



December 5, 2013

Five Below, Inc. Announces Third Quarter Fiscal 2013 Financial Results

Reports sales increase of 28% to \$110.7 million;

Reports GAAP diluted EPS of \$0.03; adjusted EPS of \$0.05

Raises full year 2013 guidance

PHILADELPHIA, Dec. 5, 2013 (GLOBE NEWSWIRE) -- Five Below, Inc. (Nasdaq:FIVE) today announced financial results for the thirteen weeks ended November 2, 2013.

For the thirteen weeks ended November 2, 2013:

- Net sales increased by 27.9% to \$110.7 million from \$86.6 million in the third quarter of fiscal 2012; comparable store sales increased by 9.0%.
- Operating income was \$3.0 million as compared to \$1.8 million in the third quarter of fiscal 2012. Adjusted operating income, which excludes the impact of the founders' transaction in both periods (see GAAP/Non-GAAP reconciliation table), increased to \$4.5 million as compared to \$3.4 million in the third quarter of fiscal 2012.
- The Company opened 28 net new stores and ended the quarter with 304 stores in 19 states. This represents an increase in stores of 25% from the end of the third quarter of fiscal 2012.
- Net interest expense was \$0.3 million as compared to \$0.6 million in the third quarter of fiscal 2012. The decrease in net interest expense resulted from the decrease in the outstanding balance of the Company's term loan. During the second quarter of fiscal 2013, the Company repaid \$15.0 million of principal on the term loan.
- The effective tax rate was 37.9% compared to 43.2% in the third quarter of fiscal 2012.
- Net income was \$1.7 million compared to \$0.7 million in the third quarter of fiscal 2012. Adjusted net income, which excludes the impact of the founders' transaction in both periods (see GAAP/Non-GAAP reconciliation table), was \$2.6 million compared to \$1.6 million for the third quarter of fiscal 2012.
- U.S. generally accepted accounting principles, or GAAP, diluted income per common share was \$0.03 compared to \$0.01 per share in the third quarter of fiscal 2012. Adjusted diluted income per common share, which is adjusted net income on an adjusted diluted weighted average common shares outstanding basis (see GAAP/Non-GAAP reconciliation table), was \$0.05, compared to \$0.03 in the third quarter of fiscal 2012.

Thomas Vellios, Co-Founder and CEO, stated: "We are pleased to have delivered another solid quarter, with a 28% increase in sales and a 35% increase in adjusted operating income. Our results once again demonstrate the appeal of the Five Below value proposition; trend-right product that targets our core teen and pre-teen customer at the \$1 to \$5 price points."

Mr. Vellios added, "Our team successfully completed the new store program for 2013 with the opening of 60 net new stores, bringing our total store count to 304. We are ready for the all-important fourth quarter. With our broad assortment of giftable merchandise, we look forward to delighting our customers when they shop our stores this holiday season."

For the thirty-nine weeks ended November 2, 2013:

- Net sales increased by 31.9% to \$323.4 million from \$245.2 million in the comparable period in fiscal 2012; comparable store sales increased by 6.6%.
- Operating income was \$13.4 million as compared to \$4.6 million in the comparable period in fiscal 2012. Adjusted operating income, which excludes the impact of the founders' transaction in both periods and the fees incurred related to the Company's secondary public offering in the second quarter of fiscal 2013 (see GAAP/Non-GAAP reconciliation table), increased to \$18.9 million as compared to \$13.9 million in the comparable period in fiscal 2012.
- The Company opened 60 net new stores, compared to 51 new stores opened in the comparable period in fiscal 2012.

- Net interest expense was \$1.2 million as compared to \$1.8 million in the comparable period in fiscal 2012.
- Loss on debt extinguishment was \$0.3 million as compared to \$1.6 million in the comparable period in fiscal 2012. The loss on debt extinguishment was related to the write-off of deferred financing costs in connection with the \$15.0 million and \$65.5 million partial repayments of the Company's term loan, respectively.
- The effective tax rate was 38.6% compared to 43.4% in the comparable period in fiscal 2012.
- Net income was \$7.3 million compared to \$0.8 million in the comparable period in fiscal 2012. Adjusted net income, which excludes the impact of the founders' transaction in both periods and the fees incurred related to the Company's secondary public offering in the second quarter of fiscal 2013 (see GAAP/Non-GAAP reconciliation table), was \$11.1 million compared to \$6.1 million for the comparable period in fiscal 2012.
- GAAP diluted income per common share was \$0.13 compared to a loss of \$2.21 per share in the comparable period in fiscal 2012. Adjusted diluted income per common share, which is adjusted net income on an adjusted diluted weighted average common shares outstanding basis (see GAAP/Non-GAAP reconciliation table), was \$0.20, compared to \$0.11 in the comparable period in 2012.

Balance sheet highlights as of November 2, 2013:

- Cash and cash equivalents: \$5.6 million
- Total debt: \$19.5 million
- Total liquidity (cash and cash equivalents plus availability on a \$20 million revolver facility): \$25.6 million

Fourth Quarter and Fiscal 2013 Outlook:

For the fourth quarter of fiscal 2013, net sales are expected to be in the range of \$214 million to \$217 million assuming a 4% increase in comparable store sales. GAAP net income is expected to be in the range of \$25.9 million to \$27.0 million, with a GAAP diluted income per common share range of \$0.48 to \$0.50 on approximately 54.0 million estimated weighted average shares outstanding. Excluding \$0.9 million, or \$0.02 per adjusted diluted share in tax-effected expenses related to the founders' transaction, adjusted net income is expected to be approximately \$26.8 million to \$27.9 million, or \$0.49 to \$0.51 per diluted share based on estimated adjusted diluted weighted average shares outstanding of approximately 54.7 million.

For fiscal 2013, net sales are expected to be in the range of \$538 million to \$541 million based on 304 stores and assuming a 5% increase in comparable store sales. GAAP net income is expected to be in the range of \$33.2 million to \$34.3 million, with a GAAP diluted income per common share of \$0.62 to \$0.64 on approximately 53.8 million estimated weighted average shares outstanding. Excluding \$4.7 million, or \$0.09 per adjusted diluted share in tax-effected expenses related to the founders' transaction and the costs associated with the secondary public offering, adjusted net income is expected to be in the range of \$37.9 million to \$39.0 million, or \$0.70 to \$0.72 per diluted share based on estimated adjusted diluted weighted average shares outstanding of approximately 54.6 million.

Conference Call Information:

A conference call to discuss third quarter fiscal 2013 financial results and fiscal 2013 outlook is scheduled for today, December 5, 2013, at 4:30 PM Eastern Time. Investors and analysts interested in participating in the call are invited to dial 1-888-802-2266 (international callers please dial 913-981-4902) approximately 10 minutes prior to the start of the call. A live audio webcast of the conference call will be available online at www.fivebelow.com in the investor relations section of the website.

A taped replay of the conference call will be available within two hours of the conclusion of the call and can be accessed both online and by dialing (877) 870-5176. The pin number to access the telephone replay is 5829335. The replay will be available until December 12, 2013.

Non-GAAP Information:

This press release includes non-GAAP adjusted operating income, adjusted net income, adjusted diluted weighted average shares outstanding and adjusted diluted income per common share, each a non-GAAP financial measure. The Company has reconciled these non-GAAP financial measures with the most directly comparable GAAP financial measures in tables accompanying this release. The Company believes that these non-GAAP financial measures not only provide its management with comparable financial data for internal financial analysis but also provide meaningful supplemental information to investors. Specifically, these non-GAAP financial measures allow investors to better understand the performance of the Company's business and facilitate a meaningful evaluation of its quarterly and fiscal year-to-date 2013 diluted income per common share and actual results on a comparable basis with its quarterly and fiscal year-to-date 2012 results. In evaluating these non-GAAP

financial measures, investors should be aware that in the future the Company may incur expenses or be involved in transactions that are the same as or similar to some of the adjustments in this presentation. The Company's presentation of non-GAAP financial measures should not be construed to imply that its future results will be unaffected by any such adjustments. The Company has provided this information as a means to evaluate the results of its ongoing operations. Other companies in the Company's industry may calculate these items differently than it does. Each of these measures is not a measure of performance under GAAP and should not be considered as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

Forward-Looking Statements:

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect management's current views and estimates regarding the Company's industry, business strategy, goals and expectations concerning its 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. The Company cannot assure investors that future developments affecting the Company will be those that it has anticipated. Actual results may differ materially from these expectations due to risks relating to the Company's 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, risks related to the Company's continued retention of its senior management and other key personnel, risks relating to changes in consumer preferences and economic conditions, risks relating to the Company's distribution centers, quality or safety concerns about the Company's merchandise, events that may affect the Company's vendors, increased competition from other retailers, risks relating to trade restrictions, risks associated with leasing substantial amounts of space, and other factors that are set forth in the Company's filings with the Securities and Exchange Commission ("SEC"), including risk factors contained in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013 and Quarterly Reports on Form 10-Q for the fiscal year ending February 1, 2014 filed with the SEC and available at www.sec.gov. If one or more of these risks or uncertainties materialize, or if any of the Company's assumptions prove incorrect, the Company's actual results may vary in material respects from those projected in these forward-looking statements. Any forward-looking statement made by the Company in this news release speaks only as of the date on which the Company makes it. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

About Five Below:

Five Below is a rapidly growing specialty value retailer offering a broad range of trend-right, high-quality merchandise targeted at the teen and pre-teen customer. Five Below offers a dynamic, edited assortment of exciting products in a fun and differentiated store environment, all priced at \$5 and below, including select brands and licensed merchandise across a number of category worlds - *Style, Room, Sports, Media, Crafts, Party, Candy* and *Now*. Five Below is headquartered in Philadelphia, Pennsylvania.

FIVE BELOW, INC.

Consolidated Balance Sheets

(Unaudited)

(in thousands)

	<u>November 2, 2013</u>	<u>February 2, 2013</u>	<u>October 27, 2012</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,550	\$ 56,081	\$ 7,245
Inventories	115,484	60,831	84,399
Prepaid income taxes	5,675	36	9,951
Deferred income taxes	2,060	1,295	—
Prepaid expenses and other current assets	<u>17,286</u>	<u>11,433</u>	<u>12,250</u>

Total current assets	146,055	129,676	113,845
Property and equipment, net	69,564	59,040	54,086
Other assets	596	944	1,083
	<u>\$ 216,215</u>	<u>\$ 189,660</u>	<u>\$ 169,014</u>

Liabilities and Shareholders' Equity

Current liabilities:

Line of credit	\$ —	\$ —	\$ —
Current portion of notes payable	—	15,000	—
Accounts payable	52,422	27,952	40,250
Income taxes payable	37	7,083	—
Accrued salaries and wages	4,125	4,204	1,693
Other accrued expenses	15,587	14,545	11,472
Deferred income taxes	—	—	1,710
Total current liabilities	72,171	68,784	55,125
Notes payable	19,500	19,500	34,500
Deferred rent and other	34,396	29,082	27,773
Deferred income taxes	1,063	1,550	2,216
Total liabilities	<u>127,130</u>	<u>118,916</u>	<u>119,614</u>

Shareholders' equity:

Common stock	542	540	540
Additional paid-in capital	281,660	270,637	268,499
Accumulated deficit	(193,117)	(200,433)	(219,639)
Total shareholders' equity	<u>89,085</u>	<u>70,744</u>	<u>49,400</u>
	<u>\$ 216,215</u>	<u>\$ 189,660</u>	<u>\$ 169,014</u>

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, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net sales	\$ 110,747	\$ 86,587	\$ 323,438	\$ 245,236
Cost of goods sold	76,513	59,656	219,591	166,538
Gross profit	34,234	26,931	103,847	78,698
Selling, general and administrative expenses	31,213	25,090	90,451	74,087
Operating income	3,021	1,841	13,396	4,611
Interest expense, net	321	550	1,223	1,829
Loss on debt extinguishment	—	7	266	1,594
Other income	—	—	—	(258)
Income before income taxes	2,700	1,284	11,907	1,446
Income tax expense	1,023	555	4,591	627
Net income	1,677	729	7,316	819
Dividend paid to preferred and unvested restricted shareholders	—	—	—	(65,403)
Net income attributable to participating securities	(21)	(19)	(110)	—
Net income (loss) attributable to common shareholders	<u>\$ 1,656</u>	<u>\$ 710</u>	<u>\$ 7,206</u>	<u>\$ (64,584)</u>

Basic income (loss) per common share	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.14</u>	<u>\$ (2.21)</u>
Diluted income (loss) per common share	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.13</u>	<u>\$ (2.21)</u>
Dividends declared and paid per common share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2.02</u>
Weighted average shares outstanding:				
Basic shares	<u>53,409,601</u>	<u>52,565,576</u>	<u>53,227,393</u>	<u>29,282,385</u>
Diluted shares	<u>53,801,797</u>	<u>52,959,169</u>	<u>53,662,570</u>	<u>29,282,385</u>

FIVE BELOW, INC.

Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	<u>Thirty-Nine Weeks Ended</u>	
	<u>November 2, 2013</u>	<u>October 27, 2012</u>
Operating activities:		
Net income	\$ 7,316	\$ 819
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,859	6,841
Gain on conversion of note payable	—	(200)
Loss on disposal of property and equipment	438	—
Loss on debt extinguishment	266	1,594
Amortization of deferred financing costs	170	387
Warrant expense related to professional service providers for services rendered	—	43
Stock-based compensation expense	7,511	10,157
Deferred income tax (benefit) expense	(1,252)	7,483
Other	—	(71)
Changes in operating assets and liabilities:		
Prepaid income taxes	(5,639)	(9,951)
Inventories	(54,653)	(45,609)
Prepaid expenses and other assets	(5,900)	(5,008)
Accounts payable	22,717	16,662
Income taxes payable	(7,046)	(9,139)
Accrued salaries and wages	(79)	(7,561)
Deferred rent	6,976	7,499
Other accrued expenses	<u>2,018</u>	<u>2,207</u>
Net cash used in operating activities	<u>(17,298)</u>	<u>(23,847)</u>
Investing activities:		
Capital expenditures	<u>(21,758)</u>	<u>(17,442)</u>
Net cash used in investing activities	<u>(21,758)</u>	<u>(17,442)</u>
Financing activities:		
Borrowing under Term Loan Facility	—	100,000
Repayment of Term Loan Facility	(15,000)	(65,500)
Cash paid for debt financing costs	(40)	(2,751)
Repayment of note payable	—	(50)
Dividend paid to shareholders	—	(99,451)
Net proceeds from issuance of common stock	81	73,259
Proceeds from exercise of warrants and stock options to purchase common stock	1,332	201

Repurchase of unvested restricted shares related to stock option exercises	(4)	(17)
Excess tax benefit related to restricted shares and the exercise of stock options	2,156	1,550
Net cash (used in) provided by financing activities	(11,475)	7,241
Net decrease in cash and cash equivalents	(50,531)	(34,048)
Cash and cash equivalents at beginning of period	56,081	41,293
Cash and cash equivalents at end of period	\$ 5,550	\$ 7,245

FIVE BELOW, INC.

GAAP to Non-GAAP Reconciliation of Consolidated Statements of Operations

(Unaudited)

(in thousands, except share and per share data)

Reconciliation of operating income, as reported, to adjusted operating income

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Operating income	\$ 3,021	\$ 1,841	\$ 13,396	\$ 4,611
Adjustments:				
Founders' transaction ⁽¹⁾	1,515	1,515	4,545	9,282
Secondary public offering fees ⁽²⁾	—	—	1,000	—
Adjusted operating income	\$ 4,536	\$ 3,356	\$ 18,941	\$ 13,893

Reconciliation of net income (loss) attributable to common shareholders, as reported, to adjusted net income

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net income (loss) attributable to common shareholders	\$ 1,656	\$ 710	\$ 7,206	\$ (64,584)
Adjustments:				
Dividends paid to preferred and unvested restricted shareholders	—	—	—	65,403
Net income attributable to participating securities	21	19	110	—
Net income	1,677	729	7,316	819
Adjustments:				
Founders' transaction ⁽¹⁾	1,515	1,515	4,545	9,282
Secondary public offering fees ⁽²⁾	—	—	1,000	—
Less tax benefit	(599)	(655)	(1,752)	(4,025)
Adjusted net income	\$ 2,593	\$ 1,589	\$ 11,109	\$ 6,076

Reconciliation of diluted weighted average shares outstanding, as reported, to adjusted diluted weighted average shares outstanding

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Diluted weighted average shares outstanding	53,801,797	52,959,169	53,662,570	29,282,385
Adjustments:				

Preferred shares conversion	—	—	—	20,030,794
Initial public offering shares issuance	—	—	—	3,117,075
Unvested and vested restricted stock ⁽³⁾	694,286	1,406,430	814,701	1,564,878
Diluted effect of stock options and warrants ⁽⁴⁾	—	—	—	133,639
Adjusted diluted weighted average shares outstanding	<u>54,496,083</u>	<u>54,365,599</u>	<u>54,477,271</u>	<u>54,128,771</u>

FIVE BELOW, INC.

GAAP to Non-GAAP Reconciliation of Consolidated Statements of Operations

(Unaudited)

(in thousands, except share and per share data)

Reconciliation of diluted income (loss) per common share, as reported, to adjusted diluted income per common share

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Diluted income (loss) per common share, as reported	\$ 0.03	\$ 0.01	\$ 0.13	\$ (2.21)
Adjustments to numerator:				
Dividends paid to preferred and unvested restricted shareholders per share	—	—	—	2.23
Founders' transaction and secondary public offering fees per share ^{(1) (2)}	0.03	0.03	0.10	0.32
Income tax benefit per share	(0.01)	(0.01)	(0.03)	(0.14)
Adjustments to weighted average shares outstanding per share	—	—	—	(0.09)
Adjusted diluted income per common share	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.20</u>	<u>\$ 0.11</u>

(1) Founders' transaction relates to the on-going expense recognition for the options granted to the founders in fiscal 2010 and their modification in March 2012, which cancelled the fiscal 2010 option award to purchase 2,020,620 shares of common stock and granted an equal number of restricted shares that vest through March 2014.

(2) During the second quarter of fiscal 2013, the Company incurred approximately \$1.0 million of non tax deductible expenses related to legal, accounting, and other fees in connection with its secondary public offering that closed in July 2013.

(3) Assumes the impact of all unvested and vested restricted stock as of the beginning of the period.

(4) Assumes the diluted impact of stock options and warrants and the Company's Employee Stock Purchase Plan utilizing the treasury stock method.

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