recorded as an investment in equity securities in "Investment in equity securities" on the Condensed Consolidated Balance Sheets. As a result of the Liberty Transaction, the financial position and results of operations of the Liberty Tax business are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for the three and six months ended June 26, 2021.

The following is a Condensed Consolidated Statement of Operations for the Liberty Tax business. The amounts are included in "Income (loss) from discontinued operations, net of tax" in the Company's Condensed Consolidated Statements of Operations.

	Three Months Ended	Six Months Ended
(In thousands)	**June 26, 2021**	**June 26, 2021**
Revenue	$ 30,513	$ 106,993
Selling, general, and administrative expenses	23,725	57,786
Income from operations	6,788	49,207
Other expense:		
Other	16	168
Interest expense, net	10	—
Income before income taxes	6,814	49,375
Income tax expense	599	1,012
Net income attributable to discontinued operations	$ 6,215	$ 48,363

The following is the operating and investing activities for the Liberty Tax business. These amounts are included in the Company's Condensed Consolidated Statement of Cash Flows.

	Six Months Ended
(In thousands)	**June 26, 2021**
Cash flows provided by operating activities from discontinued operations	$ 36,627
Cash flows provided by investing activities from discontinued operations	$ 492

Assets Held for Sale

As of June 25, 2022, the Company's Badcock segment was negotiating sale-leaseback transactions for its headquarters and sale of certain non-operating properties. The net book value of the properties of $28.0 million is classified as "Current assets held for sale" on the Condensed Consolidated Balance Sheets. The Company's Badcock segment headquarters and non-operating properties are classified as assets held for sale as the Company was in active negotiations and the assets were expected to be sold within a year as of June 25, 2022. Purchase and sale agreements for the headquarters for gross proceeds of $23.5 million were entered into on April 26, 2022, as amended on May 25, 2022. On August 2, 2022, Badcock completed the sale of its headquarters. Please refer to "Note 14 - Subsequent Events" in this Quarterly Report. Upon the closing of the sales for the headquarters, a corresponding operating lease right of use asset and operating lease liability was recorded to the Condensed Consolidated Balance Sheets for the Lease Transactions.

Sale-Leaseback Transactions

In the six months ended June 25, 2022, the Company's Badcock segment sold a number of its retail locations and distribution centers for a total of $238.0 million, resulting in a net gain of $49.9 million, comprised of $54.1 million of gains and $4.2 million of losses. Contemporaneously with the sale, the Company entered into lease agreements pursuant to which the Company leased back the retail locations and distribution centers, which are being accounted for as operating leases. The net gain has been recognized as "Gain on sale-leaseback transactions" on the Consolidated Statements of Operations for the three and six months ended June 25, 2022.

(4) Accounts and Notes Receivable

Current and non-current receivables as of June 25, 2022 and December 25, 2021 are presented in the Condensed Consolidated Balance Sheets as follows:

(In thousands)	June 25, 2022	December 25, 2021
Accounts receivable	$ 162,329	$ 86,087
Notes receivable	1,233	1,681
Interest receivable	52	54
Income tax receivable	27,441	32,448
Allowance for doubtful accounts	(12,368)	(1,572)
Current receivables, net	178,687	118,698
Notes receivable, non-current	10,821	12,183
Allowance for doubtful accounts, non-current	(419)	(428)
Non-current receivables, net	10,402	11,755
Total receivables	$ 189,089	$ 130,453

Notes receivable are due from the Company's franchisees and are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise areas.

Secured Borrowing Accounting

On December 20, 2021, Badcock entered into a Master Receivables Purchase Agreement (the "Receivables Purchase Agreement") with B. Riley Receivables, LLC (the "Purchaser") and consummated the sale to the Purchaser of the existing consumer credit receivables portfolio of Badcock as of December 15, 2021 for a purchase price of $400.0 million in cash and securitized an additional $130.6 million of receivables to the Purchaser in the six months ended June 25, 2022. As of April 9, 2022, the Company is no longer selling receivables to the Purchaser and has resumed in-house underwriting services. In connection with the Receivables Purchase Agreement, Badcock entered into a Servicing Agreement (the "Servicing Agreement") with the Purchaser pursuant to which Badcock will provide to the Purchaser certain customary servicing and account management services in respect of the receivables purchased by the Purchaser under the Receivables Purchase Agreement.

As a result of the transaction, the Company's Badcock segment sold beneficial interests in revolving lines of credit that it originated. The sales of the beneficial interests in the revolving lines of credit are accounted for as secured borrowings on our Condensed Consolidated Balance Sheets, with both assets and non-recourse liabilities, since the sales do not qualify as a sale under ASC 860 - *"Transfers and Servicing,"* even though the underlying receivables are deemed to be legally sold. The Company's Badcock segment may periodically repay portions of the securitized debt early. The income earned on the securitized revolving lines of credit is recorded as interest income in "Service and other revenues" and the accretion of the securitized debt is recorded in "Interest expense, net" on the Condensed Consolidated Statements of Operations.

Current securitized receivables, net includes $386.0 million of securitized receivables, an unamortized discount of $51.3 million, and an allowance of $12.7 million. Non-current securitized receivables, net includes $48.9 million of securitized receivables, an unamortized discount of $6.5 million and an allowance of $1.6 million.

(5) Goodwill and Intangible Assets

The Company performs impairment tests for goodwill as of the end of July of each fiscal year and between annual impairment tests if an event occurs or circumstances change that would more likely than not reduce the fair values of the Company's reporting units below their carrying values. There are no accumulated goodwill impairment losses recorded.

Changes in the carrying amount of goodwill for the six months ended June 25, 2022 are as follows:

	Vitamin Shoppe	Pet Supplies Plus	American Freight	Buddy's	Sylvan	Total
Balance as of December 25, 2021	$ 1,277	$ 335,875	$ 370,829	$ 79,099	$ 19,456	$ 806,536
Acquisitions	—	893	—	—	—	893
Disposals and purchase accounting adjustments	—	(726)	—	—	(50)	(776)
Balance as of June 25, 2022	$ 1,277	$ 336,042	$ 370,829	$ 79,099	$ 19,406	$ 806,653

Components of intangible assets as of June 25, 2022 and December 25, 2021 were as follows:

	June 25, 2022		
(In thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite lived tradenames	$ 222,703	$ —	$ 222,703
Intangible assets			
Franchise and dealer agreements	$ 96,005	$ (10,461)	$ 85,544
Customer contracts	42,414	(7,041)	35,373
Other intangible assets	2,008	(578)	1,430
Total intangible assets	$ 140,427	$ (18,080)	$ 122,347

	December 25, 2021		
(In thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite lived tradenames	$ 222,687	$ —	$ 222,687
Intangible assets			
Franchise and dealer agreements	$ 95,865	$ (6,571)	$ 89,294
Customer contracts	42,414	(5,215)	37,199
Other intangible assets	1,836	(378)	1,458
Total intangible assets	$ 140,115	$ (12,164)	$ 127,951

(6) Revenue

For details regarding the principal activities from which the Company generates its revenue, refer to "Note 1. Description of Business and Summary of Significant Account Policies Presentation" in the Form 10-K. For more detailed information regarding reportable segments, refer to "Note 13. Segments" in this Quarterly Report. The following represents the disaggregated revenue by reportable segments for the three months ended June 25, 2022:

	Three Months Ended June 25, 2022						
(In thousands)	**Vitamin Shoppe**	**Pet Supplies Plus**	**Badcock**	**American Freight**	**Buddy's**	**Sylvan**	**Consolidated**
Retail sales	$ 306,183	$ 151,421	$ 161,195	$ 194,789	$ 661	$ 13	$ 814,262
Wholesale sales	314	134,196	—	3,237	—	—	137,747
Total product revenue	306,497	285,617	161,195	198,026	661	13	952,009
Royalties and other franchise based fees	207	9,395	—	516	4,603	10,668	25,389
Financing revenue	—	—	—	10,860	—	—	10,860
Interest income	—	67	48,887	191	—	—	49,145
Warranty and damage revenue	—	—	13,046	10,677	1,480	—	25,203
Other revenues	193	7,654	10,171	6,158	44	831	25,051
Total service revenue	400	17,116	72,104	28,402	6,127	11,499	135,648
Rental revenue, net	—	—	—	—	7,341	—	7,341
Total rental revenue	—	—	—	—	7,341	—	7,341
Total revenue	$ 306,897	$ 302,733	$ 233,299	$ 226,428	$ 14,129	$ 11,512	$ 1,094,998

The following represents the disaggregated revenue by reportable segments for the six months ended June 25, 2022:

	Six Months Ended June 25, 2022						
(In thousands)	**Vitamin Shoppe**	**Pet Supplies Plus**	**Badcock**	**American Freight**	**Buddy's**	**Sylvan**	**Consolidated**
Retail sales	$ 616,614	$ 313,970	$ 327,837	$ 406,301	$ 1,731	$ 24	$ 1,666,477
Wholesale sales	488	257,428	—	6,780	—	—	264,696
Total product revenue	617,102	571,398	327,837	413,081	1,731	24	1,931,173
Royalties and other franchise based fees	341	18,457	—	1,064	9,427	20,177	49,466
Financing revenue	—	—	—	19,034	—	—	19,034
Interest income	—	139	114,156	387	—	—	114,682
Warranty and damage revenue	—	—	26,591	22,156	3,084	—	51,831
Other revenues	408	13,952	20,974	12,121	106	1,355	48,916
Total service revenue	749	32,548	161,721	54,762	12,617	21,532	283,929
Rental revenue, net	—	—	—	—	15,365	—	15,365
Total rental revenue	—	—	—	—	15,365	—	15,365
Total revenue	$ 617,851	$ 603,946	$ 489,558	$ 467,843	$ 29,713	$ 21,556	$ 2,230,467

The following represents the disaggregated revenue by reportable segments for the three months ended June 26, 2021:

	Three Months Ended June 26, 2021				
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	American Freight	Buddy's	Consolidate
Retail sales	$ 302,473	$ 156,851	$ 239,476	$ 1,069	$ 699,8
Wholesale sales	—	105,899	—	—	105,8
Total product revenue	302,473	262,750	239,476	1,069	805,7
Royalties and other franchise based fees	82	6,274	972	4,009	11,3
Financing revenue	—	—	11,951	—	11,9
Interest income	—	71	290	—	3
Warranty and damage revenue	—	—	13,100	1,716	14,8
Other revenues	—	6,665	3,018	45	9,7
Total service revenue	82	13,010	29,331	5,770	48,1
Rental revenue, net	—	—	—	8,797	8,7
Total rental revenue	—	—	—	8,797	8,7
Total revenue	$ 302,555	$ 275,760	$ 268,807	$ 15,636	$ 862,7

The following represents the disaggregated revenue by reportable segments for the six months ended June 26, 2021:

	Six Months Ended June 26, 2021				
(In thousands)	Vitamin Shoppe	Pet Supplies Plus †	American Freight	Buddy's	Consolidated
Retail sales	$ 597,213	$ 188,216	$ 478,534	$ 2,436	$ 1,266,399
Wholesale sales	—	123,186	—	—	123,186
Total product revenue	597,213	311,402	478,534	2,436	1,389,585
Royalties and other franchise based fees	82	8,473	972	8,566	18,093
Financing revenue	—	—	20,530	—	20,530
Interest income	—	84	585	—	669
Warranty and damage revenue	—	—	19,498	3,522	23,020
Other revenues	—	7,110	7,204	142	14,456
Total service revenue	82	15,667	48,789	12,230	76,768
Rental revenue, net	—	—	—	17,750	17,750
Total rental revenue	—	—	—	17,750	17,750
Total revenue	$ 597,295	$ 327,069	$ 527,323	$ 32,416	$ 1,484,103

† Reflects the results from the March 10, 2021 acquisition date.

Contract Balances

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of June 25, 2022 and December 25, 2021:

(In thousands)	June 25, 2022	December 25, 2021
Accounts Receivable	$ 162,329	$ 86,087
Notes receivable	11,634	13,864
Customer deposits	$ 25,561	$ 37,626
Gift cards and loyalty programs	8,028	7,604
Deferred franchise fee revenue	18,934	16,984
Other deferred revenue	10,061	8,400
Total deferred revenue	$ 62,584	$ 70,614

Deferred revenue consists of (1) amounts received for merchandise of which customers have not yet taken possession, (2) gift card or store credits outstanding, and (3) loyalty reward program credits which are primarily recognized within one year following the revenue deferral. Deferred franchise fee revenue is recognized over the term of the agreement, which is between five and twenty years. The amount of revenue recognized in the period that was included in the contract liability balance at the beginning of the period is immaterial to the condensed consolidated financial statements.

(7) Long-Term Obligations

For details regarding the Company's long-term debt obligations, refer to “Note 9. - Long-Term Obligations” in the Form 10-K.

Long-term obligations at June 25, 2022 and December 25, 2021 were as follows:

(In thousands)	June 25, 2022	December 25, 2021
Term loans, net of debt issuance costs		
First lien term loan, due March 10, 2026	$ 792,799	$ 790,057
Second lien term loan, due September 10, 2026	288,283	287,188
Badcock first lien term loan, due November 22, 2023	—	201,530
Badcock second lien term loan, due November 22, 2023	—	146,616
Total term loans, net of debt issuance costs	1,081,082	1,425,391
Revolving credit facilities	108,500	20,000
Debt securitized by accounts receivable, net of discount	398,683	407,502
Other long-term obligations	8,399	10,537
Finance lease liabilities	7,229	6,465
Total long-term obligations	1,603,893	1,869,895
Less current installments	322,363	486,170
Total long-term obligations, net	$ 1,281,530	$ 1,383,725

The Badcock First and Second Lien Term Loans were fully repaid in the six months ended June 25, 2022 with proceeds from the sale-leaseback transactions of the Company's Badcock segment's retail locations and distribution centers. Refer to "Note 3. - Divestitures" in this Quarterly Report for details of the sale-leaseback transactions.

Third Amended and Restated Loan and Security Agreement (ABL)

On June 3, 2022, the Company entered into the Second Amendment (the “ABL Amendment”) to the Third Amended and Restated Loan and Security Agreement (as amended, the “FRG ABL Revolver Agreement”). The ABL Amendment amends the FRG ABL Revolver Agreement to increase the commitments under the revolving credit facility (the "ABL

Revolver") to $250.0 million, change the reference rate from LIBOR to SOFR, amend certain negative covenants regarding investments for a time period specified therein, and limits the maximum principal amount of loans outstanding under the FRG ABL Revolver Agreement to $200.0 million for a time period specified therein.

As of June 25, 2022, there was $108.5 million drawn on the ABL Revolver. The ABL Revolver matures on March 10, 2025, and borrowings under the ABL Revolver will bear interest at a variable rate with a 0.0% floor. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter.

Pursuant to an intercreditor agreement, the Company is required to repay the excess amount of borrowings under the ABL Revolver if: (i) the aggregate outstanding principal amount of all borrowings by the Company under the ABL Revolver at any time exceeds the Aggregate Borrowing Cap specified therein, or (ii) the aggregate outstanding principal amount of all borrowings of certain of the Company's subsidiaries exceeds their respective borrowing caps.

The FRG ABL Revolver Agreement and Third Amended and Restated Pledge Agreement include customary affirmative and negative covenants that are binding on the Company, including the delivery of financial statements, borrowing base certificates and other reports. Certain of the negative covenants included therein limit the ability of the Company, among other things, to incur debt and liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. In addition, the FRG ABL Revolver Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.0% interest on the borrowings under the ABL Revolver.

Debt Related to the Securitization of Accounts Receivable

In December 2021, the Company's Badcock segment sold beneficial interests in the revolving lines of credit that it originated. The sales of the beneficial interests in the revolving lines of credit are accounted for as secured borrowings on our Condensed Consolidated Balance Sheets with both assets and non-recourse liabilities because the sales do not qualify as a sale under ASC 860 - *"Transfers and Servicing,"* even though the underlying receivables are deemed to be legally sold. The Company's Badcock segment may periodically repay portions of the securitized debt early. The income earned on the securitized revolving lines of credit is recorded as interest income in service and other revenues with a corresponding amount recorded in Interest expense, net on the Condensed Consolidated Statements of Operations.

Proceeds from secured borrowings issued in the securitization are accounted for as non-recourse notes payable. The Company's customers are responsible for repaying the debt from a secured borrowing, and the Company is not liable for the repayment of non-recourse loans unless representations or warranties in the loan agreements are breached. The lender assumes the credit risk and their only recourse, upon default by the customer, is against the customer.

Debt securitized by accounts receivable, net of $398.7 million includes $335.6 million of securitized debt and an accreted discount of $63.1 million. Current installments of debt securitized by accounts receivable, net of $315.6 million includes $265.6 million of securitized debt and an accreted discount of $50.0 million.

Compliance with Debt Covenants

The Company's revolving credit and long-term debt agreements impose restrictive covenants on it, including requirements to meet certain ratios. As of June 25, 2022, the Company was in compliance with all covenants under these agreements and, based on a continuation of current operating results, the Company expects to be in compliance for the remainder of fiscal 2022.

(8) Income Taxes

Overview

For the three months ended June 25, 2022 and June 26, 2021, the Company had an effective tax rate from continuing operations of 24.9% and 7.8%, respectively. For the six months ended June 25, 2022 and June 26, 2021, the Company had an effective tax rate from continuing operations of 24.5% and (2.0)%, respectively. The changes in the effective tax rate compared to the prior year are due to the reversal of a valuation allowance related to net operating loss carryforwards in the prior year.

Tax Receivable Agreement

On July 10, 2019, the Company entered into a tax receivable agreement with the then-existing non-controlling interest holders (the "Tax Receivable Agreement") that provides for the payment by the Company to the non-controlling interest holders of 40% of the cash savings, if any, in federal, state and local taxes that the Company realizes or is deemed to realize as a result of any increases in tax basis of the assets of Franchise Group New Holdco, LLC ("New Holdco") resulting from future redemptions or exchanges of New Holdco units.

Payments will be made when such Tax Receivable Agreement related deductions actually reduce the Company’s income tax liability. No payments were made to members of New Holdco pursuant to the Tax Receivable Agreement during the six months ended June 25, 2022. Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company has obtained an increase in its share of the tax basis in the net assets of New Holdco when the New Holdco units were redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. The Company has treated the redemptions and exchanges of New Holdco units by the non-controlling interest holders as direct purchases of New Holdco units for U.S. federal income tax purposes. This increase in tax basis will reduce the amounts that it would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

(9) Net Income (Loss) Per Share

Diluted net income (loss) per share is computed using the weighted-average number of common stock and, if dilutive, the potential common stock outstanding during the period. Potential common stock consists of the incremental common stock issuable upon the exercise of stock options and vesting of restricted stock units. The dilutive effect of outstanding stock options and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method. Additionally, the computation of the diluted net income (loss) per share of common stock assumed the conversion of Preferred Stock, if dilutive.

The following table sets forth the calculations of basic and diluted net income (loss) per share:

	Three Months Ended		Six Months Ended	
(In thousands, except for share and per share amounts)	**June 25, 2022**	**June 26, 2021**	**June 25, 2022**	**June 26, 2021**
Net income (loss) from continuing operations attributable to Franchise Group	$ 40,983	$ 32,521	$ 53,301	$ 4,186
Less: Preferred dividend declared	(2,129)	(2,128)	(4,257)	(4,257)
Adjusted net income (loss) from continuing operations available to Common Stockholders	38,854	30,393	49,044	(71)
Net income from discontinued operations attributable to Franchise Group	—	6,215	—	48,363
Adjusted net income (loss) available to Common Stockholders	$ 38,854	$ 36,608	$ 49,044	$ 48,292
Weighted-average common stock outstanding	40,356,299	40,175,058	40,331,855	40,142,571
Net dilutive effect of stock options and restricted stock	770,306	730,509	816,813	—
Weighted-average diluted shares outstanding	41,126,605	40,905,567	41,148,668	40,142,571
Basic net income (loss) per share:				
Continuing operations	$ 0.96	$ 0.76	$ 1.22	$ —
Discontinued operations	—	0.15	—	1.20
Basic net income per share	$ 0.96	$ 0.91	$ 1.22	$ 1.20
Diluted net income (loss) per share:				
Continuing operations	$ 0.94	$ 0.74	$ 1.19	$ —
Discontinued operations	—	0.15	—	1.20
Diluted net income per share	$ 0.94	$ 0.89	$ 1.19	$ 1.20

(10) Stock Compensation Plans

For a discussion of our stock-based compensation plans, refer to “Note 11. - Stock Compensation Plans” of the Form 10-K.

Restricted Stock Units

The Company has awarded service-based restricted stock units (the "RSUs") to its non-employee directors, officers and certain employees. The Company recognizes expense based on the estimated fair value of the RSUs granted over the vesting period on a straight-line basis. The fair value of RSUs is determined using the Company's closing stock price on the date of the grant. At June 25, 2022, unrecognized compensation costs related to the RSUs were $7.6 million. These costs are expected to be recognized through fiscal year 2024.

The following table summarizes the status of the RSUs as of and changes during the six months ended June 25, 2022:

	Number of RSUs	Weighted average fai value at grant date
Balance as of December 25, 2021	269,708	$ 27.
Granted	118,359	42.
Vested	(58,175)	41.
Canceled	—	
Balance as of June 25, 2022	329,892	$ 32.

Performance Restricted Stock Units

The Company has awarded performance restricted stock units (the "PRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the PRSUs granted over the vesting period on a straight-line basis. The fair value of PRSUs is determined using the Company's closing stock price on the date of the grant. At June 25, 2022, unrecognized compensation costs related to the PRSUs were $9.3 million. These costs are expected to be recognized through fiscal year 2024.

The following table summarizes the status of the PRSUs as of and changes during the six months ended June 25, 2022:

	Number of PRSUs	Weighted average fair value at grant date
Balance as of December 25, 2021	706,260	$ 19.90
Granted	101,366	42.41
Vested	—	—
Canceled	—	—
Balance as of June 25, 2022	807,626	$ 22.72

Market-Based Performance Restricted Stock Units

The Company has awarded market-based performance restricted stock units (the "MPRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the MPRSUs granted over the vesting period on a straight-line basis. The fair value of MPRSUs is determined using a Monte Carlo simulation valuation model to calculate grant date fair value. Compensation expense is recognized over the requisite service period using the proportionate amount of the award's fair value that has been earned through service to date. At June 25, 2022, unrecognized compensation costs related to the MPRSUs were $13.6 million. These costs are expected to be recognized through fiscal year 2024.

The following table summarizes the status of the MPRSUs as of and changes during the six months ended June 25, 2022:

	Number of MPRSUs	Weighted average fair value at grant date
Balance as of December 25, 2021	826,926	$ 20.13
Granted	70,000	39.67
Vested	—	—
Canceled	—	—
Balance as of June 25, 2022	896,926	$ 21.66

Stock Options

The Company has awarded stock options to its non-employee directors and officers. As of June 25, 2022 and June 26, 2021, there were 317,033 and 355,221 stock options outstanding, respectively. During the six months ended June 25, 2022, there were no stock options granted, 15,000 stock options exercised, and no stock options forfeited. The weighted-average exercise price of stock options outstanding was $9.92 per share as of June 25, 2022. All outstanding stock options will expire in fiscal years 2023 and 2024.

At June 25, 2022 and June 26, 2021, there were zero non-vested stock options outstanding. At June 25, 2022, there was no remaining unrecognized compensation cost related to vested or non-vested stock options.

The following table summarizes information about stock options outstanding and exercisable at June 25, 2022:

	Options Outstanding and Exercisable		
Range of exercise prices	Number	Weighted average exercise price	Weighted average remaining contractual life (in years)
$0.00 - $10.89	204,500	$ 8.80	1.0
$10.90 - $12.01	112,533	11.97	1.6
	317,033	$ 9.92	

Stock Compensation Expense

The Company recorded $10.9 million and $5.3 million in stock-based compensation expense during the six months ended June 25, 2022 and June 26, 2021, respectively.

Long-Term Incentive Plans

The Company has long-term incentive plans at various operating companies which are recorded as liabilities. Upon vesting, the awards granted under these plans may be settled in cash or shares of the Company's stock at the Company's discretion. The total aggregate liability for these plans as of June 25, 2022 is $3.8 million, recorded in "Accounts payable and accrued expenses" on the Condensed Consolidated Balance Sheets. During the six months ended June 25, 2022, total expense recognized related to these plans was $3.8 million.

Share Repurchases

On May 18, 2022, the Company's Board of Directors approved a stock repurchase program under which the Company may repurchase up to $500.0 million of its outstanding shares of common stock over the next three years. The repurchase program authorizes shares to be repurchased from time to time in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The actual timing, number and value of shares, if any, repurchased under the program will be determined by management in its discretion and will depend on a number of factors, including, among others, the availability of stock, general market and business conditions, the trading price of the Company’s common stock and applicable legal requirements. This plan supersedes previous share repurchase programs. During the six months ended June 25, 2022, the Company did not repurchase any shares of its common stock.

(11) Related Party Transactions

The Company considers any of its directors, executive officers or beneficial owners of more than 5% of our common stock, or any member of the immediate family of the foregoing persons, to be related parties.

Messrs. Kahn and Laurence

Brian Kahn and Vintage Capital Management, LLC and its affiliates ("Vintage"), in aggregate, held approximately 28% of the aggregate voting power of the Company through their ownership of common stock as of June 25, 2022. Brian Kahn and Andrew Laurence are principals of Vintage. Mr. Kahn is a member of the Board of Directors, President and Chief Executive Officer of the Company. Mr. Laurence is an Executive Vice President of the Company and served as a member of the Company's Board of Directors until the Company's annual meeting of stockholders in May 2021.

Buddy's Franchises. Mr. Kahn's brother-in-law owns eight Buddy's franchises. All transactions between the Company's Buddy's segment and Mr. Kahn's brother-in-law are conducted on a basis consistent with other franchisees.

Tax Receivable Agreement

The Company previously had a non-controlling interest in New Holdco as a result of its acquisition of Buddy's on July 10, 2019. On April 1, 2020, the Company redeemed all of the non-controlling interest units. On July 10, 2019, the Company entered into the Tax Receivable Agreement with the then-existing non-controlling interest holders, which comprised the former equity holders of Buddy's (the "Buddy's Members") that provides for the payment by the Company to the non-controlling interest holders of 40% of the amount of any tax benefits that the Company actually realizes as a result of increases in the tax basis of the net assets of New Holdco resulting from any redemptions or exchanges of New Holdco units. Amounts due under the Tax Receivable Agreement to the Buddy's Members as of June 25, 2022 and December 25, 2021 were $17.3 million, which are recorded in "Other non-current liabilities" in the accompanying Condensed Consolidated Balance Sheets. No payments were made to Buddy's Members pursuant to the Tax Receivable Agreement during the six months ended June 25, 2022.

(12) Commitments and Contingencies

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

The Company is party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations, financial position, or cash flows.

Guarantees

The Company remains secondarily liable under various real estate leases that were assigned to franchisees who acquired Vitamin Shoppe, Pet Supplies Plus, or Buddy's stores from the Company. In the event of the failure of an acquirer to pay lease payments, the Company could be obligated to pay the remaining lease payments which extend through 2033 and in aggregate are $26.1 million and $22.9 million as of June 25, 2022 and December 25, 2021, respectively.

The Company also remains secondarily liable under loan agreements entered into by certain franchisees who acquired Vitamin Shoppe, American Freight, or Buddy's stores from the Company. In the event of the failure of these franchisees to make the loan payments, the Company could be obligated to pay the default amounts. No amounts were outstanding under these agreements as of June 25, 2022.

If the Company is required to make payments under any of these guarantees, the Company could seek to recover those amounts from the franchisees or in some cases their affiliates. The Company believes that payment under any of these guarantees is remote as of June 25, 2022.

(13) Segments

The Company's operations are conducted in six reportable business segments: Vitamin Shoppe, Pet Supplies Plus, Badcock, American Freight, Buddy's, and Sylvan. The Company defines its segments as those operations which results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The results of operations of Pet Supplies Plus are included in the Company's results of operations beginning on March 11, 2021, the results of operations of Sylvan are included in the Company's results of operations beginning on September 27, 2021, and the results of operations of Badcock are included in the Company's results of operations beginning on November 22, 2021.

The Vitamin Shoppe segment is an omnichannel specialty retailer and wellness lifestyle company with the mission of providing customers with the most trusted products, guidance, and services to help them become their best selves, however they define it. The Vitamin Shoppe segment offers one of the largest varieties of products among vitamin, mineral and supplement retailers. The broad product offering enables the company to provide customers with a depth of selection of products that may not be readily available at other specialty retailers or mass merchants, such as discount stores, supermarkets, drug stores and wholesale clubs. The Vitamin Shoppe continues to focus on improving the customer experience through the roll-out of initiatives including increasing customer engagement and personalization, redesigning the omnichannel experience (including in stores as well as through the internet and mobile devices), growing private brands and improving the effectiveness of pricing and promotions. Vitamin Shoppe is headquartered in Secaucus, New Jersey.

The Pet Supplies Plus segment is a leading omnichannel retail chain and franchisor of pet supplies and services. Pet Supplies Plus has a diversified revenue model comprised of Company-owned store revenue, franchise royalties and revenue generated by the wholesale distribution of products to its franchisees. Pet Supplies Plus offers a curated selection of premium brands, proprietary private labels and specialty products with retail price parity with online players. Additionally, Pet Supplies Plus offers grooming, pet wash and other services in most of its locations. The Pet Supplies Plus segment operates under the "Pet Supplies Plus" brand and is headquartered in Livonia, Michigan.

The Badcock segment is a specialty retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format. Additionally, Badcock offers multiple and flexible payment solutions and credit options through its consumer financing services. The Badcock segment operates under the “Badcock Home Furniture & More" brand and is headquartered in Mulberry, Florida.

The American Freight segment is a retail chain offering in-store and online access to furniture, mattresses, new and out-of-box home appliances and home accessories at discount prices. American Freight buys direct from manufacturers and sells direct in warehouse-style stores. By cutting out the middleman and keeping its overhead costs low, American Freight can offer quality products at low prices. American Freight provides customers with multiple payment options providing access to high-quality products and brand name appliances that may otherwise remain aspirational to some of its customers.

American Freight also serves as a liquidation channel for major appliance vendors. American Freight operates specialty distribution centers that test every out-of-box appliance before it is offered for sale to customers. Customers typically are covered by the original manufacturer's warranty and are offered the opportunity to purchase a full suite of extended-service plans and services. The American Freight segment operates under the "American Freight" brand and is headquartered in Delaware, Ohio.

The Buddy's segment is a specialty retailer of high quality, name brand consumer electronic, residential furniture, appliances and household accessories through rent-to-own agreements. The rental transaction allows customers the opportunity to benefit from the use of high-quality products under flexible rental purchase agreements without long-term obligations. The Buddy's segment operates under the "Buddy's" brand and is headquartered in Orlando, Florida.

The Sylvan segment is an established and growing franchisor of supplemental education for Pre-K-12 students and families. Sylvan addresses the full range of student needs with a broad variety of academic curriculums delivered in an omnichannel format. The Sylvan platform provides franchisees with the ability to provide a range of services, including on premises, virtually, at a satellite location, and in the home. Sylvan is headquartered in Hunt Valley, Maryland.

Refer to "Note 6. Revenue" for total revenues by segment. Operating income (loss) by segment were as follows:

(In thousands)	Three Months Ended June 25, 2022	Three Months Ended June 26, 2021	Six Months Ended June 25, 2022	Six Months Ended June 26, 2021
Income (loss) from operations:				
Vitamin Shoppe	$ 31,017	$ 29,763	$ 66,371	$ 63,037
Pet Supplies Plus	18,654	10,578	35,675	6,409
Badcock	30,903	—	101,134	—
American Freight	5,029	21,956	16,242	47,086
Buddy's	3,561	3,367	7,626	7,640
Sylvan	1,633	—	2,581	—
Total Segments	90,797	65,664	229,629	124,172
Corporate	(13,691)	(7,508)	(22,157)	(13,041)
Consolidated income (loss) from operations	$ 77,106	$ 58,156	$ 207,472	$ 111,131

Total assets by segment were as follows:

(In thousands)	June 25, 2022	December 25, 2021
Total assets:		
Vitamin Shoppe	$ 641,885	$ 596,964
Pet Supplies Plus	967,913	957,849
Badcock	880,116	1,062,310
American Freight	984,055	959,282
Buddy's	141,017	146,033
Sylvan	102,232	103,850
Total Segments	3,717,218	3,826,288
Corporate	97,783	86,883
Consolidated total assets	$ 3,815,001	$ 3,913,171

(14) Subsequent Events

On August 2, 2022, the Company's Board of Directors declared quarterly dividends of $0.625 per share of common stock and $0.46875 per share of Series A Preferred Stock. The dividends will be paid in cash on or about October 14, 2022 to holders of record of the Company's common stock and Series A Preferred Stock on the close of business on September 30, 2022.

On August 2, 2022, Badcock completed the sale of its headquarters for gross proceeds of $23.5 million, pursuant to the terms of that certain Amended and Restated Purchase and Sale Agreement, dated April 26, 2022 and amended as of May 25, 2022, which was described in the Company's Current Report on Form 8-K filed with the SEC on May 25, 2022. The Company anticipates using the net proceeds from the sale to repay a portion of its existing term loan debt. Additionally and concurrent with the closing of the sale, Badcock also entered into a master lease agreement with respect to the headquarters to lease back the properties from the purchaser for which the Company has provided a guaranty.

(15) Restatement of Previously Issued Financial Statements

In the course of preparing its interim financial statements for its fiscal quarter ended September 24, 2022, the Company determined that an amendment to its Quarterly Report on Form 10-Q for its fiscal quarter ended June 25, 2022 was required to correct the previously reported condensed consolidated statements of cash flows. The Company identified misclassifications of interest payments related to the Company's Badcock segment's secured borrowing in "Cash used in financing activities" instead of "Cash provided by operating activities" in the Company's condensed consolidated statements of cash flows. The misclassifications in the Original Report resulted in a $100.9 million overstatement of "Cash provided by operating activities" and a corresponding overstatement of "Cash used in financing activities." The net impact of the misclassifications has no impact on the condensed consolidated balance sheet, the condensed consolidated statement of operations or the operations of the Company.

Impact of Corrections on Previously Issued Consolidated Financial Statements

The following table summarizes the effects of the restatement adjustments on the condensed consolidated statements of cash flows for the six months ended June 25, 2022:

	Six Months Ended June 25, 2022		
(in thousands)	**As Reported**	**Adjustments**	**As Restated**
Amortization of securitized debt discount	128,208	(68,590)	59,618
Changes in operating assets and liabilities	(206,572)	(32,331)	(238,903)
Net cash provided by (used in) operating activities	49,688	(100,921)	(51,233)
Repayment of long-term debt and other obligations	(625,746)	100,921	(524,825)
Net cash provided by (used in) financing activities	(463,359)	100,921	(362,438)

ITEM 2

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements concerning our business, operations, and financial performance and condition as well as our plans, objectives, and expectations for our business operations and financial performance and condition. Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim," "anticipate," "assume," "believe," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and our management's beliefs and assumptions. They are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Additionally, other factors may cause actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements. Factors that may cause such differences include, but are not limited to, the risks described under "Item 1A-Risk Factors," including:

- the uncertainty of the future impact of the COVID-19 pandemic and public health measures on our business and results of operations;
- the effect of steps we take in response to the COVID-19 pandemic, the severity and duration of the pandemic, new variants of COVID-19 that have emerged, and the speed and efficacy of vaccine and treatment developments, the pace of recovery when the pandemic subsides and the heightened impact it has on many of the risks described herein and in our other filings with the SEC;
- potential regulatory actions relating to the COVID-19 pandemic and the related government mitigation efforts on our business and our financial results;
- the risk that natural disasters, public health crises, political uprisings, uncertainty or unrest, or other catastrophic events could adversely affect our operations and financial results, including the impact of the COVID-19 pandemic on manufacturing operations and our supply chain, customer traffic and our operations in general;
- the possibility that any of the anticipated benefits of our acquisitions or dispositions will not be realized or will not be realized within the expected time period, our businesses and our acquisitions may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, or revenues following our acquisitions may be lower than expected or we are unable to sell non-core assets;
- our ability to identify and consummate attractive acquisitions on favorable terms;
- our inability to grow on a sustainable basis;
- changes in operating costs, including employee compensation and benefits;
- higher inflation rates, which may result in reduced customer traffic or impact discretionary consumer spending;
- the seasonality of the products and services we provide in certain of our business segments;
- departures of key executives, senior management members or directors;
- our ability to attract additional talent to our teams;
- our ability to maintain an active trading market for our common stock on The Nasdaq Global Market (“Nasdaq”);
- the effect of regulation of the products and services that we offer, including changes in laws and regulations and the costs and administrative burdens associated with complying with such laws and regulations;

- our ability to develop and maintain relationships with our third-party product and service providers;
- our ability to offer merchandise and services that our customers demand;
- our ability to successfully manage our inventory levels and implement initiatives to improve inventory management and other capabilities;
- competitive conditions in the retail industry and consumer services markets;
- the performance of our products within the prevailing industry;
- worldwide economic conditions and business uncertainty, the availability of consumer and commercial credit, change in consumer confidence, tastes, preferences and spending, and changes in vendor relationships;
- disruption of manufacturing, warehouse or distribution facilities or information systems;
- the continued reduction of our competitors promotional pricing on new-in-box appliances, potentially adversely impacting our sales of out-of-box appliances and associated margin;
- any potential non-compliance, fraud or other misconduct by our franchisees, dealers, or employees;
- our ability and the ability of our franchisees and dealers to comply with legal and regulatory requirements;
- failures by our franchisees, the franchisees' employees, and our dealers to comply with their contractual obligations to us and with laws and regulations, to the extent these failures affect our reputation or subject us to legal risk;
- the ability of our franchisees and dealers to open new territories and operate them successfully;
- the availability of suitable store locations at appropriate lease terms;
- the ability of our franchisees and dealers to generate sufficient revenue to repay their indebtedness to us;
- our ability to manage Company-owned stores;
- our exposure to litigation and any governmental investigations;
- our ability and our franchisees' and dealers' ability to protect customers' personal information, including from a cyber-security incident;
- the impact of identity-theft concerns on customer attitudes toward our services;
- our ability to access the credit markets and satisfy our covenants to lenders;
- our operating subsidiary's potential repurchase of certain finance receivables if certain representations and warranties about the quality and nature of such receivables are breached, which may negatively impact our results of operations, financial condition, and liquidity;
- a decline in the credit quality of our customers, a decrease in our credit sales, or other factors outside of our control, which could lead to a decrease in our product sales and profitability;
- our reliance on technology systems and electronic communications; and
- other factors, including the risk factors discussed in this Quarterly Report.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this quarterly report. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. A potential investor or other vendor should, however, review the factors and risks we describe in the reports we will file from time to time with the U.S. Securities and Exchange Commission ("SEC") after the date of this quarterly report.

Restatement

As stated in Note 15 "Restatement of Previously Issued Financial Statements" to our Condensed Consolidated Financial Statements, we have amended and restated our Condensed Consolidated Statements of Cash Flows for the six months ended June 25, 2022 and this Management's Discussion and Analysis has been revised to account for the effects of the restatement.

Overview

We are an owner and operator of franchised and franchisable businesses that continually looks to grow our portfolio of brands while utilizing our operating and capital allocation philosophies to generate strong cash flows. We have a diversified and growing portfolio of highly recognized brands. Our asset-light business model is designed to generate consistent, recurring revenue and strong operating margins and requires limited maintenance capital expenditures. As a multi-brand operator, we continually look to diversify and grow our portfolio of brands either through acquisition or organic brand development. Our acquisition strategy typically targets businesses that are highly cash flow generative with compelling unit economics that can be scaled by adding franchise and company owned units, or that can be restructured to enhance performance and value to Franchise Group. We strive to create value for our stockholders by generating free cash flow and capital-efficient growth across economic cycles.

Our business lines include The Vitamin Shoppe ("Vitamin Shoppe"), Pet Supplies Plus, Badcock Home Furniture & More ("Badcock"), American Freight, Buddy's Home Furnishings ("Buddy's"), and Sylvan Learning ("Sylvan"). Refer to "Note 13. Segments" for additional information.

Our revenue is primarily derived from merchandise sales, lease revenue, financing revenues, royalties and other required fees from our franchisees.

In evaluating our performance, management focuses on Adjusted EBITDA as a measure of the cash flow from recurring operations from the businesses. Adjusted EBITDA represents net income (loss), before income taxes, interest expense, depreciation and amortization, and certain other items.

Impact of COVID-19

As of the date of this Quarterly Report, we have not experienced a significant negative impact on our sales and profitability due to the COVID-19 pandemic. However, the COVID-19 pandemic could negatively impact our business and financial results by weakening demand for our products and services, interfering with our ability and our franchisees' ability to operate store locations, disrupting our supply chain or affecting our ability to raise capital from financial institutions. As events are rapidly changing, we are unable to accurately predict the impact that the COVID-19 pandemic will have on our results of operations due to uncertainties including, but not limited to, the curtailing of government stimulus programs, the duration of shutdowns, quarantines and travel restrictions, the severity of the disease, the duration of the outbreak and the public's response to the outbreak; however, we are actively managing our business to respond to the impact.

Results of Operations

The table below shows results of operations for the three and six months ended June 25, 2022 and June 26, 2021.

	Three Months Ended				Six Months Ended			
			Change				Change	
(In thousands)	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Total revenues	$ 1,094,998	$ 862,758	$ 232,240	26.9 %	$ 2,230,467	$ 1,484,103	$ 746,364	50.3 %
Income from operations	77,106	58,156	18,950	32.6 %	207,472	111,131	96,341	86.7 %
Net income	$ 40,983	$ 32,521	$ 8,462	26.0 %	$ 53,301	$ 4,186	$ 49,115	1,173.3 %

Revenues. The table below sets forth the components and changes in our revenues for the three and six months ended June 25, 2022 and June 26, 2021.

	Three Months Ended				Six Months Ended			
			Change				Change	
(In thousands)	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Product	$ 952,009	$ 805,768	$ 146,241	18.1 %	$ 1,931,173	$ 1,389,585	$ 541,588	39.0 %
Service and other	135,648	48,193	87,455	181.5 %	283,929	76,768	207,161	269.9 %
Rental	7,341	8,797	(1,456)	(16.6)%	15,365	17,750	(2,385)	(13.4)%
Total revenue	$ 1,094,998	$ 862,758	$ 232,240	26.9 %	$ 2,230,467	$ 1,484,103	$ 746,364	50.3 %

For the three months ended June 25, 2022, total revenues increased $232.2 million, or 27%, to $1,095.0 million compared to $862.8 million in the same period last year. This increase was primarily due to the Badcock Acquisition, which increased revenue by $233.3 million, and a $27.0 million increase in revenue at our Pet Supplies Plus segment. These increases were offset by a $42.4 million decrease in revenue at our American Freight segment.

For the six months ended June 25, 2022, total revenues increased $746.4 million, or 50%, to $2,230.5 million compared to $1,484.1 million in the same period last year. This increase was primarily due to the Badcock Acquisition, which increased revenue by $489.6 million and the Sylvan Acquisition, which increased revenue by $21.6 million. The increase was also due to improved comparable store sales and inclusion of full period results from Pet Supplies Plus in the current period, which increased revenue by $276.9 million, and a $20.6 million increase in revenue at our Vitamin Shoppe segment. These increases were offset by a $59.5 million decrease in revenue at our American Freight segment.

Operating expenses. The following table details the amounts and changes in our operating expenses for the three and six months ended June 25, 2022 and June 26, 2021.

	Three Months Ended				Six Months Ended			
			Change				Change	
(In thousands)	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Cost of revenue:								
Product	$ 600,780	$ 522,576	$ 78,204	15.0 %	$ 1,217,364	$ 861,991	$ 355,373	41.2 %
Service and other	8,732	934	7,798	834.9 %	17,395	1,339	16,056	1,199.1 %
Rental	2,741	2,935	(194)	(6.6)%	5,603	5,940	(337)	(5.7)%
Total cost of revenue	612,253	526,445	85,808	16.3 %	1,240,362	869,270	371,092	42.7 %
Selling, general, and administrative expenses	405,639	278,157	127,482	45.8 %	782,633	503,702	278,931	55.4 %
Total operating expenses	$ 1,017,892	$ 804,602	$ 213,290	26.5 %	$ 2,022,995	$ 1,372,972	$ 650,023	47.3 %

For the three months ended June 25, 2022, total operating expenses were $1,017.9 million compared to $804.6 million in the same period last year, representing an increase of $213.3 million, or 26.5%. This increase was primarily due to the Badcock Acquisition, which increased operating expenses by $202.4 million, and an $18.9 million increase in operating expenses at our Pet Supplies Plus Segment. These increases were offset by a $25.5 million decrease in operating expenses at our American Freight segment.

For the six months ended June 25, 2022, total operating expenses were $2,023.0 million compared to $1,373.0 million in the same period last year, representing an increase of $650.0 million, or 47.3%. This increase was primarily due to the Badcock Acquisition, which increased operating expenses by $388.4 million, and also due to the corresponding increased sales and inclusion of full period results from Pet Supplies Plus in the current period, which increased operating expenses by $247.6 million. These increases were offset by a $28.6 million decrease in operating expenses at our American Freight segment.

Non-operating income (expense) decreased $0.3 million for the three months ended June 25, 2022 and increased $29.9 million for the six months ended June 25, 2022 due to the following:

Bargain purchase gain. Bargain purchase gain increased $3.6 million and $3.5 million, respectively, for the three and six months ended June 25, 2022 compared to the same periods last year due to adjustments made to the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed in the Badcock Acquisition.

Gain on sale-leaseback transactions. In the six months ended June 25, 2022, the Company's Badcock segment sold a number of its retail locations and distribution centers, resulting in a net gain of $49.9 million on sale-leaseback transactions.

Other. Other expense decreased $12.9 million and $27.6 million, respectively, for the three and six months ended June 25, 2022 compared to the same periods last year primarily due to a prepayment penalty in the prior period of $36.7 million from the repayment of the Franchise Group New Holdco Term Loan and ABL Term Loan, partially offset by a $10.9 million loss related to our investment in NextPoint in the six months ended June 25, 2022.

Interest expense, net. Interest expense, net increased $66.0 million and $110.9 million, respectively, for the three and six months ended June 25, 2022, due to $128.2 million of interest expense related to the Badcock securitized receivables and $3.6 million in additional interest expense on the First and Second Lien Badcock Term Loans, offset by the write-off of $2.1 million of deferred financing costs from the $31.0 million and $175.0 million principal payments and termination of the First Lien Badcock Term Loan, and the write-off of $3.5 million of deferred financing costs from the $150.0 million principal payment and termination of the Second Lien Badcock Term Loan.

Income tax benefit. Our effective tax rate from continuing operations, including discrete income tax items, was 24.5% and (2.0)% for the six months ended June 25, 2022 and June 26, 2021, respectively. The change in the effective tax rate compared to the prior year is due to the reversal of a valuation allowance related to net operating loss carryforwards in the prior year.

Segment Information

We, through our franchisees and Company-owned stores, operate a system of point of sale retail and rent-to-own locations. Our operations are conducted in six reporting business segments: Vitamin Shoppe, Badcock, Pet Supplies Plus, American Freight, Buddy's, and Sylvan. Refer to "Note 13. Segments" for additional information. Because the Sylvan and Badcock Acquisitions occurred on September 27, 2021 and November 22, 2021, respectively; no comparable information is available. Therefore, Sylvan and Badcock information is not provided in this discussion.

The following table summarizes the operating results of our Vitamin Shoppe segment:

	Three Months Ended				**Six Months Ended**			
			Change				**Change**	
(In thousands)	**June 25, 2022**	**June 26, 2021**	**$**	**%**	**June 25, 2022**	**June 26, 2021**	**$**	**%**
Total revenues	$ 306,897	$ 302,555	$ 4,342	1.4 %	$ 617,851	$ 597,295	$ 20,556	3.4 %
Operating expenses	275,880	272,792	3,088	1.1 %	551,480	534,258	17,222	3.2 %
Segment income	$ 31,017	$ 29,763	$ 1,254	4.2 %	$ 66,371	$ 63,037	$ 3,334	5.3 %

Total revenue for the three and six months ended June 25, 2022 for our Vitamin Shoppe segment increased $4.3 million, or 1.4%, and $20.6 million, or 3.4%, compared to the same periods in the prior year, respectively. The increases in revenue were driven primarily by higher average transaction value and price increases due to higher vendor costs.

Operating expenses for our Vitamin Shoppe segment increased $3.1 million, or 1.1%, for the three months ended June 25, 2022 as compared to the same period in the prior year, primarily due to a corresponding increase in revenue.

Operating expenses for our Vitamin Shoppe segment increased $17.2 million, or 3.2%, for the six months ended June 25, 2022 as compared to the same period in the prior year. The increase in operating expense was primarily due to a $16.5 million increase in cost of revenue due to a corresponding increase in revenue, increased transportation costs, and an increase in employee compensation and benefits.

The following table summarizes the operating results of the American Freight segment:

(In thousands)	Three Months Ended				Six Months Ended			
			Change				Change	
	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Total revenues	$ 226,428	$ 268,807	$ (42,379)	(15.8)%	$ 467,843	$ 527,323	$ (59,480)	(11.3)%
Operating expenses	221,399	246,851	(25,452)	(10.3)%	451,601	480,237	(28,636)	(6.0)%
Segment income	5,029	21,956	(16,927)	(77.1)%	16,242	47,086	(30,844)	(65.5)%

Total revenue for our American Freight segment decreased $42.4 million, or (15.8)%, for the three months ended June 25, 2022 as compared to the same period last year. The decrease was attributable to lower demand for furniture, mattresses, and appliances driven by the inflationary environment which resulted in reduced customer traffic.

Total revenue for our American Freight segment decreased $59.5 million, or (11.3)%, for the six months ended June 25, 2022 as compared to the same period last year. The decrease was attributable to lower demand for furniture, mattresses, and appliances driven by government stimulus programs in the prior year period and the inflationary environment which resulted in reduced customer traffic.

Operating expenses for our American Freight segment decreased $25.5 million, or (10.3)%, for the three months ended June 25, 2022 as compared to the same period in the prior year. The decrease in operating expense was primarily due to the following:

- a $16.0 million decrease in cost of revenue due to a corresponding decrease in revenue; and
- a $5.1 million decrease in other selling, general, and administrative expenses mainly driven by increased legal fees in the prior year period.

Operating expenses for our American Freight segment decreased $28.6 million, or (6.0)%, for the six months ended June 25, 2022 as compared to the same period in the prior year. The decrease in operating expense was primarily due to the following:

- a $15.4 million decrease in cost of revenue due to a corresponding decrease in revenue; and
- a $6.3 million decrease in commission based compensation.

The following table summarizes the operating results of the Buddy's segment:

(In thousands)	Three Months Ended				Six Months Ended			
			Change				Change	
	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Total revenues	$ 14,129	$ 15,636	$ (1,507)	(9.6)%	$ 29,713	$ 32,416	$ (2,703)	(8.3)%
Operating expenses	10,568	12,269	(1,701)	(13.9)%	22,087	24,776	(2,689)	(10.9)%
Segment income	3,561	3,367	194	5.8 %	7,626	7,640	(14)	(0.2)%

Total revenue for our Buddy's segment decreased $1.5 million, or (9.6)%, and $2.7 million, or (8.3)%, for the three and six months ended June 25, 2022, respectively as compared to the same periods last year. The decreases in revenue were primarily attributable to the refranchising of eight Company-owned stores on August 25, 2021.

Operating expenses for our Buddy's segment decreased $1.7 million, or (13.9)%, and $2.7 million, or (10.9)%, for the three and six months ended June 25, 2022, respectively as compared to the same periods last year primarily due to the refranchising of eight Company-owned stores on August 21, 2021.

The following table summarizes the operating results of the Pet Supplies Plus segment:

(In thousands)	Three Months Ended				Six Months Ended			
			Change				Change	
	June 25, 2022	June 26, 2021	$	%	June 25, 2022	June 26, 2021	$	%
Total revenues	$ 302,733	$ 275,760	$ 26,973	9.8 %	$ 603,946	$ 327,069	$ 276,877	84.7
Operating expenses	284,079	265,182	18,897	7.1 %	568,271	320,660	247,611	77.2
Segment income	18,654	10,578	8,076	76.3 %	35,675	6,409	29,266	456.6

Total revenue for our Pet Supplies Plus segment increased $27.0 million, or 9.8%, for the three months ended June 25, 2022 as compared to the same period last year. The increase was attributable to an increase in comparable same store sales at Company-owned and franchise locations and the addition of 56 stores in the current year period which resulted in an increase in wholesale revenue and in royalties and other franchise based fees.

Total revenue for our Pet Supplies Plus segment increased $276.9 million, or 84.7%, for the six months ended June 25, 2022 as compared to the same period last year primarily due to the Pet Supplies Plus Acquisition occurring on March 10, 2021, resulting in the prior period not including a full six months' results.

Operating expenses for our Pet Supplies Plus segment increased $18.9 million, or 7.1%, for the three months ended June 25, 2022 as compared to the same period last year primarily due to a $13.5 million increase in costs driven by an increase in sales across the segment.

Operating expenses for our Pet Supplies Plus segment increased $247.6 million, or 77.2%, for the six months ended June 25, 2022 as compared to the same period last year. Because the Pet Supplies Plus Acquisition occurred on March 10, 2021, the prior period does not include a full six months' results.

Adjusted EBITDA

To provide additional information regarding our financial results, we have disclosed Adjusted EBITDA in the table below and within this Quarterly Report. Adjusted EBITDA represents net income (loss), before income taxes, interest expense, depreciation and amortization, and certain other items specified below. Additionally, acquisition costs include adjusting for costs of potential acquisitions and final costs of completed acquisitions. We have provided a reconciliation below of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this Quarterly Report because we believe the presentation of this measure is useful to investors as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period because it excludes items that we do not believe are reflective of our core or ongoing operating results. In the Adjusted EBITDA table below, we have removed all revenues and expenses related to our Badcock segment's in-house financing operations. This includes all amounts related to accounts receivables and securitized receivables. We believe this provides investors a more accurate representation of ongoing operations as we intend to cease in-house financing operations within a year. This measure is used by our management to evaluate performance and make resource allocation decisions each period. Adjusted EBITDA is also the primary operating metric used in the determination of executive management's compensation. In addition, a measure similar to Adjusted EBITDA is used in our credit facilities. Adjusted EBITDA is not a recognized financial measure under GAAP and may not be comparable to similarly-titled measures used by other companies in our industry. Adjusted EBITDA should not be considered in isolation from or as an alternative to net income (loss), operating income (loss), or any other performance measures derived in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA for each of the periods indicated.

	Reconciliation of Net Income to Adjusted EBITDA			
	Three Months Ended		Six Months Ended	
(In thousands)	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Net income from continuing operations	$ 40,983	$ 32,521	$ 53,301	$ 4,186
Add back:				
Interest expense	88,839	22,865	181,167	70,300
Income tax expense (benefit)	13,572	2,770	17,250	(81)
Depreciation and amortization charges	19,554	17,115	41,588	28,572
Total Adjustments	121,965	42,750	240,005	98,791
EBITDA	162,948	75,271	293,306	102,977
Adjustments to EBITDA				
Executive severance and related costs	161	323	256	833
Stock-based and long term executive compensation	8,041	2,825	14,667	5,260
Litigation costs and settlements	(269)	(86)	(39)	3
Corporate compliance costs	—	—	51	779
Store closures	153	—	1,086	222
W.S. Badcock financing operations	(6,928)	—	(57,799)	—
Prepayment penalty on early debt repayment	—	—	—	36,726
Right-of-use asset impairment	273	—	648	—
Integration costs	64	4,694	528	7,817
Gain on sale-leaseback and owned properties, net	(49,854)	—	(52,127)	—
Divestiture costs	493	2,318	2,429	2,660
Acquisition costs	4,776	6,419	5,403	13,649
Gain on investment in equity securities	(12,859)	—	10,864	—
Acquisition bargain purchase gain	(3,581)	—	(3,514)	—
Total Adjustments to EBITDA	(59,530)	16,493	(77,547)	67,949
Adjusted EBITDA	$ 103,418	$ 91,764	$ 215,759	$ 170,926

Liquidity and Capital Resources

We believe that we have sufficient liquidity to support our ongoing operations and maintain a sufficient liquidity position to meet our obligations and commitments for the next twelve months. Our liquidity plans are established as part of our financial and strategic planning processes and consider the liquidity necessary to fund our operating, capital expenditure and debt service needs.

We primarily fund our operations and acquisitions through operating cash flows and, as needed, a combination of borrowings under various credit agreements, availability under our revolving credit facilities and the issuance of equity securities. Cash generation can be subject to variability based on many factors, including seasonality and the effects of changes in end markets.

As of June 25, 2022, we have current installments of long-term obligations of $322.4 million, of which $315.6 million is debt related to the securitization of accounts receivable, $4.3 million in current term loans net of debt issuance costs, and $2.4 million from finance leases. We expect these obligations can be serviced from our cash and cash equivalents, which were $95.0 million as of June 25, 2022, the proceeds from our Badcock segment's sale-leaseback transactions, and the collection of our Badcock segment's receivables subject to securitization.

During the six months ended June 25, 2022, we executed three substantial transactions that will affect our liquidity and capital resources in future periods. For more details please refer to "Note 7. Long-Term Obligations":

- On December 27, 2021, we repaid $31.0 million and $150.0 million of principal on our First Lien Badcock Term Loan and Second Lien Badcock Term Loan, respectively, using cash proceeds from the Receivables Purchase Agreement.

On June 22, 2022, we repaid the full outstanding balance of principal in the amount of $175.0 million under our First Lien Badcock Term Loan using cash proceeds from the sale of certain parcels of land on which the Badcock segment operates its distribution centers and its headquarters, which resulted in additional interest expense of $2.1 million for the write-off of deferred financing costs. Additionally, we repaid the full outstanding balance of principal under our Second Lien Badcock Term Loan, which resulted in additional interest expense of $3.5 million for the write-off of deferred financing costs.

- In the six months ended June 25, 2022, we drew $88.5 million on the senior secured revolving loan facility. The obligations of the Company under the Third Amended and Restated Loan and Security Agreement are secured by substantially all of the assets of the Company pursuant to the ABL Agreement and a Third Amended and Restated Pledge Agreement.

- On June 3, 2022, we entered into the ABL Amendment to the FRG ABL Revolver Agreement. The ABL Amendment amends the FRG ABL Revolver Agreement to, among other things, increase the commitments under the ABL Revolver to $250.0 million, change the reference rate from LIBOR to SOFR, amend certain negative covenants regarding investments for a time period specified therein, and limit the maximum principal amount of loans outstanding under the FRG ABL Revolver Agreement to $200.0 million for a time period specified therein.

Sources and uses of cash

Operating activities. In the six months ended June 25, 2022, net cash from operating activities decreased $156.9 million compared to the same period in the prior year primarily due to a $75.3 million increase in cash used for inventory, a $70.3 million increase in accounts receivable and a $23.6 million decrease in accounts payable and accrued expenses. This was partially offset by a $26.7 million increase in cash income from operations. Cash net income represents net income adjusted for non-cash or non-operating activities such as gain on bargain purchases, gains on the sale of Company assets, depreciation and amortization, deferred financing cost amortization and the change in fair value of investment.

Investing activities. In the six months ended June 25, 2022, cash used in investing activities decreased $698.2 million compared to the same period in the prior year. This decrease was primarily due to a reduction of $459.1 million in cash used for acquisitions and a $240.3 million increase of proceeds received from the sale of property, plant, and equipment. These were offset by a net $4.4 million decrease in issuance of operating loans and payments received from franchisees.

Financing activities. In the six months ended June 25, 2022, cash provided by financing activities decreased $772.0 million compared to the same period in the prior year. This decrease was due to a $1,087.7 million decrease in proceeds from the issuance of debt, a $79.5 million decrease in proceeds from the issuance of preferred stock and an increase of $21.9 million for dividends paid. The decrease of cash provided by financing activities was partially offset by a $331.6 million decrease in repayments of long-term obligations and an $87.1 million decrease in payments for debt issuance costs.

Long-term debt borrowings

For a description of our long-term debt borrowing refer to "Note 7. Long-Term Obligations”.

Other factors affecting our liquidity

Tax Receivable Agreement. We may be required to make payments under the Tax Receivable Agreement ("TRA Payments") to the former equity holders of Buddy's (the "Buddy’s Members"). Under the terms of the Tax Receivable Agreement, we agreed to pay the Buddy's Members 40% of the cash savings, if any, in federal, state and local taxes that we realize or are deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units held by the Buddy's Members. Any future obligations and the timing of such payments under the Tax Receivable Agreement, however, are subject to several factors, including (i) the timing of subsequent exchanges of New Holdco units by the Buddy’s Members, (ii) the price of our common stock at the time of exchange, (iii) the extent to which such exchanges are taxable, (iv) the ability to generate sufficient future taxable income over the term of the Tax Receivable Agreement to realize the tax benefits and (v) any future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then we would not be required to make the related TRA Payments. Although the amount of the TRA Payments would reduce the total cash flow to us and New Holdco, we expect the cash tax savings we will realize from the utilization of the related tax benefits would be sufficient to fund the required payments. As of June 25, 2022, we have TRA Payments due to the Buddy's Members of $17.3 million.

Dividends. On August 2, 2022, our Board of Directors approved quarterly cash dividends to common stockholders of $0.625 per share and preferred stockholders of $0.46875 per share. The cash dividends will be paid on or about October 14, 2022 to holders of record of the Company's common stock and preferred stock on the close of business on September 30, 2022. The payment of dividends is at the discretion of our Board of Directors and depends, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends is also subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur or issuances of our preferred stock. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. We cannot provide an assurance that we will pay dividends at any specific level or at all.

Future cash needs and capital requirements

Operating and financing cash flow needs. Our primary cash needs are expected to include the payment of scheduled debt and interest payments, capital expenditures and normal operating activities. We believe that the revolving credit facilities along with cash from operating activities, will be sufficient to support our cash flow needs for at least the next twelve months.

Several factors could affect our cash flow in future periods, including the following:

- The extent to which we extend additional operating financing to our franchisees beyond the levels of prior periods;
- The extent and timing of capital expenditures;
- The extent and timing of future acquisitions;
- Our ability to integrate our acquisitions and implement business and cost savings initiatives to improve profitability; and
- The extent, if any, to which our Board of Directors elects to continue to declare dividends on our common stock.

Compliance with debt covenants. Our revolving credit and long-term debt agreements impose restrictive covenants on us, including requirements to meet certain ratios. As of June 25, 2022, we were in compliance with all covenants under these agreements and, based on a continuation of current operating results, we expect to be in compliance for the remainder of fiscal 2022.

Off Balance Sheet Arrangements

For off balance sheet arrangements and guarantees to which the Company remains secondarily reliable, refer to "Note 12. Commitments and Contingencies".

ITEM 4
CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 25, 2022. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 25, 2022 because of the material weakness in the Company's internal control over financial reporting described below.

In the course of preparing its interim financial statements for its fiscal quarter ended September 24, 2022, the Company identified a material weakness in its internal controls over financial reporting involving the preparation of its Statement of Cash Flows. As a result of this deficiency, there was a misclassification of cash flows associated with interest payments on the Company’s Badcock segment's secured borrowing resulting in an overstatement of cash flows provided by operating activities of $100.9 million and an overstatement of cash used in financing activities of $100.9 million in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2022. Management, with oversight from the Company's Audit Committee, is actively working on a remediation plan and is committed to the remediation of the material weakness as expeditiously as possible. Once placed in operation for a sufficient period, the Company will subject the remediated controls to appropriate tests in order to determine whether they are operating effectively.

Notwithstanding the identified material weakness, management believes that the Condensed Consolidated Financial Statements and related financial information included in this Amended Report fairly present, in all material respects, the Company's balance sheets, statements of operations, comprehensive income (loss) and cash flows as of and for the periods presented.

On September 27, 2021 and November 22, 2021, the Company acquired Sylvan and Badcock, respectively. The Company is in the process of implementing its internal control structure over each of the acquired business's operations and expects that process to be completed in the fourth quarter of fiscal year 2022.

PART II. OTHER INFORMATION

ITEM 6
EXHIBITS

We have filed the following exhibits as part of this Quarterly Report:

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
2.1	Agreement of Merger and Business Combination Agreement dated as of July 10, 2019, among Liberty Tax, Inc., Buddy's Newco, LLC, Franchise Group New Holdco, LLC, Franchise Group B Merger Sub, LLC, and Vintage RTO, L.P. (Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on July 11, 2019).*		X
2.2	Membership Interest Purchase Agreement, by and between NextPoint Acquisition Corp. and Franchise Group Intermediate L, LLC, dated as of February 21, 2021 (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed February 22, 2021).*		X
2.2.1	Amendment No. 1, dated as of April 13, 2021 to Membership Interest Purchase Agreement, by and between NextPoint Acquisition Corp. and Franchise Group Intermediate L, LLC, dated as of February 21, 2021 (incorporated by reference to Exhibit 2.6.1 to Form 10-Q, File No. 001-35588 filed August 3, 2021).		X
2.2.2	Amendment No. 2, dated as of June 30, 2021 to Membership Interest Purchase Agreement, by and between NextPoint Acquisition Corp. and Franchise Group Intermediate L, LLC. dated as of February 21, 2021 (incorporated by reference to Exhibit 2.6.2 to Form 10-Q, File No. 001-35588 filed August 3, 2021).		X
2.3	Stock Purchase Agreement, dated as of November 22, 2021, by and among Franchise Group Newco BHF, LLC, W.S. Badcock Corporation, the shareholders set forth on Annex I thereto, and William K. Pou, Jr. (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-25588 filed November 24, 2021).*		X
2.4	Master Receivables Purchase Agreement, dated as of December 20, 2021, between W.S. Badcock Corporation and B. Riley Receivables, LLC (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed December 21, 2021).*		X
2.5	Purchase and Sale Agreement, dated as of March 31, 2022, between W.S. Badcock Corporation and National Retail Properties, LP (incorporated by reference to Exhibit 2.9 to Form 10-Q, File No. 001-35588 filed May 5, 2022).*		X
2.6	Purchase and Sale Agreement, dated as of April 15, 2022, between W.S. Badcock Corporation and Mesirow Realty Sale-Leaseback, Inc. (incorporated by reference to Exhibit 2.10 to Form 10-Q, File No. 001-35588 filed May 5, 2022). *		X

2.7	Purchase and Sale Agreement, dated as of April 26, 2022, between W.S. Badcock Corporation and CAI Investments Sub Series 100, LLC (incorporated by reference to Exhibit 2.11 to Form 10-Q, File No. 001-35588 filed May 5, 2022).*	X
2.8	Purchase and Sale Agreement, dated as of May 25, 2022, between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.8 to Form 10-Q, File No. 001-35588 filed August 4, 2022).*	X
2.8.1	Amended and Restated Purchase and Sale Agreement, dated as of May 25, 2022, by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.8.1 to Form 10-Q, File No. 001-35588 filed August 4, 2022)..	X
2.9	Purchase and Sale Agreement, dated as of May 25, 2022, by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.9 to Form 10-Q, File No. 001-35588 filed August 4, 2022)..	X
2.9.1	First Amendment, dated as of June 24, 2022, to Purchase and Sale Agreement by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.9.1 to Form 10-Q, File No. 001-35588 filed August 4, 2022).	X
2.9.2	Second Amendment, dated as of June 30, 2022, to Purchase and Sale Agreement by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.9.2 to Form 10-Q, File No. 001-35588 filed August 4, 2022).	X
2.9.3	Third Amendment, dated as of July 6, 2022, to Purchase and Sale Agreement by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.9.3 to Form 10-Q, File No. 001-35588 filed August 4, 2022).	X
2.9.4	Fourth Amendment, dated as of July 13, 2022, to Purchase and Sale Agreement by and between W.S. Badcock Corporation and Oak Street Real Estate Capital Net Lease Property Fund (Collector), LP (incorporated by reference to Exhibit 2.9.4 to Form 10-Q, File No. 001-35588 filed August 4, 2022).	X
2.9.5	Amended and Restated Purchase and Sale Agreement, dated as of May 25, 2022, by and between W.S. Badcock Corporation and BCHQ Owner LLC (incorporated by reference to Exhibit 2.9.5 to Form 10-Q, File No. 001-35588 filed August 4, 2022)).*	X
3.1	Second Amended and Restated Certificate of Incorporation of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed on December 19, 2018).	X

3.1.1	Certificate of Designation of the Voting Non-Economic Preferred Stock of Liberty Tax, Inc. filed with the Secretary of State of the State of Delaware July 10, 2019 (incorporated by reference to Exhibit 3.1, File No. 001-35588 filed on July 11, 2019).		X
3.1.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed September 19, 2019).		X
3.1.3	Certificate of Increase of the Number of Shares of Voting Non-Economic Preferred Stock of Franchise Group, Inc., filed with the Secretary of State of the State of Delaware on September 30, 2019 (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed October 1, 2019).		X
3.1.4	Certificate of Designation designating the 7.50% Series A Cumulative Perpetual Preferred Stock of Franchise Group, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed September 18, 2020).		X
3.1.5	Certificate of Increase of the Number of Shares of 7.50% Series A Cumulative Perpetual Preferred Stock of Franchise Group, Inc., filed with the Secretary of State of the State of Delaware on January 15, 2021 (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed January 15, 2021).		X
3.2	Second Amended and Restated Bylaws of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.2 to Form 8-K, File No. 001-35588 filed on July 15, 2014).		X
31.1	Certification of Chief Executive Officer	X	
31.2	Certification of Chief Financial Officer	X	
32.1	Section 1350 Certification (Chief Executive Officer)	X	
32.2	Section 1350 Certification (Chief Financial Officer)	X	
101	The following financial statements from the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 25, 2022, formatted in Inline XBRL, filed herewith: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations (unaudited), (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) the Condensed Consolidated Statements of Stockholders' Equity (unaudited), (v) the Condensed Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements	X	
104	The cover page from the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 25, 2022, formatted in Inline XBRL (included with Exhibit 101)	X	

*All schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish the omitted disclosure schedules to the SEC upon request by the SEC; provided, however, that the Company reserves the right to request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

SIGNATURES

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

FRANCHISE GROUP, INC.
(Registrant)

November 9, 2022	By:	/s/ Brian R. Kahn
		Brian R. Kahn Chief Executive Officer and Director (Principal Executive Officer)
November 9, 2022	By:	/s/ Eric F. Seeton
		Eric F. Seeton Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

I, Brian R. Kahn, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of FRANCHISE GROUP, 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 controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 controls 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.

November 9, 2022	By:	/s/ Brian R. Kahn
		Brian R. Kahn
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 31.2

I, Eric F. Seeton, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of FRANCHISE GROUP, 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 controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 controls 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.

November 9, 2022

By: /s/ Eric F. Seeton
Eric F. Seeton
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION 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 of Franchise Group, Inc. (the “Company”) on Form 10-Q/A for the fiscal quarter ended June 25, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian R. Kahn, 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; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2022	By:	/s/ Brian R. Kahn
		Brian R. Kahn
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION 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 of Franchise Group, Inc. (the “Company”) on Form 10-Q/A for the fiscal quarter ended June 25, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric F. Seeton, 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; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2022	By:	/s/ Eric F. Seeton
		Eric F. Seeton
		Chief Financial Officer
		(Principal Financial Officer)