

# LETAGE & CONTRACTOR OF THE PROPERTY OF THE PRO

**INVESTOR PRESENTATION - MARCH 2019** 

### **FORWARD LOOKING STATEMENTS**



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect management's current views and estimates regarding our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. Investors can identify these statements by the fact that they use words such as "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "future" and similar terms and phrases. We cannot assure investors that future developments affecting the Company will be those that we have anticipated. Actual results may differ materially from these expectations due to risks relating to our strategy and expansion plans, the availability of suitable new store locations, risks that consumer spending may decline and that U.S. and global macroeconomic conditions may worsen, increased competition from other retailers and the presence of online retailers, risks relating to changes in currency exchange rates, and other factors that are set forth in our SEC filings, including risk factors contained in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K, filed with or furnished to the Securities and Exchange Commission and available at www.sec.gov. If one or more of these risks or uncertainties materialize, or if any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements. Any forward-looking statement we make in this presentation speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. We undertake no obligation to publicly update or revise our forwardlooking statements, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

Non-GAAP Financial Measures - Certain financial measures included in these presentation materials, and which may be referred to in management's discussion of the Company's results and outlook, have not been calculated in accordance with generally accepted accounting principles ("GAAP"), and therefore are referred to as non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation or as an alternative to such measures determined in accordance with GAAP. Please refer to the "Non-GAAP Reconciliation" at the end of these materials for a reconciliation and more information regarding limitations.



### **OUR STORY... Read ON!**



**about five BELOW®** 

**OUR DIFFERENTIATED EXPERIENCE** 

**OUR POWERFUL STORE MODEL** 

THE NUMBERS

**OUR VISION FOR GROWTH** 





five BEL°W

## five BEL°W is a unique investment opportunity



| eading High Growth Value Retailer |
|-----------------------------------|
| LONG RUNWAY FOR UNIT GROWTH       |
| COMPELLING NEW STORE MODEL        |
| CONSISTENT PERFORMANCE            |
| Benefits from scale               |



### FIVE DISTINCTIVE GROWTH DRIVERS



Led by a Highly experienced management team



### TWEEN & TEEN-FOCUSED WITH BROAD CUSTOMER APPEAL













### **Target customers**

Gen Z 8–14 yr olds Girls & Boys



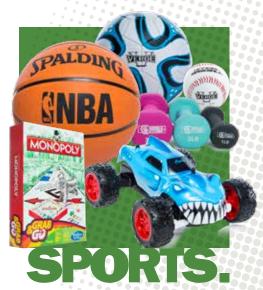
Millennial / Gen X 24-44 yr olds Parents







## TREND-RIGHT "WOW" PRODUCTS AT GREAT VALUE ACROSS 8 AWESOME WORLDS











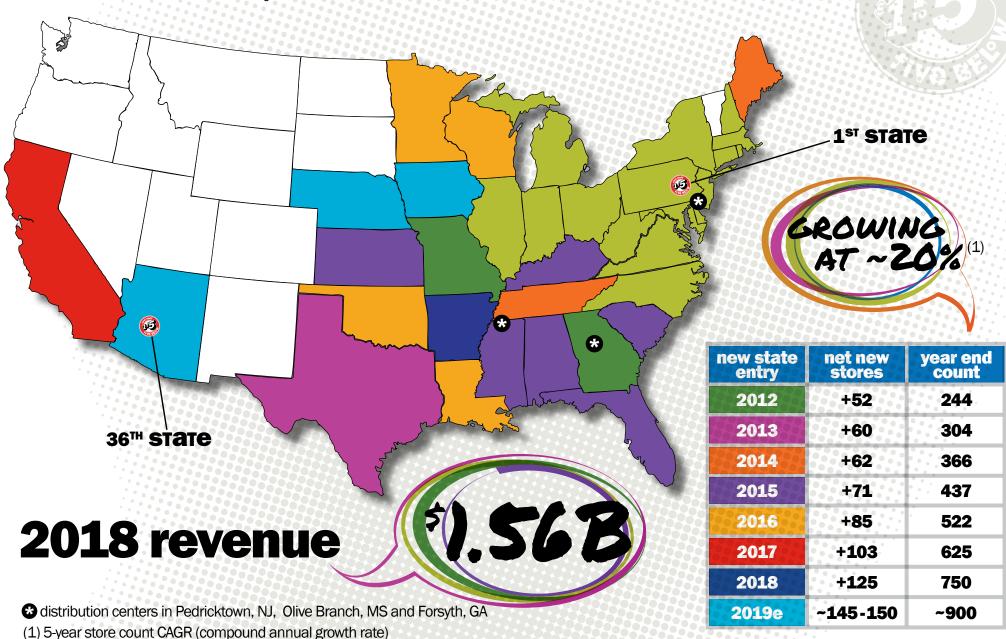






**five BEL°W** 

### BY 2019YE, ~900 STORES IN 36 STATES\*





\*Arizona coming in the second quarter of 2019

### GROWTH LED BY EXPERIENCED LEADERSHIP



| EXECUTIVE       | ROLE                                   | YEAR JOINED     | EXPERIENCE                                                           |
|-----------------|----------------------------------------|-----------------|----------------------------------------------------------------------|
| TOM VELLIOS     | Chairman & Co-Founder                  | Co-founded 2002 | Zany Brainy,<br>Caldor/May Company                                   |
| JOEL ANDERSON   | President<br>& Chief Executive Officer | 2014            | Walmart, Lenox,<br>Toys 'R Us                                        |
| KEN BULL        | Chief Financial Officer<br>& Treasurer | 2005            | Urban Outfitters,<br>Eagle's Eye                                     |
| ERIC SPECTER    | Chief Administrative<br>Officer        | 2014            | Ascena Retail Group,<br>Charming Shoppes                             |
| MICHAEL ROMANKO | Chief Merchandising<br>Officer         | 2015            | Patriarch Partners,<br>Toys 'R Us, Lenox,<br>Linens N Things, Macy's |
| GEORGE HILL     | EVP, Retail Operations                 | 2017            | Dicks, Office Depot,<br>Home Depot                                   |
| DAVID MAKUEN    | EVP, Marketing                         | 2011            | Eddie Bauer,<br>Ann Taylor                                           |
| JUDY WERTHAUSER | EVP, Chief Experience<br>Officer       | 2019            | Domino's Pizza, Target,<br>Marshall Fields                           |



## OLIK DIFFERENTIATED DIFFERIENCE. EXPERIENCE.



### THE IRPOSE-DRIVEN VALUE RETAILER FOR TWEENS + BEYOND

### FIVE BER

**KNOWS LIFE IS WAY BETTER WHEN YOU'RE FREE TO** 

## LETGO & HAVEFUN

IN AN AMAZING EXPERIENCE

Filled With

UNLIMITED POSSIBILITIES

PRICED SO LOW, YOU CAN ALWAYS SAY



NEWEST, COOLEST STUFF!

UNLIMITED POSSIBLITIES DRIVEN BY THE NEWEST, COOLEST STUFF



### an amazing, fun experience

NO ONE ELSE DOES WHAT WE DO IN AN 8,500 SQ.FT. STORE!





unique and engaging in-store atmosphere

fun and dynamic with friendly "wow crews" and upbeat music





easy-to-navigate
with vibrant signs and
low sightlines across
the store

iconic fixtures that encourage interaction with products



### **WE DELIVER OUR PURPOSE WITH PEOPLE!**

















### our customers e us and say

(YES!)

"I went to #fivebelow for the first time to look for a phone case and came out with a rug and a disco ball hahaha that store" **Ashley** 

Went into Five Below for the first time today and I'm in love. Definitely my new spot!

Krystal

"Looking around your website I have one thing to say where in the heck have you been all these years? You open in San Dimas May 19th. I'll be there" **Frank** 





" you bring so much happiness and joy to people!

@fivebelow best optimistic people I know! So silly and positive and such a great store!

Definitely a #fan4ever"

"Count on @fivebelow to stock new stuff so I'll have to come back. This is the only store who has control over me."





"@fivebelow is the #LouisVuitton of dollar-stores... the best." @Dibble\_Dabbles

"You can put a million things in your basket @fivebelow & you'll still be shocked when the cashier tells you how much you owe."

@JennlovesSteven

"My earbuds from @fivebelow survived the washing machine. Your move, Dr. Dre." @DCinthecity







### **LOCATED IN HIGH TRAFFIC CENTERS**









TRADER JOE'S





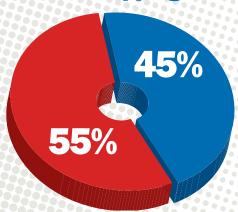








Five Below visit was the first stop in the shopping center



Five Below visit came after another stop in the center

- currently lease all store locations.
   average 8,500 sq. ft. per store.
- majority 10-year initial terms with options to extend.

source: may 2016 3rd party consumer study

### PROVEN SUCCESS across Diverse Markets



### urban 🔽



- Philadelphia, PA
- Washington D.C.
- New York, NY
- · Chicago, IL





- · Redlands, CA
- · Canton, OH
- Pasadena, TX
- Greensboro, NC

### semirural 🔽



- Dover, DE
- Tupelo, MS
- Lake City, FL
- Abilene, TX



### Best in class new store metrics<sup>(1)</sup>

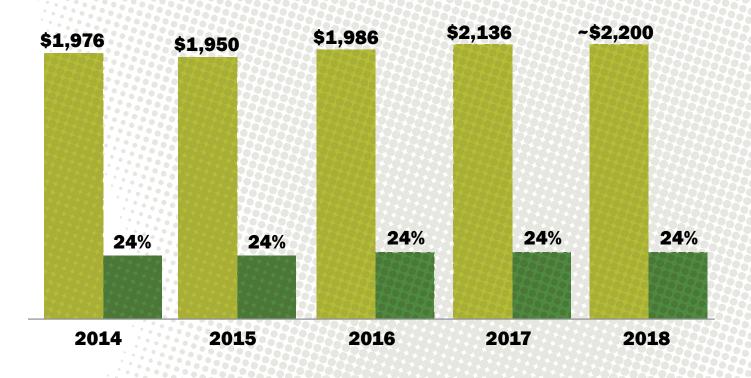
STRONG **AVERAGE STORE** 4-WALL EBITDA<sup>(2)</sup>

~\$450K

AVERAGE NET INVESTMENT(3)

~\$300K

~150% average R.O.I.



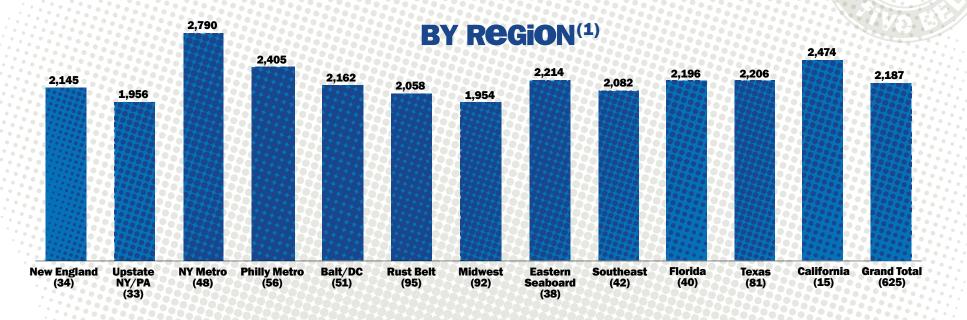




- (1) average year-one economics include results for first full 12 months, for stores opened during the fiscal year
- (2) excludes distribution, buying and pre-opening costs
- (3) includes store build out (net of tenant allowances), inventory (net of payables) and cash pre-opening expenses (marketing, labor, utilities)



## CONSISTENT STORE PERFORMANCE across fleet in FY 2018









### DISCIPLINED AND PROFITABLE GROWTH



dollars in millions.

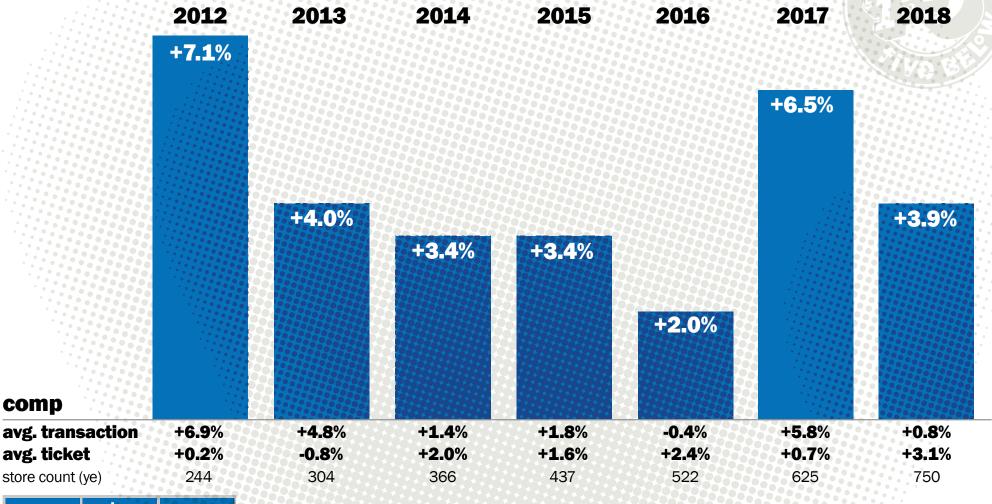


<sup>(1)</sup> compound annual growth rate

<sup>\*</sup>adjusted operating/net income for 2013-2014 (see reconciliations in appendix)

Tadjusted diluted earnings per share for 2013-2014 (see reconciliations in appendix)

### over a decade of positive annual comps



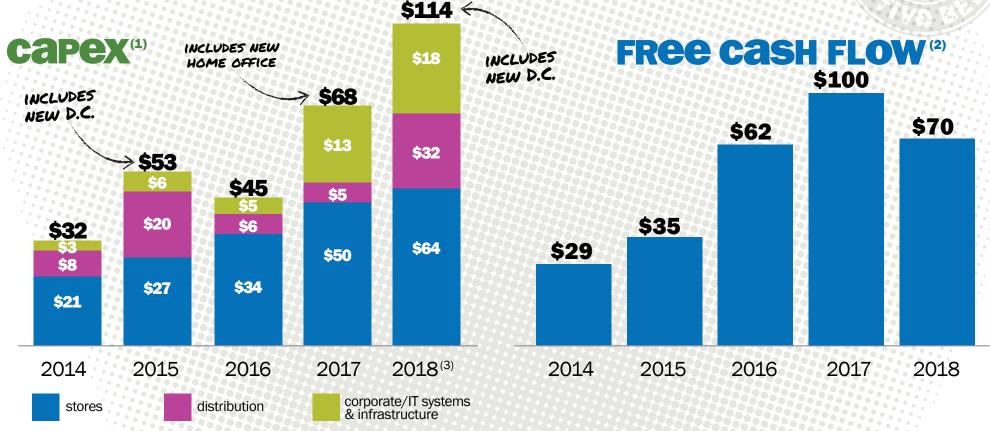
| year | store<br>count (ye) | comp   |
|------|---------------------|--------|
| 2007 | 67                  | +5.4%  |
| 2008 | 82                  | +5.8%  |
| 2009 | 102                 | +12.1% |
| 2010 | 142                 | +15.6% |
| 2011 | 192                 | +7.9%  |

8 WORLDS DRIVE FLEXIBILITY + RELEVANCY!



## STRONG BUSINESS MODEL DRIVES SELF-FUNDED GROWTH





- modest capital expenditures for stores
- debt free

- strong free cash flow generation
- ample liquidity

dollars in millions.

- (1) gross capital expenditures, excluding tenant allowances
- (2) operating cash flow less capital expenditures (gross), excluding tenant allowances
- (3) 2018 includes portion of Southeast Distribution Center under distribution, and POS rollout under stores





five BEL°W

## 20/20 Vision For Continued Disciplined Growth Thru 2020





20%

**Sales Growth** 

LEVERAGE!

20%+

**NET INCOME GROWTH** 

750+

**STORES & GROWING!** 

our #1 priority!

note: assumes a 52-week basis

### STRATEGIC GROWTH PRIORITIES

GROW OUR STORE BASE - OUR LARGEST GROWTH DRIVER

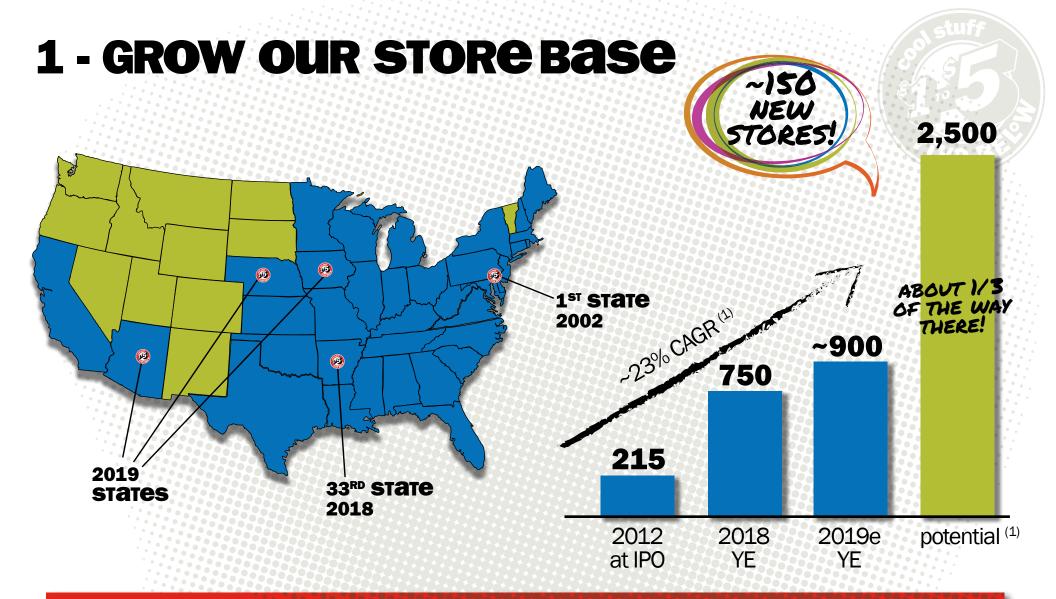
Reinvest in "Wow" Merchandise

increase Brand awareness

SCALE
SYSTEMS &
INFRASTRUCTURE

BUILD OUR TEAM & CULTURE

five BEL®W

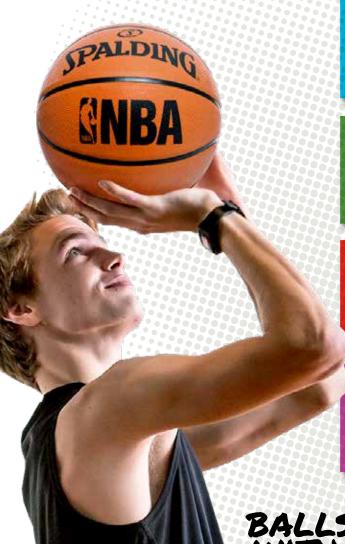


- over a decade of growth
- continued focus on densifying existing markets
- cover continental U.S.
- largest states planned to be CA, TX, FL, NY and PA

(1) management store count potential estimates in the U.S. based on third party studies; previous estimate was 2,000+



### 2 - Reinvest in "Wow" Merchandise



30

TREND-DRIVEN MERCHANDISING TEAM

**ONGOING REINVESTMENT IN PRODUCTS** 

**GLOBAL SOURCING WITH OVER 800 VENDORS** 

**LOW-COST OPERATING PHILOSOPHY** 

BALLS SHIP DEFLATED WITHOUT PACKAGING

(WE DON'T SHIP AIR, SO YOU SAVE!)



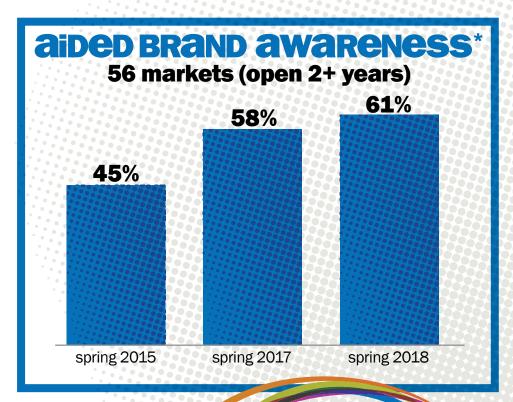
### 2 - Reinvest in "Wow" Merchandise BENEFITS OF SCALE! micro r/c quadcopter! whoa \$5 2017 exclusive marvel® flying figure yep, just \$5 el propuet eyele infrared helicopter still just \$5 2012 r/c car just \$5 five BEL® 31

### 3 - increase Brand awareness



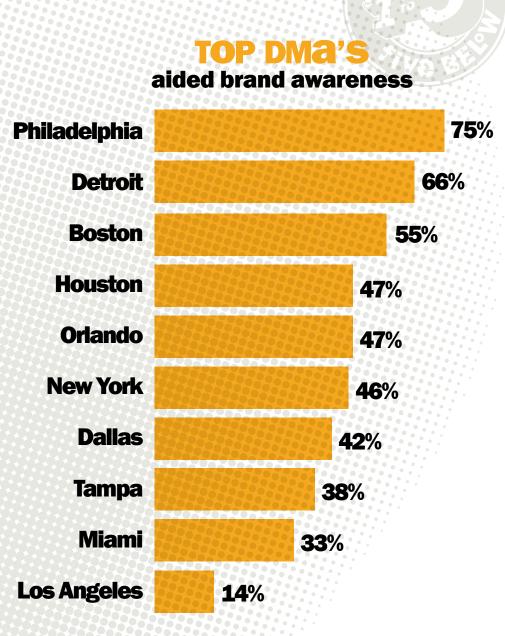


### 3 - increase Brand awareness



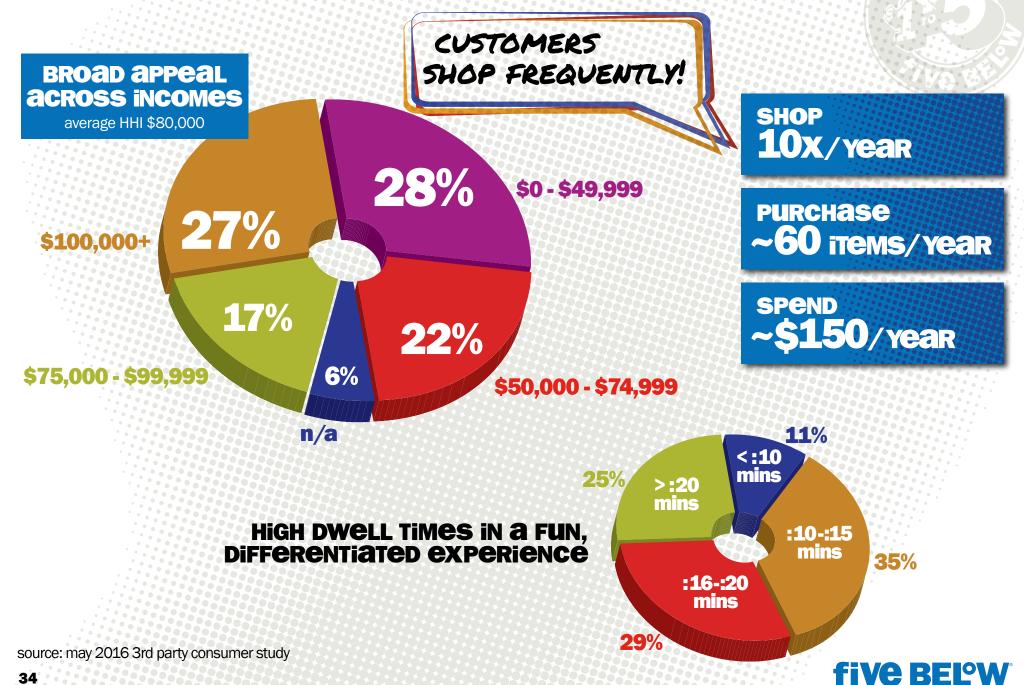


\*Measured by a third party panel at that point in time in markets open at least 2 years as of March 2015

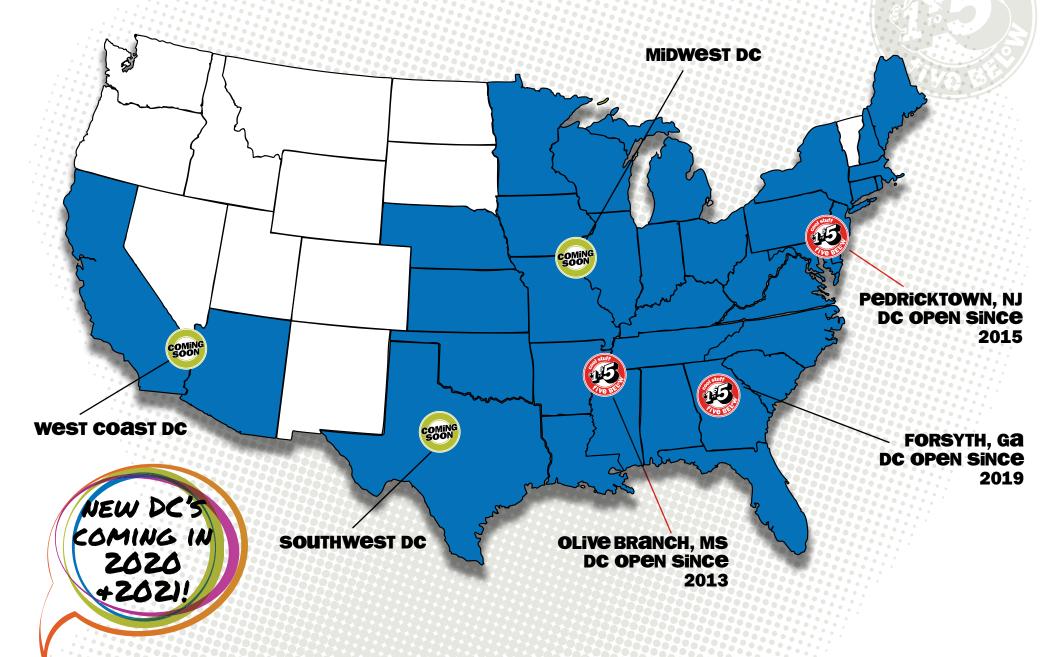




### 3 - increase Brand awareness



### 4 - SCALE SYSTEMS & INFRASTRUCTURE



### 5 - Build our team & culture



CREATE AN AWESOME EXPERIENCE TO DELIVER LONG-TERM GROWTH!

### CULTURE. Talent.

- bring our purpose "let go & have fun" to life
- foster best-in-class environment and values

- attain and retain top-tier leaders throughout the company
- build field organization for sustained growth

### 5(%) [(2)

- evolve oranizational structure to drive continued growth
- invest in systems and infrastructure



## five BEL°W is a unique investment opportunity







fivebelow.com



### **appendix:**

### **NON-GAAP RECONCILIATION**

|                                                                            | 2013     | 2014     |
|----------------------------------------------------------------------------|----------|----------|
| net income                                                                 | \$ 32.1  | \$ 48.0  |
| interest/other expense (income)(1)                                         | \$ 1.8   | \$ 0.4   |
| income tax expense                                                         | \$ 19.8  | \$ 28.6  |
| operating income                                                           | \$ 53.7  | \$ 77.0  |
| expenses related to advent transaction:                                    |          |          |
| founders' transaction <sup>(2)</sup>                                       | \$ 6.1   | \$ 0.9   |
| secondary public offereing fees <sup>(3)</sup>                             | \$ 1.0   | \$ 0.0   |
| total adjustments                                                          | \$ 7.1   | \$ 0.9   |
| adjusted operating income                                                  | \$ 60.8  | \$ 77.9  |
|                                                                            |          |          |
| net income                                                                 | \$ 32.1  | \$ 48.0  |
| founders' transaction <sup>(2)</sup>                                       | \$ 6.1   | \$ 0.9   |
| secondary public offereing fees <sup>(3)</sup>                             | \$ 1.0   | \$ -     |
| less tax benefit                                                           | \$ (2.3) | \$ (0.3) |
| adjusted net income                                                        | \$ 36.9  | \$ 48.6  |
|                                                                            |          |          |
| diluted income (loss) per common share                                     | \$ 0.59  | \$ 0.88  |
| adjustments to numerator:                                                  |          |          |
| dividends paid to preferred and unvested restricted shareholders per share | \$ -     | \$ -     |
| founders' transaction and secondary public offer <sup>(2)(3)</sup>         | \$ 0.13  | \$ 0.02  |
| income tax benefit per share                                               | \$(0.04) | \$(0.01) |
| adjustments to weighted average shares outstanding per share               | \$ -     | \$ -     |
| adjusted diluted income per common share                                   | \$ 0.68  | \$ 0,89  |

dollars in millions. components may not add up to total due to rounding.

- (1) includes loss or gain on debt extinguishment
- (2) reflects expenses related to stock option grant to founders (as part of Advent transaction) and the conversion of the options into restricted stock in Q1 2012 ahead of IPO
- (3) reflects fees related to secondary offering in 2013

