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

Form 10-Q

(mark one)

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

For the quarterly period ended November 2, 2024.

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: 001-35600

Five Below, Inc.
(Exact name of Registrant as Specified in its Charter)

Pennsylvania	**75-3000378**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
701 Market Street Suite 300 Philadelphia Pennsylvania	**19106**
(Address of Principal Executive Offices)	**(Zip Code)**

(215) 546-7909
(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	FIVE	The Nasdaq Stock Market LLC

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

The number of shares of the registrant’s common stock, $0.01 par value, outstanding as of December 4, 2024 was 55,009,629.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

FIVE BELOW, INC.
Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	November 2, 2024	February 3, 2024	October 28, 2023
Assets			
Current assets:			
Cash and cash equivalents	$ 169,702	$ 179,749	$ 162,928
Short-term investment securities	46,941	280,339	—
Inventories	817,832	584,627	763,349
Prepaid income taxes and tax receivable	20,348	4,834	23,906
Prepaid expenses and other current assets	157,396	153,993	140,816
Total current assets	1,212,219	1,203,542	1,090,999
Property and equipment, net of accumulated depreciation and amortization of $705,959, $584,090, and $547,682, respectively.	1,259,768	1,134,312	1,075,275
Operating lease assets	1,692,978	1,509,416	1,475,095
Long-term investment securities	—	7,791	—
Other assets	20,354	16,976	16,069
	$ 4,185,319	$ 3,872,037	$ 3,657,438
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit	$ —	$ —	$ —
Accounts payable	352,180	256,275	349,340
Income taxes payable	—	41,772	—
Accrued salaries and wages	28,758	30,028	19,357
Other accrued expenses	143,388	146,887	158,272
Operating lease liabilities	351,062	240,964	231,197
Total current liabilities	875,388	715,926	758,166
Other long-term liabilities	8,962	6,826	4,625
Long-term operating lease liabilities	1,616,964	1,497,586	1,455,358
Deferred income taxes	68,153	66,743	61,364
Total liabilities	2,569,467	2,287,081	2,279,513
Commitments and contingencies (note 6)			
Shareholders' equity:			
Common stock, $0.01 par value. Authorized 120,000,000 shares; issued and outstanding 55,010,438, 55,197,875, and 55,192,500 shares, respectively.	549	551	551
Additional paid-in capital	147,453	182,709	177,877
Retained earnings	1,467,850	1,401,696	1,199,497
Total shareholders' equity	1,615,852	1,584,956	1,377,925
	$ 4,185,319	$ 3,872,037	$ 3,657,438

See accompanying notes to consolidated financial statements.

FIVE BELOW, INC.
Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	**October 28, 2023**	**November 2, 2024**	**October 28, 2023**
Net sales	$ 843,710	$ 736,405	$ 2,485,642	$ 2,221,633
Cost of goods sold (exclusive of items shown separately below)	585,668	513,577	1,692,294	1,499,422
Selling, general and administrative expenses	215,367	173,121	594,362	511,430
Depreciation and amortization	43,281	33,584	121,933	93,652
Operating (loss) income	(606)	16,123	77,053	117,129
Interest income and other income	2,808	3,434	10,852	11,423
Income before income taxes	2,202	19,557	87,905	128,552
Income tax expense	515	4,963	21,751	29,645
Net income	$ 1,687	$ 14,594	$ 66,154	$ 98,907
Basic income per common share	$ 0.03	$ 0.26	$ 1.20	$ 1.78
Diluted income per common share	$ 0.03	$ 0.26	$ 1.20	$ 1.78
Weighted average shares outstanding:				
Basic shares	55,007,054	55,452,533	55,067,467	55,592,536
Diluted shares	55,110,433	55,576,140	55,152,976	55,717,987

See accompanying notes to consolidated financial statements.

FIVE BELOW, INC.
Consolidated Statements of Shareholders' Equity
(Unaudited)
(in thousands, except share data)

	Common stock		Additional paid-in capital	Retained earnings	Total shareholders' equity
	Shares	Amount			
Balance, February 3, 2024	55,197,875	$ 551	$ 182,709	$ 1,401,696	$ 1,584,956
Share-based compensation expense	—	—	4,928	—	4,928
Issuance of unrestricted stock awards	626	—	112	—	112
Vesting of restricted stock units and performance-based restricted stock units	89,885	1	—	—	1
Common shares withheld for taxes	(33,953)	—	(6,652)	—	(6,652)
Repurchase and retirement of common stock	(182,327)	(2)	(30,149)	—	(30,151)
Net income	—	—	—	31,467	31,467
Balance, May 4, 2024	55,072,106	$ 550	$ 150,948	$ 1,433,163	$ 1,584,661
Share-based compensation expense	—	—	(454)	—	(454)
Issuance of unrestricted stock awards	1,834	—	114	—	114
Vesting of restricted stock units and performance-based restricted stock units	12,439	—	—	—	—
Common shares withheld for taxes	(938)	—	(105)	—	(105)
Repurchase and retirement of common stock	(84,670)	(1)	(10,074)	—	(10,075)
Issuance of common stock to employees under employee stock purchase plan	5,328	—	600	—	600
Net income	—	—	—	33,000	33,000
Balance, August 3, 2024	55,006,099	$ 549	$ 141,029	$ 1,466,163	$ 1,607,741
Share-based compensation expense	—	—	6,367	—	6,367
Issuance of unrestricted stock awards	1,767	—	168	—	168
Vesting of restricted stock units and performance-based restricted stock units	3,930	—	—	—	—
Common shares withheld for taxes	(1,358)	—	(111)	—	(111)
Net income	—	—	—	1,687	1,687
Balance, November 2, 2024	55,010,438	$ 549	$ 147,453	$ 1,467,850	$ 1,615,852

	Common stock		Additional paid-in capital	Retained earnings	Total shareholders' equity
	Shares	Amount			
Balance, January 28, 2023	55,537,221	$ 555	$ 260,784	$ 1,100,590	$ 1,361,929
Share-based compensation expense	—	—	3,624	—	3,624
Issuance of unrestricted stock awards	579	—	112	—	112
Exercise of options to purchase common stock	600	—	24	—	24
Vesting of restricted stock units and performance-based restricted stock units	208,461	2	—	—	2
Common shares withheld for taxes	(81,622)	(1)	(15,867)	—	(15,868)
Net income	—	—	—	37,478	37,478
Balance, April 29, 2023	55,665,239	$ 556	$ 248,677	$ 1,138,068	$ 1,387,301
Share-based compensation expense	—	—	5,713	—	5,713
Issuance of unrestricted stock awards	539	—	112	—	112
Exercise of options to purchase common stock	700	—	28	—	28
Vesting of restricted stock units and performance-based restricted stock units	19,517	—	—	—	—
Common shares withheld for taxes	(1,437)	—	(283)	—	(283)
Issuance of common stock to employees under employee stock purchase plan	2,300	—	440	—	440
Net income	—	—	—	46,835	46,835
Balance, July 29, 2023	55,686,858	$ 556	$ 254,687	$ 1,184,903	$ 1,440,146
Share-based compensation expense	—	—	3,599	—	3,599
Issuance of unrestricted stock awards	795	—	137	—	137
Exercise of options to purchase common stock	6,500	—	234	—	234
Vesting of restricted stock units and performance-based restricted stock units	4,184	—	—	—	—
Common shares withheld for taxes	(1,468)	—	(244)	—	(244)
Repurchase and retirement of common stock	(504,369)	(5)	(80,536)	—	(80,541)
Net income	—	—	—	14,594	14,594
Balance, October 28, 2023	55,192,500	$ 551	$ 177,877	$ 1,199,497	$ 1,377,925

See accompanying notes to consolidated financial statements.

FIVE BELOW, INC.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Thirty-Nine Weeks Ended	
	November 2, 2024	**October 28, 2023**
Operating activities:		
Net income	$ 66,154	$ 98,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	121,933	93,652
Share-based compensation expense	11,303	13,366
Deferred income tax expense	1,410	2,213
Other non-cash expenses	861	172
Changes in operating assets and liabilities:		
Inventories	(233,205)	(235,629)
Prepaid income taxes and tax receivable	(15,514)	(15,008)
Prepaid expenses and other assets	(6,889)	(12,530)
Accounts payable	96,900	123,374
Income taxes payable	(41,772)	(19,928)
Accrued salaries and wages	(1,270)	(6,063)
Operating leases	45,914	33,841
Other accrued expenses	21,288	15,521
Net cash provided by operating activities	67,113	91,888
Investing activities:		
Purchases of investment securities and other investments	(4,508)	(128,950)
Sales, maturities, and redemptions of investment securities	245,696	195,795
Capital expenditures	(271,855)	(231,921)
Net cash used in investing activities	(30,667)	(165,076)
Financing activities:		
Net proceeds from issuance of common stock	600	440
Repurchase and retirement of common stock	(40,226)	(80,541)
Proceeds from exercise of options to purchase common stock and vesting of restricted and performance-based restricted stock units	1	288
Common shares withheld for taxes	(6,868)	(16,395)
Net cash used in financing activities	(46,493)	(96,208)
Net decrease in cash and cash equivalents	(10,047)	(169,396)
Cash and cash equivalents at beginning of period	179,749	332,324
Cash and cash equivalents at end of period	$ 169,702	$ 162,928
Supplemental disclosures of cash flow information:		
Non-cash investing activities		
(Decrease) Increase in accrued purchases of property and equipment	$ (23,715)	$ 11,541

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) ***Description of Business***

Five Below, Inc. is a specialty value retailer offering merchandise targeted at the tween and teen demographic. The Company offers an edited assortment of products, with most priced at $5 and below. As used herein, “Five Below,” the “Company,” refers to Five Below, Inc. (collectively with its wholly owned subsidiaries), except as expressly indicated or unless the context otherwise requires. As used herein, references to “Crew” refer to the Company's employees, and references to “Shipcenters” refer to the Company's distribution and logistics centers.

The Company’s edited assortment of products includes select brands and licensed merchandise. The Company believes its merchandise is readily available, and that there are a number of potential vendors that could be utilized, if necessary, under approximately the same terms the Company is currently receiving; thus, it is not dependent on a single vendor or a group of vendors.

The Company is incorporated in the Commonwealth of Pennsylvania and, as of November 2, 2024, operated in 44 states, excluding Alaska, Hawaii, Idaho, Montana, Oregon, and Washington. As of November 2, 2024 and October 28, 2023, the Company operated 1,749 stores and 1,481 stores, respectively, each operating under the name “Five Below.” The Company also sells its merchandise on the internet, through the Company's fivebelow.com e-commerce website, offering home delivery and the option to buy online and pick up in store. Additionally, the Company sells merchandise through on-demand third-party delivery services to enable its customers to shop online and receive convenient delivery.

(b) ***Fiscal Year***

The Company operates on a 52/53-week fiscal year ending on the Saturday closest to January 31. References to "fiscal year 2024" or "fiscal 2024" refer to the period from February 4, 2024 to February 1, 2025, which is a 52-week fiscal year. References to "fiscal year 2023" or "fiscal 2023" refer to the period from January 29, 2023 to February 3, 2024, which is a 53-week fiscal year. The fiscal quarters ended November 2, 2024 and October 28, 2023 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended November 2, 2024 and October 28, 2023 refer to the thirty-nine weeks ended as of those dates.

(c) ***Basis of Presentation***

The consolidated balance sheets as of November 2, 2024 and October 28, 2023, the consolidated statements of operations for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023, the consolidated statements of shareholders’ equity for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023 and the consolidated statements of cash flows for the thirty-nine weeks ended November 2, 2024 and October 28, 2023 have been prepared by the Company in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim reporting and are unaudited. In the opinion of management, the aforementioned financial statements include all known adjustments (which consist primarily of normal, recurring accruals, estimates and assumptions that impact the financial statements) necessary to present fairly the financial position at the balance sheet dates and the results of operations and cash flows for the periods ended November 2, 2024 and October 28, 2023. The balance sheet as of February 3, 2024, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for fiscal 2023 as filed with the Securities and Exchange Commission on March 21, 2024 and referred to herein as the “Annual Report,” but does not include all annual disclosures required by U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended February 3, 2024 and footnotes thereto included in the Annual Report. The consolidated results of operations for the thirteen and thirty-nine weeks November 2, 2024 and October 28, 2023 are not necessarily indicative of the consolidated operating results for the year ending February 1, 2025 or any other period. The Company's business is seasonal and as a result, the Company's net sales fluctuate from quarter to quarter. Net sales are usually highest in the fourth fiscal quarter due to the year-end holiday season.

(d) ***Recently Issued Accounting Pronouncements***

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures. This new guidance is designed to improve the disclosures about a public entity's reportable segments and address requests from investors for more detailed information about a reportable segment's expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Public entities must adopt the changes to the segment reporting guidance on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes - Improvements to Income Tax Disclosures. This new guidance requires consistent categories and enhanced disaggregation of information in the rate reconciliation and enhanced disaggregation of income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses. This new guidance requires public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory, employee compensation, and depreciation and amortization. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of ASU 2024-03 on its consolidated financial statements and related disclosures.

(e) ***Use of Estimates***

The preparation of the consolidated financial statements requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, net realizable value for inventories, income taxes, share-based compensation expense, the incremental borrowing rate utilized in operating lease liabilities, equity method investments and notes receivable.

(f) ***Fair Value of Financial Instruments***

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than Level 1, that are either directly or indirectly observable.

Level 3: Unobservable inputs developed using the Company's estimates and assumptions which reflect those that market participants would use.

The classification of fair value measurements within the hierarchy are based upon the lowest level of input that is significant to the measurement.

The Company's financial instruments consist primarily of cash equivalents, investment securities, accounts payable, borrowings, if any, under a line of credit, equity method investments and notes receivable. The Company believes that: (1) the carrying value of cash equivalents and accounts payable are representative of their respective fair value due to the short-term nature of these instruments; and (2) the carrying value of the borrowings, if any, under the line of credit approximates fair value because the line of credit's interest rates vary with market interest rates. Under the fair value hierarchy, the fair market values of cash equivalents and the investments in corporate bonds are Level 1 while the investments in municipal bonds are Level 2. The fair market values of Level 2 instruments are determined by management with the assistance of a third-party pricing service. Since quoted prices in active markets for identical assets are not available, these prices are determined by the third-party pricing service using observable market information such as quotes from less active markets and quoted prices of similar securities.

As of November 2, 2024, February 3, 2024 and October 28, 2023, the Company had cash equivalents of $150.3 million, $154.9 million and $115.1 million, respectively. The Company's cash equivalents typically consist of cash management solutions, credit and debit card receivables, money market funds, corporate bonds and municipal bonds with original maturities of 90 days or less. Fair value for cash equivalents was determined based on Level 1 inputs.

As of November 2, 2024, February 3, 2024 and October 28, 2023, the Company's investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following (in thousands):

	As of November 2, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	$ 46,941	$ —	$ 2	$ 46,939
Total	$ 46,941	$ —	$ 2	$ 46,939

	As of February 3, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	$ 280,067	$ —	$ 154	$ 279,913
Municipal bonds	272	—	—	272
Total	$ 280,339	$ —	$ 154	$ 280,185
Long-term:				
Corporate bonds	$ 7,791	$ —	$ 8	$ 7,783
Total	$ 7,791	$ —	$ 8	$ 7,783

	As of October 28, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	$ 66,845	$ —	$ 292	$ 66,553
Total	$ 66,845	$ —	$ 292	$ 66,553

Short-term investment securities as of November 2, 2024, February 3, 2024 and October 28, 2023 all mature in one year or less. Long-term investment securities as of February 3, 2024 all mature after one year but in less than two years.

(g) ***Prepaid Expenses and Other Current Assets***

Prepaid expenses as of November 2, 2024, February 3, 2024 and October 28, 2023 were $42.0 million, $30.5 million, and $31.1 million, respectively. Other current assets as of November 2, 2024, February 3, 2024 and October 28, 2023 were $115.4 million, $123.5 million, and $109.7 million, respectively.

(h) ***Other Accrued Expenses***

Other accrued expenses include accrued capital expenditures of $25.5 million, $48.3 million, and $50.3 million as of November 2, 2024, February 3, 2024 and October 28, 2023, respectively.

(i) ***Deferred Compensation***

The Five Below, Inc. Non qualified Deferred Compensation Plan (the "Deferred Comp Plan") and a related, irrevocable grantor trust (the "Trust") provides eligible key crew with the opportunity to elect to defer up to 80% of their eligible compensation. The Company may make discretionary contributions, at the discretion of the Board. Payments under the Deferred Comp Plan will be made from the general assets of the Company or from the assets of the Trust, funded by the Company. The related liability is recorded as deferred compensation and included in other long-term liabilities in the consolidated balance sheets.

(j) ***Supply Chain Finance***

The Company utilizes the supply chain finance program whereby qualifying suppliers may elect at their sole discretion to sell the Company's payment obligations to a designated third party financial institution. As of November 2, 2024, the amount of obligations outstanding under the supply chain finance program was $1.4 million.

(2) Revenue from Contracts with Customers

Revenue Transactions

Revenue from store operations, including third party delivery services, is recognized at the point of sale when control of the product is transferred to the customer at such time. Internet sales, through the Company's fivebelow.com e-commerce website, are recognized when the customer receives the product as control transfers upon delivery. Returns subsequent to the period end are immaterial; accordingly, no significant reserve has been recorded. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption for merchandise or as breakage revenue in proportion to the pattern of redemption of the gift cards by the customer in net sales.

The transaction price for the Company's sales is based on the item's stated price. To the extent that the Company charges customers for shipping and handling on e-commerce sales, the Company records such amounts in net sales. Shipping and handling costs, which include fulfillment and shipping costs related to the Company's e-commerce operations, are primarily included in costs of goods sold. As permitted by applicable accounting guidance, ASU 2014-09 "Revenue from Contracts with Customers," the Company has elected to exclude all sales taxes collected from customers and remitted to governmental authorities from net sales in the accompanying consolidated statements of operations.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by groups of products: leisure, fashion and home, and snack and seasonal (dollars in thousands):

	Thirteen Weeks Ended November 2, 2024		Thirteen Weeks Ended October 28, 2023	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	$ 361,790	42.9 %	$ 329,364	44.7 %
Fashion and home	270,262	32.0 %	232,321	31.6 %
Snack and seasonal	211,658	25.1 %	174,720	23.7 %
Total	$ 843,710	100.0 %	$ 736,405	100.0 %

	Thirty-Nine Weeks Ended November 2, 2024		Thirty-Nine Weeks Ended October 28, 2023	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	$ 1,110,520	44.7 %	$ 1,039,685	46.8 %
Fashion and home	747,928	30.1 %	647,811	29.2 %
Snack and seasonal	627,194	25.2 %	534,137	24.0 %
Total	$ 2,485,642	100.0 %	$ 2,221,633	100.0 %

(3) Leases

The Company determines if an arrangement contains a lease at the inception of a contract. Operating lease assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease.

During the thirteen weeks ended November 2, 2024, the Company committed to 38 new store leases with average terms of approximately 10 years that have future minimum lease payments of approximately $15.5 million.

All of the Company's leases are classified as operating leases and the associated assets and liabilities are presented as separate captions in the consolidated balance sheets. As of November 2, 2024 and October 28, 2023, the weighted average remaining lease term for the Company's operating leases was 7.5 years and 7.5 years, respectively, and the weighted average discount rate was 5.3% and 5.2%, respectively.

The following table is a summary of the Company's components for net lease costs (in thousands):

Lease Cost	Thirteen Weeks Ended November 2, 2024	Thirteen Weeks Ended October 28, 2023	Thirty-Nine Weeks Ended November 2, 2024	Thirty-Nine Weeks Ended October 28, 2023
Operating lease cost	$ 79,990	$ 69,298	$ 230,001	$ 196,725
Variable lease cost	23,129	19,435	68,102	56,181
Net lease cost*	$ 103,119	$ 88,733	$ 298,103	$ 252,906

* Excludes short-term lease cost, which is immaterial.

The following table summarizes the maturity of lease liabilities under operating leases as of November 2, 2024 (in thousands):

Maturity of Lease Liabilities	Operating Leases
2024	$ 58,209
2025	353,580
2026	346,167
2027	325,343
2028	300,393
After 2028	982,836
Total lease payments	2,366,528
Less: imputed interest	398,502
Present value of lease liabilities	$ 1,968,026

The following table summarizes the supplemental cash flow disclosures related to leases (in thousands):

	Thirty-Nine Weeks Ended November 2, 2024	Thirty-Nine Weeks Ended October 28, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments arising from operating lease liabilities [1]	$ 180,885	$ 170,156
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	$ 330,139	$ 282,147

[1] Included within operating activities in the Company's Consolidated Statements of Cash Flows.

(4) Income Per Common Share

Basic income per common share amounts are calculated using the weighted average number of common shares outstanding for the period. Diluted income per common share amounts are calculated using the weighted average number of common shares outstanding for the period and include the dilutive impact of exercised stock options as well as assumed vesting of restricted stock awards and shares currently available for purchase under the Company's Employee Stock Purchase Plan, using the treasury stock method. Performance-based restricted stock units are considered contingently issuable shares for diluted income per common share purposes and the dilutive impact, if any, is not included in the weighted average shares until the performance conditions are met. The dilutive impact, if any, for performance-based restricted stock units, which are subject to market conditions based on the Company's total shareholder return relative to a pre-defined peer group, are included in the weighted average shares.

The following table reconciles net income and the weighted average common shares outstanding used in the computations of basic and diluted income per common share (in thousands, except for share and per share data):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Numerator:				
Net income	$ 1,687	$ 14,594	$ 66,154	$ 98,907
Denominator:				
Weighted average common shares outstanding - basic	55,007,054	55,452,533	55,067,467	55,592,536
Dilutive impact of options, restricted stock units and employee stock purchase plan	103,379	123,607	85,509	125,451
Weighted average common shares outstanding - diluted	55,110,433	55,576,140	55,152,976	55,717,987
Per common share:				
Basic income per common share	$ 0.03	$ 0.26	$ 1.20	$ 1.78
Diluted income per common share	$ 0.03	$ 0.26	$ 1.20	$ 1.78

The effects of the assumed vesting of restricted stock units for 153,344 shares of common stock for the thirteen weeks ended November 2, 2024 were excluded from the calculation of diluted income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 56,695 shares of common stock for the thirteen weeks ended October 28, 2023 were excluded from the calculation of diluted income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 111,239 shares of common stock for the thirty-nine weeks ended November 2, 2024 were excluded from the calculation of diluted income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 25,119 shares of common stock for the thirty-nine weeks ended October 28, 2023 were excluded from the calculation of diluted income per share, as their impact would have been anti-dilutive.

The aforementioned excluded shares do not reflect the impact of any incremental repurchases under the treasury stock method.

(5) Line of Credit

On September 16, 2022, the Company entered into a Second Amendment to Credit Agreement (the "Second Amendment") which amended the Fifth Amended and Restated Credit Agreement, dated as of April 24, 2020, as previously amended by that certain First Amendment to Credit Agreement, dated as of January 27, 2021 (the "First Amendment"; the Fifth Amended and Restated Credit Agreement as amended by the First Amendment and the Second Amendment, the “Credit Agreement”), among the Company, 1616 Holdings, Inc., a wholly-owned subsidiary of the Company ("1616 Holdings" and together with the Company, the "Loan Parties"), Wells Fargo Bank, National Association as administrative agent (the "Agent"), and other lenders party thereto (the "Lenders").

The Credit Agreement provides for a secured asset-based revolving line of credit in the amount of up to $225.0 million (the "Revolving Credit Facility"). Advances under the Revolving Credit Facility are tied to a borrowing base consisting of eligible credit card receivables and inventory, as reduced by certain reserves in effect from time to time. Pursuant to the Credit Agreement, inventory appraisals and certain other diligence items are deferred, with reduced advance rates during the period that such appraisals have not been delivered. Pursuant to the Second Amendment, the Revolving Credit Facility expires on the earliest to occur of (i) September 16, 2027 or (ii) an event of default.

The Second Amendment also replaced the existing London Interbank Offered Rate ("LIBOR") provisions with Secured Overnight Financing Rate ("SOFR") provisions which converted then outstanding LIBOR loans into SOFR loans and additionally makes a number of other revisions to other provisions of the Credit Agreement. Giving effect to the Second Amendment, outstanding borrowings under the Revolving Credit Facility would accrue interest at floating rates plus an applicable margin ranging from 1.12% to 1.50% for SOFR loans and 0.125% to 0.50% for base rate loans, and letter of credit fees range from 1.125% to 1.50%, in each case based on the average availability under the Revolving Credit Facility.

The Revolving Credit Facility may be increased by up to an additional $150.0 million, subject to certain conditions, including obtaining commitments from one or more Lenders (the "Accordion"). Pursuant to the First Amendment, the Company obtained commitments from the Lenders that would allow the Company at its election (subject only to satisfaction of certain customary conditions such as the absence of any Event of Default), to increase the amount of the Revolving Credit Facility by an aggregate principal amount up to $50.0 million within the Accordion. The entire amount of the Revolving Credit Facility is available for the issuance of letters of credit and allows for swingline loans.

The Credit Agreement contains customary covenants that limit, absent lender approval, the ability of the Company and certain of its affiliates to, among other things, pay cash dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, enter into certain acquisition transactions with affiliates, merge, dissolve, repay certain indebtedness, change the nature of the Company’s business, enter sale or leaseback transactions, make investments or dispose of assets. In some cases, these restrictions are subject to certain negotiated exceptions or permit the Company to undertake otherwise restricted activities if it satisfies certain conditions. In addition, the Company will be required to maintain availability of not less than (i) 12.5% of the lesser of (x) aggregate commitments under the Revolving Credit Facility and (y) the borrowing base (the "loan cap") during the period that inventory appraisals have not been delivered as described above and (ii) at all other times 10.0% of the loan cap.

If there exists an event of default or availability under the Revolving Credit Facility is less than 15% of the loan cap, amounts in any of the Loan Parties’ or subsidiary guarantors' designated deposit accounts will be transferred daily into a blocked account held by the Agent and applied to reduce outstanding amounts under the Revolving Credit Facility (the "Cash Dominion Event"), so long as (i) such event of default has not been waived and/or (ii) until availability has exceeded 15% of the loan cap for sixty (60) consecutive calendar days (provided that such ability to discontinue the Cash Dominion Event shall be limited to two times during the term of the Credit Agreement).

The Credit Agreement contains customary events of default including, among other things, failure to pay obligations when due, initiation of bankruptcy or insolvency proceedings, defaults on certain other indebtedness, change of control, incurrence of certain material judgments that are not stayed, satisfied, bonded or discharged within 30 days, certain ERISA events, invalidity of the credit documents, and violation of affirmative and negative covenants or breach of representations and warranties set forth in the Credit Agreement. Amounts under the Revolving Credit Facility may become due upon events of default (subject to any applicable grace or cure periods).

All obligations under the Revolving Credit Facility are guaranteed by 1616 Holdings and secured by substantially all of the assets of the Company and 1616 Holdings.

As of November 2, 2024, the Company had no borrowings under the Revolving Credit Facility and had approximately $225 million available under the Revolving Credit Facility.

As of November 2, 2024 and October 28, 2023, the Company was in compliance with the covenants applicable to it under the Credit Agreement.

(6) Commitments and Contingencies

Commitments

Other Contractual Commitments

As of November 2, 2024, the Company has other purchase commitments of approximately $1.3 million consisting of purchase agreements for materials that will be used in the construction of new stores.

Contingencies

Legal Matters

The Company is subject to various proceedings, lawsuits, disputes, and claims arising in the ordinary course of the Company's business. Many of these actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against the Company from time to time include commercial, intellectual property, customer, and employment actions, including class action lawsuits. The plaintiffs in some actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages, and some are covered in part by insurance. The Company cannot predict with assurance the outcome of actions brought against the Company. Accordingly, adverse developments, settlements, or resolutions may occur and negatively impact income in the quarter of such development, settlement or resolution. If a potential loss arising from these lawsuits, claims and pending actions is probable and reasonably estimable, the Company records the estimated liability based on circumstances and assumptions existing at the time. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's financial condition or results of operations.

On August 1, 2024, a putative class action was filed against Five Below, Inc. and a certain former senior officer in the United States District Court for the Eastern District of Pennsylvania, purportedly on behalf of a class of the Company's investors who purchased or otherwise acquired our publicly traded securities between March 20, 2024 and July 16, 2024. On September 16, 2024, a similar action was commenced against Five Below, Inc. in the same court on behalf of a class of investors who purchased or otherwise acquired our publicly traded securities between December 1, 2022 and July 16, 2024. The complaints allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder in connection with various public statements made by us. On October 28, 2024, the court entered an order consolidating the actions and appointing lead plaintiff. The deadline for lead plaintiff to file its Consolidated Amended Complaint is January 13, 2025. Defendants’ response thereto, including any motion to dismiss the Consolidated Amended Complaint, is due sixty (60) days from the filing of the Consolidated Amended Complaint. The Company intends to vigorously defend against these actions, which the Company believes to be without merit. The potential impact of these actions, which seek unspecified damages, attorneys’ fees and expenses, is uncertain.

(7) Share-Based Compensation

Equity Incentive Plan

Pursuant to the Company's 2022 Equity Incentive Plan (the “Plan”), the Company’s Board of Directors may grant stock options, restricted shares, and restricted stock units to officers, directors, key crew and professional service providers. The Plan allows for the issuance of up to a total of 4.3 million shares under the Plan. As of November 2, 2024, approximately 3.1 million stock options, restricted shares, or restricted stock units were available for grant.

Common Stock Options

All stock options have a term not greater than ten years. Stock options vest and become exercisable in whole or in part, in accordance with vesting conditions set by the Company’s Board of Directors. Options granted to date generally vest over four years from the date of grant.

Stock option activity during the thirty-nine weeks ended November 2, 2024 was as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Balance as of February 3, 2024	10,126	$ 33.48	1.6
Granted	—	—	
Forfeited	—	—	
Exercised	—	—	
Balance as of November 2, 2024	10,126	33.48	0.8
Exercisable as of November 2, 2024	10,126	$ 33.48	0.8

The fair value of each option award granted to crew, including outside directors, is estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted, forfeited or exercised during the thirty-nine weeks ended November 2, 2024.

Restricted Stock Units and Performance-Based Restricted Stock Units

All restricted stock units ("RSU") and performance-based restricted stock units ("PSU") vest in accordance with vesting conditions set by the compensation committee of the Company’s Board of Directors. RSUs and PSUs granted to date generally have vesting periods ranging from less than one year to four years from the date of grant. The fair value of RSUs is the market price of the underlying common stock on the date of grant. PSUs granted to date have vesting periods ranging from less than one year to five years from the date of grant.

PSUs that have a performance condition are subject to satisfaction of the applicable performance goals established for the respective grant. The Company periodically assesses the probability of achievement of the performance criteria and adjusts the amount of compensation expense accordingly. The fair value of these PSUs is the market price of the underlying common stock on the date of grant. Compensation is recognized over the vesting period and adjusted for the probability of achievement of the performance criteria.

PSUs that have a market condition based on the Company's total shareholder return relative to a pre-defined peer group are subject to multi-year performance objectives with vesting periods of approximately three years from the date of grant (if the applicable performance objectives are achieved). The fair value of these PSUs are determined using a Monte Carlo simulation model, which utilizes multiple input variables such as (i) total shareholder return from the beginning of the performance cycle through the performance measurement date(s); (ii) volatility; (iii) risk-free interest rates; and (iv) the correlation of the pre-defined peer group's total shareholder return.

RSU and PSU activity during the thirty-nine weeks ended November 2, 2024 was as follows:

	Restricted Stock Units		Performance-Based Restricted Stock Units	
	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
Non-vested balance as of February 3, 2024	196,309	$ 163.82	299,394	$ 206.07
Granted	403,988	92.10	214,080	147.04
Vested	(77,179)	136.35	(29,075)	195.43
Forfeited	(51,907)	167.47	(214,047)	193.30
Non-vested balance as of November 2, 2024	471,211	$ 106.43	270,352	$ 170.58

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended November 2, 2024, the Company withheld 36,249 shares with an aggregate value of $6.9 million in satisfaction of minimum tax withholding obligations due upon vesting.

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended October 28, 2023, the Company withheld 84,527 shares with an aggregate value of $16.4 million in satisfaction of minimum tax withholding obligations due upon vesting.

As of November 2, 2024, there was $44.7 million of total unrecognized compensation costs related to non-vested share-based compensation arrangements (including RSUs and PSUs) granted under the Plan. The cost is expected to be recognized over a weighted average vesting period of 2.1 years.

Share Repurchase Program

On June 14, 2022, the Company's Board of Directors approved a new share repurchase program for up to $100 million of the Company's common stock through June 30, 2025. In fiscal 2023, the Company repurchased 504,369 shares under this program at an aggregate cost of approximately $80.0 million, or an average price of $158.63 per share. This program was retired on November 27, 2023.

On November 27, 2023, the Company's Board of Directors approved a new share repurchase program for up to $100 million of the Company's common stock through November 27, 2026. During the thirty-nine weeks ended November 2, 2024, the Company repurchased 266,997 shares at an aggregate cost of approximately $40.0 million, or average price of $149.79 per share.

Since approval of the share repurchase program in March 2018, the Company has purchased approximately 1.9 million shares for an aggregate cost of approximately $270 million. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be modified or discontinued at any time.

(8) Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023 (dollars in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Income before income taxes	$ 2,202	$ 19,557	$ 87,905	$ 128,552
Income tax expense	$ 515	$ 4,963	$ 21,751	$ 29,645
Effective tax rate	23.4 %	25.4 %	24.7 %	23.1 %

The effective tax rates for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within the periods presented. The effective tax rate for the thirteen weeks ended November 2, 2024 was lower than the thirteen weeks ended October 28, 2023 primarily due to non-deductible expenses, partially offset by discrete items, which includes the impact of share-based accounting. The effective tax rate for the thirty-nine weeks ended November 2, 2024 was higher than the thirty-nine weeks ended October 28, 2023 primarily due to discrete items, which includes the impact of share-based accounting, partially offset by non-deductible expenses.

The Company had no material accrual for uncertain tax positions or interest and/or penalties related to income taxes on the Company's balance sheets as of November 2, 2024, February 3, 2024 or October 28, 2023 and has not recognized any material uncertain tax positions or interest and/or penalties related to income taxes in the consolidated statements of operations for the thirteen and thirty-nine weeks ended November 2, 2024 or October 28, 2023.

The Company files a federal income tax return as well as state tax returns. The Company's U.S. federal income tax returns for the fiscal years ended January 30, 2021 and thereafter remain subject to examination by the U.S. Internal Revenue Service. State returns are filed in various state jurisdictions, as appropriate, with varying statutes of limitation and remain subject to examination for varying periods up to three years to four years depending on the state.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with "Selected Financial Data" and the consolidated financial statements and related notes included in our Annual Report on Form 10-K for our fiscal year ended February 3, 2024 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes as of and for the thirteen and thirty-nine weeks ended November 2, 2024 included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The statements in this discussion regarding expectations of our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described below in "Special Note Regarding Forward-Looking Statements" and in Part II, Item 1A "Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2024" or "fiscal 2024" refer to the period from February 4, 2024 to February 1, 2025, which is a 52-week fiscal year. References to "fiscal year 2023" or "fiscal 2023" refer to the period from January 29, 2023 to February 3, 2024, which is a 53-week fiscal year. The fiscal quarters ended November 2, 2024 and October 28, 2023 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended November 2, 2024 and October 28, 2023 refer to the thirty-nine weeks ended as of those dates. Historical results are not necessarily indicative of the results to be expected for any future period and results for any interim period may not necessarily be indicative of the results that may be expected for a full year.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or present facts or conditions, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the introduction of new merchandise, and the implementation of our marketing and branding strategies. Forward-looking statements frequently are identified by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our views as of the date of this report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Part I, Item 1A "Risk Factors" in our Annual Report, as amended by the risk factors included in Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q. These factors include without limitation:

- *the impacts of inflation and increasing commodity prices;*
- *failure to successfully implement our growth strategy;*
- *disruptions in our ability to select, obtain, distribute and market merchandise profitably;*
- *reliance on merchandise manufactured outside of the United States;*
- *the direct and indirect impact of current and potential tariffs imposed and proposed by the United States on foreign imports, including, without limitation, the tariffs themselves, any counter-measures thereto and any indirect effects on consumer discretionary spending, which could increase the cost to us of certain products, lower our margins, increase our import related expenses, and reduce consumer spending for discretionary items, each of which could have a material adverse effect on our business, financial condition and results of future operations;*
- *the impact of price increases, such as, a reduction in our unit sales, damage to our reputation with our customers, and our becoming less competitive in the marketplace;*
- *dependence on the volume of traffic to our stores and website;*
- *inability to successfully build, operate or expand our shipcenters or network capacity;*
- *disruptions to the global supply chain, increased cost of freight, constraints on shipping capacity to transport inventory or the timely receipt of inventory;*
- *extreme weather conditions in the areas in which our stores are located could negatively affect our business and results of operations;*
- *disruptions in our information technology systems and our inability to maintain and update those systems could adversely affect operations and our customers;*
- *systemic failure of the banking system in the United States or globally;*
- *the risks of cyberattacks or other cyber incidents, such as the failure to secure customers' confidential or credit card information, or other private data relating to our crew or our Company, including the costs associated with protection against or remediation of such incidents;*
- *increased usage of machine learning and other types of artificial intelligence in our business, and challenges with properly managing its use;*
- *increased operating costs or exposure to fraud or theft due to customer payment-related risks;*
- *inability to increase sales and improve the efficiencies, costs and effectiveness of our operations;*
- *dependence on our executive officers, senior management and other key personnel or inability to hire additional qualified personnel;*
- *inability to successfully manage our inventory balances and inventory shrinkage;*
- *inability to meet our lease obligations;*
- *the costs and risks of constructing and owning real property;*
- *changes in our competitive environment, including increased competition from other retailers and the presence of online retailers;*
- *the seasonality of our business;*
- *inability to successfully implement our expansion into online retail;*
- *natural disasters, adverse weather conditions, pandemic outbreaks, global political events, war, terrorism or civil unrest;*
- *the impact of changes in tax legislation;*
- *the impact to our financial performance related to insurance programs;*

- *inability to protect our brand name, trademarks and other intellectual property rights;*
- *the impact of product and food safety claims and effects of legislation; and*
- *restrictions imposed by our indebtedness on our current and future operations.*

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. All of the forward-looking statements we have included in this Quarterly Report on Form 10-Q are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Overview

Five Below, Inc. (collectively referred to herein with its wholly owned subsidiaries as "we," "us," or "our") is a rapidly growing specialty value retailer offering a broad range of trend-right, high-quality merchandise targeted at the tween and teen customer. We offer a dynamic, edited assortment of exciting products, with most priced at $5 and below, including select brands and licensed merchandise across our category worlds. In fiscal 2019, we rolled out new pricing to our full chain, increasing prices on certain products over $5. Most of our products remain at $5 and below. As of November 2, 2024, we operated 1,749 stores in 44 states.

We also offer our merchandise on the internet, through our fivebelow.com e-commerce website, offering home delivery and the option to buy online and pick up in store. Additionally, we sell merchandise through on-demand third-party delivery services to enable our customers to shop online and receive convenient delivery. All e-commerce sales, which includes shipping and handling revenue, are included in net sales and are included in comparable sales. Our e-commerce expenses will have components classified as both cost of goods sold and selling, general and administrative expenses (including depreciation and amortization).

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. These key measures include net sales, comparable sales, cost of goods sold and gross profit, selling, general and administrative expenses (including depreciation and amortization) and operating income.

Net Sales

Net sales constitute gross sales net of merchandise returns for damaged or defective goods. Net sales consist of sales from comparable stores, non-comparable stores, and e-commerce, which includes shipping and handling revenue. Revenue from the sale of gift cards is deferred and not included in net sales until the gift cards are redeemed to purchase merchandise or as breakage revenue in proportion to the pattern of redemption of the gift cards by the customer.

Our business is seasonal and as a result, our net sales fluctuate from quarter to quarter. Net sales are usually highest in the fourth fiscal quarter due to the year-end holiday season.

Comparable Sales

Comparable sales include net sales from stores that have been open for at least 15 full months from their opening date, and e-commerce sales. Comparable stores include the following:

- Stores that have been remodeled while remaining open;
- Stores that have been relocated within the same trade area, to a location that is not significantly different in size, in which the new store opens at about the same time as the old store closes; and
- Stores that have expanded, but are not significantly different in size, within their current locations.

For stores that are relocated or expanded, the following periods are excluded when calculating comparable sales:

- The period beginning when the closing store receives its last merchandise delivery from one of our shipcenters through:
    - the last day of the fiscal year in which the store was relocated or expanded (for stores that increased significantly in size); or
    - the last day of the fiscal month in which the store re-opens (for all other stores); and

- The period beginning on the first anniversary of the date the store received its last merchandise delivery from one of our shipcenters through the first anniversary of the date the store re-opened.

Comparable sales exclude the 53rd week of sales for 53-week fiscal years. In the 52-week fiscal year subsequent to a 53-week fiscal year, we exclude the sales in the non-comparable week from the same-store sales calculation on a restated calendar basis using the National Retail Federation's restated calendar comparing similar weeks.

Due to the 53rd week in fiscal 2023, comparable sales for the thirteen and thirty-nine weeks ended November 2, 2024 are reported on a restated calendar basis. Reference to the "restated calendar" is based on using the National Retail Federation's restated calendar comparing similar weeks, which are the thirteen weeks from August 4, 2024 to November 2, 2024 as compared to the thirteen weeks from August 6, 2023 to October 28, 2023 and the thirty-nine weeks from February 4, 2024 to August 3, 2024 as compared to the thirty-nine weeks from February 5, 2023 to October 28, 2023.

There may be variations in the way in which some of our competitors and other retailers calculate comparable or “same store” sales. As a result, data in this Quarterly Report on Form 10-Q regarding our comparable sales may not be comparable to similar data made available by other retailers. Non-comparable sales are comprised of new store sales, sales for stores not open for a full 15 months, and sales from existing store relocation and expansion projects that were temporarily closed (or not receiving deliveries) and not included in comparable sales.

Measuring the change in fiscal year-over-year comparable sales allows us to evaluate how we are performing. Various factors affect comparable sales, including:

- consumer preferences, buying trends and overall economic trends;
- our ability to identify and respond effectively to customer preferences and trends;
- our ability to provide an assortment of high-quality, trend-right and everyday product offerings that generate new and repeat visits to our stores;
- the customer experience we provide in our stores and online;
- the level of traffic near our locations in the power, community and lifestyle centers in which we operate;
- competition;
- changes in our merchandise mix;
- pricing;
- our ability to source and distribute products efficiently;
- the timing of promotional events and holidays;
- the timing of introduction of new merchandise and customer acceptance of new merchandise;
- our opening of new stores in the vicinity of existing stores;
- the number of items purchased per store visit;
- weather conditions; and
- the impacts associated with the COVID-19 pandemic, including closures of our stores, adverse impacts on our operations, and consumer sentiment regarding discretionary spending.

Opening new stores is an important part of our growth strategy. As we continue to pursue our growth strategy, we expect that a significant percentage of our net sales will continue to come from new stores not included in comparable sales. Accordingly, comparable sales are only one measure we use to assess the success of our growth strategy.

Cost of Goods Sold and Gross Profit

Gross profit is equal to our net sales less our cost of goods sold. Gross margin is gross profit as a percentage of our net sales. Cost of goods sold reflects the direct costs of purchased merchandise and inbound freight and tariffs, as well as shipping and handling costs, store occupancy, distribution and buying expenses. Shipping and handling costs include internal fulfillment and shipping costs related to our e-commerce operations. Store occupancy costs include rent, common area maintenance, utilities and property taxes for all store locations. Distribution costs include costs for receiving, processing, warehousing and shipping of merchandise from our shipcenters and between store locations. Buying costs include compensation expense and other costs for our internal buying organization, including our merchandising and product development team and our planning and allocation group. These costs are significant and can be expected to continue to increase as our Company grows.

The components of our cost of goods sold may not be comparable to the components of cost of goods sold or similar measures of our competitors and other retailers. As a result, data in this Quarterly Report on Form 10-Q regarding our gross profit and gross margin may not be comparable to similar data made available by our competitors and other retailers.

The variable component of our cost of goods sold is higher in higher volume quarters because the variable component of our cost of goods sold generally increases as net sales increase. We regularly analyze the components of gross profit, a non-GAAP financial measure, as well as gross margin as it provides a useful and relevant measure to analyze our financial performance. Any inability to obtain acceptable levels of initial markups, a significant increase in our use of markdowns, and a significant increase in inventory shrinkage or inability to generate sufficient sales leverage on the store occupancy, distribution and buying components of cost of goods sold could have an adverse impact on our gross profit and results of operations. In addition, global supply chain disruptions, the cost of freight and constraints on shipping capacity to transport inventory may have an adverse impact on our gross profit and results of operations, as well as our sales. Changes in the mix of our products may also impact our overall cost of goods sold.

Selling, General and Administrative Expenses (including Depreciation and Amortization)

Selling, general and administrative (including depreciation and amortization), or SG&A, expenses are composed of payroll and other compensation, marketing and advertising expense, depreciation and amortization expense and other selling and administrative expenses. SG&A expenses as a percentage of net sales are usually higher in lower sales volume quarters and lower in higher sales volume quarters.

The components of our SG&A expenses may not be comparable to those of other retailers. We expect that our SG&A expenses will increase in future periods due to our continuing store growth. In addition, any increase in future share-based grants, modifications or forfeitures will impact our share-based compensation expense included in SG&A expenses.

Operating Income

Operating income equals gross profit less SG&A expenses. Operating income excludes interest expense or income, other expense or income, and income tax expense or benefit. We use operating income as an indicator of the productivity of our business and our ability to manage SG&A expenses. Operating income percentage measures operating income as a percentage of our net sales.

Results of Consolidated Operations

The following tables summarize key components of our results of consolidated operations for the periods indicated, both in dollars and as a percentage of our net sales.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
	(in millions, except percentages and total stores)			
Consolidated Statements of Operations Data [1]:				
Net sales	$ 843.7	$ 736.4	$ 2,485.6	$ 2,221.6
Cost of goods sold (exclusive of items shown separately below)	585.7	513.6	1,692.3	1,499.4
Selling, general and administrative expenses	215.4	173.1	594.4	511.4
Depreciation and amortization	43.3	33.6	121.9	93.7
Operating (loss) income	(0.6)	16.1	77.1	117.1
Interest income and other income	2.8	3.4	10.9	11.4
Income before income taxes	2.2	19.6	87.9	128.6
Income tax expense	0.5	5.0	21.8	29.6
Net income	$ 1.7	$ 14.6	$ 66.2	$ 98.9
Percentage of Net Sales [1]:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold (exclusive of items shown separately below)	69.4	69.7	68.1	67.5
Selling, general and administrative expenses	25.5	23.5	23.9	23.0
Depreciation and amortization	5.1	4.6	4.9	4.2
Operating (loss) income	(0.1)	2.2	3.1	5.3
Interest income and other income	0.3	0.5	0.4	0.5
Income before income taxes	0.3	2.7	3.5	5.8
Income tax expense	0.1	0.7	0.9	1.3
Net income	0.2 %	2.0 %	2.7 %	4.5 %
Operational Data:				
Total stores at end of period	1,749	1,481	1,749	1,481
Comparable sales increase (decrease)	0.6 %	2.5 %	(2.6)%	2.6 %
Average net sales per store [2]	$ 0.5	$ 0.5	$ 1.5	$ 1.6

(1) Components may not add to total due to rounding.
(2) Only includes stores that opened before the beginning of the thirteen weeks ended and thirty-nine weeks ended.

Thirteen Weeks Ended November 2, 2024 Compared to the Thirteen Weeks Ended October 28, 2023

Net Sales

Net sales increased to $843.7 million in the thirteen weeks ended November 2, 2024 from $736.4 million in the thirteen weeks ended October 28, 2023, an increase of $107.3 million, or 14.6%. The increase was the result of a non-comparable sales increase of $103.4 million and a comparable sales increase of $3.9 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2024 and the number of stores that opened in fiscal 2023 but have not been open for 15 full months.

Comparable sales increased 0.6%. This increase resulted from an increase of approximately 1.2% in the average dollar value of transactions, partially offset by a decrease of approximately 0.6% in the number of transactions.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to $585.7 million in the thirteen weeks ended November 2, 2024 from $513.6 million in the thirteen weeks ended October 28, 2023, an increase of $72.1 million, or 14.0%. The increase in cost of goods sold was primarily the result of an increase in merchandise cost of goods sold resulting from an increase in net sales and included the impact of a non-recurring inventory write-off. Also contributing to the increase in costs of goods sold was an increase in store occupancy costs primarily resulting from new store openings.

Gross profit increased to $258.0 million in the thirteen weeks ended November 2, 2024 from $222.8 million in the thirteen weeks ended October 28, 2023, an increase of $35.2 million, or 15.8%. Gross margin increased to 30.6% in the thirteen weeks ended November 2, 2024 from 30.3% in the thirteen weeks ended October 28, 2023, an increase of approximately 30 basis points. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in distribution costs and merchandise cost of goods sold, which included lapping higher inventory shrinkage and the impact of a non-recurring inventory write-off. This decrease was partially offset by an increase as a percentage of net sales in store occupancy costs.

Selling, General and Administrative Expenses (including Depreciation and Amortization)

Selling, general and administrative expenses (including depreciation and amortization) increased to $258.6 million in the thirteen weeks ended November 2, 2024 from $206.7 million in the thirteen weeks ended October 28, 2023, an increase of $51.9 million, or 25.1%. As a percentage of net sales, selling, general and administrative expenses (including depreciation and amortization) increased approximately 260 basis points to 30.7% in the thirteen weeks ended November 2, 2024 from 28.1% in the thirteen weeks ended October 28, 2023. The increase in selling, general and administrative expenses (including depreciation and amortization) was the result of an increase of $40.5 million in store-related expenses primarily to support new store growth. Also contributing to the increase in selling, general and administrative expenses (including depreciation and amortization) was an increase of $11.4 million in corporate-related expenses, which included the impact of retention awards and cost-optimization initiatives.

Income Tax Expense

Income tax expense decreased to $0.5 million in the thirteen weeks ended November 2, 2024 from $5.0 million in the thirteen weeks ended October 28, 2023, a decrease of $4.5 million or 89.6%. The decrease in income tax expense was primarily due to the $17.4 million decrease in pre-tax income.

Our effective tax rate for the thirteen weeks ended November 2, 2024 was 23.4% compared to 25.4% in the thirteen weeks ended October 28, 2023. Our effective tax rate for the thirteen weeks ended November 2, 2024 was lower than the comparable prior year period primarily due to non-deductible expenses, partially offset by discrete items, which includes the impact of share-based accounting.

Net Income

As a result of the foregoing, net income decreased to $1.7 million in the thirteen weeks ended November 2, 2024 from $14.6 million in the thirteen weeks ended October 28, 2023, a decrease of $12.9 million or 88.4%.

Thirty-Nine Weeks Ended November 2, 2024 Compared to the Thirty-Nine Weeks Ended October 28, 2023

Net Sales

Net sales increased to $2,485.6 million in the thirty-nine weeks ended November 2, 2024 from $2,221.6 million in the thirty-nine weeks ended October 28, 2023, an increase of $264.0 million, or 11.9%. The increase was the result of a non-comparable sales increase of $319.3 million, partially offset by a comparable sales decrease of $55.3 million. The increase in non-comparable sales was primarily driven by the number of stores that opened in fiscal 2023 but have not been open for 15 full months and new stores that opened in fiscal 2024.

Comparable sales decreased 2.6%. This decrease resulted from a decrease of approximately 3.0% in the number of transactions, partially offset by an increase of approximately 0.4% in the average dollar value of transactions.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to $1,692.3 million in the thirty-nine weeks ended November 2, 2024 from $1,499.4 million in the thirty-nine weeks ended October 28, 2023, an increase of $192.9 million, or 12.9%. The increase in cost of goods sold was primarily the result of an increase in merchandise cost of goods sold resulting from an increase in net sales and included the impact of a non-recurring inventory write-off. Also contributing to the increase in costs of goods sold was an increase in store occupancy costs primarily resulting from new store openings.

Gross profit increased to $793.3 million in the thirty-nine weeks ended November 2, 2024 from $722.2 million in the thirty-nine weeks ended October 28, 2023, an increase of $71.1 million, or 9.8%. Gross margin decreased to 31.9% in the thirty-nine weeks ended November 2, 2024 from 32.5% in the thirty-nine weeks ended October 28, 2023, a decrease of approximately 60 basis points. The decrease in gross margin was primarily the result of an increase as a percentage of net sales in store occupancy costs, partially offset by a decrease as a percentage of net sales in distribution costs.

Selling, General and Administrative Expenses (including Depreciation and Amortization)

Selling, general and administrative expenses (including depreciation and amortization) increased to $716.3 million in the thirty-nine weeks ended November 2, 2024 from $605.1 million in the thirty-nine weeks ended October 28, 2023, an increase of $111.2 million, or 18.4%. As a percentage of net sales, selling, general and administrative expenses (including depreciation and amortization) increased approximately 160 basis points to 28.8% in the thirty-nine weeks ended November 2, 2024 from 27.2% in the thirty-nine weeks ended October 28, 2023. The increase in selling, general and administrative expenses (including depreciation and amortization) was the result of an increase of $98.9 million in store-related expenses primarily to support new store growth. Also contributing to the increase in selling, general and administrative expenses (including depreciation and amortization) was an increase of $12.3 million in corporate-related expenses, which included the impact of retention awards, a non-recurring expense related to a settlement of employment-related litigation and cost-optimization initiatives. The increase in corporate-related expenses was partially offset by the impact of a non-recurring stock compensation benefit and lower incentive compensation expenses.

Income Tax Expense

Income tax expense decreased to $21.8 million in the thirty-nine weeks ended November 2, 2024 from $29.6 million in the thirty-nine weeks ended October 28, 2023, a decrease of $7.8 million or 26.6%. The decrease in income tax expense was primarily due to the $40.6 million decrease in pre-tax income and non-deductible expenses, partially offset by discrete items, which includes the impact of share-based accounting.

Our effective tax rate for the thirty-nine weeks ended November 2, 2024 was 24.7% compared to 23.1% in the thirty-nine weeks ended October 28, 2023. Our effective tax rate for the thirty-nine weeks ended November 2, 2024 was higher than the comparable prior year period primarily due to discrete items, which includes the impact of share-based accounting, partially offset by non-deductible expenses.

Net Income

As a result of the foregoing, net income decreased to $66.2 million in the thirty-nine weeks ended November 2, 2024 from $98.9 million in the thirty-nine weeks ended October 28, 2023, a decrease of $32.7 million or 33.1%.

Liquidity and Capital Resources

Overview

Cash capital expenditures typically vary depending on the timing of new store openings and infrastructure-related investments. We plan to make cash capital expenditures of approximately $340 million in fiscal 2024, which exclude the impact of tenant allowances, and which we expect to fund from cash generated from operations, cash on hand, investments and, as needed, borrowings under our Revolving Credit Facility. We expect to incur approximately $170 million of our cash capital expenditure budget in fiscal 2024 to construct and open approximately 227 net new stores, with the remainder projected to be spent on our store relocations and remodels, our shipcenters, which includes the expansion of two shipcenters, and our corporate infrastructure.

Our primary working capital requirements are for the purchase of store inventory and payment of payroll, rent, other store operating costs and distribution costs. Our working capital requirements fluctuate during the year, rising in the third and fourth fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak, year-end holiday shopping season in the fourth fiscal quarter. Fluctuations in working capital are also driven by the timing of new store openings.

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash on-hand, net cash provided by operating activities and borrowings under our Revolving Credit Facility, which expires in September 2027, as needed, and we expect that funding to continue. When we have used our Revolving Credit Facility, the amount of indebtedness outstanding under it has tended to be the highest in the beginning of the fourth quarter of each fiscal year. To the extent that we have drawn on the facility, we have paid down the borrowings before the end of the fiscal year with cash generated during our peak selling season in the fourth quarter. As of November 2, 2024, we did not have any direct borrowings under our Revolving Credit Facility and had approximately $225 million available on the line of credit.

On June 14, 2022, our Board of Directors approved a new share repurchase program for up to $100 million of our common stock through June 30, 2025. In fiscal 2023, we repurchased 504,369 shares at an aggregate cost of approximately $80.0 million, or average price of $158.63 per share. This program was retired on November 27, 2023.

On November 27, 2023, our Board of Directors approved a new share repurchase program for up to $100 million of our common stock through November 27, 2026. During the thirty-nine weeks ended November 2, 2024, we repurchased 266,997 shares at an aggregate cost of approximately $40.0 million, or average price of $149.79 per share.

Since approval of the share repurchase program in March 2018, we have purchased approximately 1.9 million shares for an aggregate cost of approximately $270 million. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be modified or discontinued at any time.

Based on our growth plans, we believe that our cash position, which includes our cash equivalents and short-term investments, net cash provided by operating activities and availability under our Revolving Credit Facility, which expires in September 2027, will be adequate to finance our planned capital expenditures, authorized share repurchases and working capital requirements over the next 12 months and for the foreseeable future thereafter. If cash flows from operations and borrowings under our Revolving Credit Facility are not sufficient or available to meet our requirements, then we will be required to obtain additional equity or debt financing in the future. There can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current shareholders.

Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table (in millions):

	Thirty-Nine Weeks Ended	
	November 2, 2024	**October 28, 2023**
Net cash provided by operating activities	$ 67.1	$ 91.9
Net cash used in investing activities	(30.7)	(165.1)
Net cash used in financing activities	(46.5)	(96.2)
Net decrease during period in cash and cash equivalents [1]	$ (10.0)	$ (169.4)

[1] Components may not add to total due to rounding.

Cash Provided by Operating Activities

Net cash provided by operating activities for the thirty-nine weeks ended November 2, 2024 was $67.1 million, a decrease of $24.8 million compared to the thirty-nine weeks ended October 28, 2023. The decrease was primarily due to increases in income taxes paid, a decrease in operating cash flows from store performance and changes in working capital.

Cash Used in Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended November 2, 2024 was $30.7 million, a decrease of $134.4 million compared to the thirty-nine weeks ended October 28, 2023. The decrease was primarily due to an increase in net sales, maturities, and redemptions of investment securities, partially offset by an increase in capital expenditures.

Cash Used in Financing Activities

Net cash used in financing activities for the thirty-nine weeks ended November 2, 2024 was $46.5 million, a decrease of $49.7 million compared to the thirty-nine weeks ended October 28, 2023. The decrease was primarily due to decreases in the repurchase and retirement of common stock and in common shares withheld for taxes.

Line of Credit

See "Note 5 - Line of Credit” to the unaudited consolidated financial statements included in "Part I. Financial Information, Item 1. Consolidated Financial Statements" of this Form 10-Q, for a detailed description of the Company's line of credit.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Our critical accounting policies and estimates are discussed in the Annual Report.

Contractual Obligations

Except as set forth below, there have been no material changes to our contractual obligations as disclosed in the Annual Report, other than those which occur in the ordinary course of business.

From February 4, 2024 to November 2, 2024, we have entered into 152 new fully executed retail leases with average terms of approximately 10 years and other lease modifications that have future minimum lease payments of approximately $239.9 million.

Off-Balance Sheet Arrangements

For the thirteen weeks ended November 2, 2024, we were not party to any material off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, net sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Recently Issued Accounting Pronouncements

See "Note 1 - Summary of Significant Accounting Policies" to the unaudited consolidated financial statements included in "Part I. Financial Information, Item 1. Consolidated Financial Statements" of this Form 10-Q, for a detailed description of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce our net income or net assets. We have investment securities that are interest-bearing securities and if there are changes in interest rates, those changes would affect the interest income we earn on these investments and, therefore, impact our cash flows and results of operations. However, due to the short term nature of our investment portfolio, we do not believe an immediate 100 basis point increase or decrease in interest rates would have a material effect on the fair market value of our portfolio, and accordingly we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We also have a Revolving Credit Facility which includes a revolving line of credit, which bears interest at a variable rate. Because our Revolving Credit Facility bears interest at a variable rate, we will be exposed to market risks relating to changes in interest rates, which could materially impact our consolidated statements of operations should we have any material borrowings under our Revolving Credit Facility.

As of November 2, 2024, we had approximately $225 million available on the line of credit. The Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company’s option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 0.125% to 0.50% or (b) SOFR plus a margin ranging from 1.12% to 1.50%. Letter of credit fees range from 1.125% to 1.50%. We do not use derivative financial instruments for speculative or trading purposes, but this does not preclude our adoption of specific hedging strategies in the future.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. We seek to minimize the impact of increasing prices and general inflation in a variety of ways, including, with respect to our merchandise, by sourcing from different vendors and changing our product mix. However, we cannot assure that our results of operations and financial condition will not be materially impacted by inflation in the future.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q are effective at a reasonable assurance level in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all errors and all fraud. While our disclosure controls and procedures are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the thirteen weeks ended November 2, 2024, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various proceedings, lawsuits, disputes, and claims arising in the ordinary course of our business. Many of these actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, and employment actions, including class action lawsuits. The plaintiffs in some actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages, and some are covered in part by insurance. We cannot predict with assurance the outcome of actions brought against us. Accordingly, adverse developments, settlements, or resolutions may occur and negatively impact income in the quarter of such development, settlement or resolution. If a potential loss arising from these lawsuits, claims and pending actions is probable and reasonably estimable, we record the estimated liability based on circumstances and assumptions existing at the time. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on our financial condition or results of operations.

On August 1, 2024, a putative class action was filed against Five Below, Inc. and a certain former senior officer in the United States District Court for the Eastern District of Pennsylvania, purportedly on behalf of a class of our investors who purchased or otherwise acquired our publicly traded securities between March 20, 2024 and July 16, 2024. On September 16, 2024, a similar action was commenced against Five Below, Inc. in the same court on behalf of a class of investors who purchased or otherwise acquired our publicly traded securities between December 1, 2022 and July 16, 2024. The complaints allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder in connection with various public statements made by us. On October 28, 2024, the court entered an order consolidating the actions and appointing the lead plaintiff. The deadline for lead plaintiff to file its Consolidated Amended Complaint is January 13, 2025. Defendants' response thereto, including any motion to dismiss the Consolidated Amended Complaint, is due sixty (60) days from the filing of the Consolidated Amended Complaint. We intend to vigorously defend against these actions, which we believe to be without merit. The potential impact of these actions, which seek unspecified damages, attorneys’ fees and expenses, is uncertain.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, Item 1A "Risk Factors" in our Annual Report. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

The following table below sets forth the information with respect to repurchases of our common stock for the thirteen weeks ended November 2, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Program[1]	Maximum Dollar Value of Shares that May Yet be Purchased Under the Program
August 4, 2024 - August 31, 2024	—	$ —	—	$ 60,006,492
September 1, 2024 - October 5, 2024	—	$ —	—	$ 60,006,492
October 6, 2024 - November 2, 2024	—	$ —	—	$ 60,006,492
Third Quarter 2024	**—**	**$ —**	**—**	**$ 60,006,492**

[1] On November 27, 2023, our Board of Directors approved a new share repurchase program for up to $100 million of our common stock through November 27, 2026. During the thirty-nine weeks ended November 2, 2024, we repurchased 266,997 shares at an aggregate cost of approximately $40.0 million, or average price of $149.79 per share. This repurchase program does not include a specific timetable or price targets and may be suspended or terminated at any time. Shares may be repurchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market conditions and other factors.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans - Directors and Section 16 Officers

During the thirteen weeks ended November 2, 2024, none of the Company's directors or Section 16 officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

(a) Exhibits

No.	Description
10.1	Cessation Agreement, dated September 18 2024, by and between Five Below, Inc. and Michael F. Romanko (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on September 18, 2024).
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended November 2, 2024, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of November 2, 2024, February 3, 2024 and October 28, 2023; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen and Thirty-Nine Weeks Ended November 2, 2024 and October 28, 2023; (iii) the Unaudited Consolidated Statements of Shareholders' Equity for the Thirteen and Thirty-Nine Weeks Ended November 2, 2024 and October 28, 2023; (iv) the Unaudited Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended November 2, 2024 and October 28, 2023 and (v) the Notes to Unaudited Consolidated Financial Statements, tagged in detail.
104*	Coverage Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Pursuant to applicable securities laws and regulations, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections.

SIGNATURES

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

	FIVE BELOW, INC.
Date: December 5, 2024	/s/ Kenneth R. Bull
	Kenneth R. Bull
	Interim President and Chief Executive Officer; Chief Operating Officer
Date: December 5, 2024	/s/ Kristy Chipman
	Kristy Chipman
	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION **Exhibit 31.1**

I, Kenneth R. Bull, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Five Below, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kenneth R. Bull

Name: Kenneth R. Bull

Title: Interim President and Chief Executive Officer; Chief Operating Officer

Dated: December 5, 2024

CERTIFICATION **Exhibit 31.2**

I, Kristy Chipman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Five Below, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kristy Chipman

Name: Kristy Chipman

Title: Chief Financial Officer and Treasurer

Dated: December 5, 2024

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 Five Below, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended November 2, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth R. Bull, Interim President and Chief Executive Officer and Chief Operating 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.

/s/ Kenneth R. Bull

Kenneth R. Bull

Interim President and Chief Executive Officer; Chief Operating Officer

Date: December 5, 2024

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 Five Below, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended November 2, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kristy Chipman, Chief Financial Officer and Treasurer 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.

/s/ Kristy Chipman
Kristy Chipman
Chief Financial Officer and Treasurer

Date: December 5, 2024