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

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## Form 10-Q

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(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, 2019.**
**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**

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

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

**(215) 546-7909**
**(Registrant's Telephone Number, Including Area Code)**

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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 | NASDAQ Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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, 2019 was 55,673,032.

## INDEX

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, 2019 | February 2, 2019 | November 3, 2018 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 77,496 | $ 251,748 | $ 103,262 |
| Short-term investment securities | 54,072 | 85,412 | 85,029 |
| Inventories | 419,340 | 243,636 | 339,898 |
| Prepaid income taxes | 16,396 | 1,337 | 11,443 |
| Prepaid expenses and other current assets | 58,666 | 60,124 | 59,500 |
| Total current assets | 625,970 | 642,257 | 599,132 |
| Property and equipment, net of accumulated depreciation and amortization of $200,306, $168,588, and $157,575, respectively. | 400,129 | 301,297 | 245,631 |
| Operating lease assets | 794,350 | — | — |
| Deferred income taxes | 2,283 | 6,126 | 3,243 |
| Other assets | 11,019 | 2,584 | 1,730 |
| | $ 1,833,751 | $ 952,264 | $ 849,736 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Line of credit | $ — | $ — | $ — |
| Accounts payable | 188,061 | 103,692 | 155,986 |
| Income taxes payable | 831 | 20,626 | 281 |
| Accrued salaries and wages | 11,773 | 24,586 | 11,139 |
| Other accrued expenses | 91,304 | 104,201 | 72,019 |
| Operating lease liabilities | 105,834 | — | — |
| Total current liabilities | 397,803 | 253,105 | 239,425 |
| Deferred rent and other | 1,250 | 84,065 | 85,240 |
| Long-term operating lease liabilities | 789,307 | — | — |
| Total liabilities | 1,188,360 | 337,170 | 324,665 |
| Commitments and contingencies (note 6) | | | |
| Shareholders' equity: | | | |
| Common stock, $0.01 par value. Authorized 120,000,000 shares; issued and outstanding 55,671,943, 55,759,048, and 55,760,985 shares, respectively. | 556 | 557 | 557 |
| Additional paid-in capital | 318,318 | 352,702 | 351,941 |
| Retained earnings | 326,517 | 261,835 | 172,573 |
| Total shareholders' equity | 645,391 | 615,094 | 525,071 |
| | $ 1,833,751 | $ 952,264 | $ 849,736 |

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, 2019** | **November 3, 2018** | **November 2, 2019** | **November 3, 2018** |
| Net sales | $ 377,438 | $ 312,823 | $ 1,159,600 | $ 956,879 |
| Cost of goods sold | 258,756 | 210,733 | 774,762 | 635,799 |
| Gross profit | 118,682 | 102,090 | 384,838 | 321,080 |
| Selling, general and administrative expenses | 105,997 | 86,542 | 311,655 | 250,404 |
| Operating income | 12,685 | 15,548 | 73,183 | 70,676 |
| Interest income and other, net | 753 | 1,058 | 3,952 | 3,120 |
| Income before income taxes | 13,438 | 16,606 | 77,135 | 73,796 |
| Income tax expense | 3,249 | 3,090 | 12,453 | 13,413 |
| Net income | $ 10,189 | $ 13,516 | $ 64,682 | $ 60,383 |
| Basic income per common share | $ 0.18 | $ 0.24 | $ 1.16 | $ 1.08 |
| Diluted income per common share | $ 0.18 | $ 0.24 | $ 1.15 | $ 1.07 |
| Weighted average shares outstanding: | | | | |
| Basic shares | 55,672,796 | 55,742,854 | 55,855,526 | 55,731,098 |
| Diluted shares | 56,019,736 | 56,228,305 | 56,208,718 | 56,185,305 |

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 2, 2019 | 55,759,048 | $ 557 | $ 352,702 | $ 261,835 | $ 615,094 |
| Share-based compensation expense | — | — | 2,822 | — | 2,822 |
| Issuance of unrestricted stock awards | 307 | — | 45 | — | 45 |
| Exercise of options to purchase common stock | 72,365 | 1 | 2,246 | — | 2,247 |
| Vesting of restricted stock units and performance-based restricted stock units | 203,429 | 2 | — | — | 2 |
| Common shares withheld for taxes | (79,256) | (1) | (9,872) | — | (9,873) |
| Net income | — | — | — | 25,662 | 25,662 |
| Balance, May 4, 2019 | 55,955,893 | $ 559 | $ 347,943 | $ 287,497 | $ 635,999 |
| Share-based compensation expense | — | — | 3,055 | — | 3,055 |
| Issuance of unrestricted stock awards | 411 | — | 45 | — | 45 |
| Exercise of options to purchase common stock | 24,688 | — | 685 | — | 685 |
| Vesting of restricted stock units and performance-based restricted stock units | 17,099 | — | — | — | — |
| Common shares withheld for taxes | (2,110) | — | (275) | — | (275) |
| Repurchase and retirement of common stock | (146,185) | (1) | (16,598) | — | (16,599) |
| Issuance of common stock to employees under employee stock purchase plan | 1,847 | — | 195 | — | 195 |
| Net income | — | — | — | 28,831 | 28,831 |
| Balance, August 3, 2019 | 55,851,643 | $ 558 | $ 335,050 | $ 316,328 | $ 651,936 |
| Share-based compensation expense | — | — | 3,398 | — | 3,398 |
| Issuance of unrestricted stock awards | 355 | — | 45 | — | 45 |
| Exercise of options to purchase common stock | 8,921 | — | 252 | — | 252 |
| Vesting of restricted stock units and performance-based restricted stock units | 3,530 | — | — | — | — |
| Common shares withheld for taxes | (1,139) | — | (143) | — | (143) |
| Repurchase and retirement of common stock | (191,367) | (2) | (20,284) | — | (20,286) |
| Net income | — | — | — | 10,189 | 10,189 |
| Balance, November 2, 2019 | 55,671,943 | $ 556 | $ 318,318 | $ 326,517 | $ 645,391 |

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, 2018 | 55,438,089 | $ 554 | $ 346,300 | $ 111,704 | $ 458,558 |
| Cumulative effect of ASC 606 adoption | — | — | — | 486 | 486 |
| Share-based compensation expense | — | — | 2,692 | — | 2,692 |
| Issuance of unrestricted stock awards | 876 | — | 62 | — | 62 |
| Exercise of options to purchase common stock | 39,237 | — | 1,222 | — | 1,222 |
| Vesting of restricted stock units and performance-based restricted stock units | 243,745 | 2 | — | — | 2 |
| Common shares withheld for taxes | (101,928) | (1) | (6,907) | — | (6,908) |
| Net income | — | — | — | 21,804 | 21,804 |
| Balance, May 5, 2018 | 55,620,019 | $ 555 | $ 343,369 | $ 133,994 | $ 477,918 |
| Share-based compensation expense | — | — | 3,360 | — | 3,360 |
| Issuance of unrestricted stock awards | 449 | — | 28 | — | 28 |
| Exercise of options to purchase common stock | 70,030 | 1 | 2,141 | — | 2,142 |
| Vesting of restricted stock units and performance-based restricted stock units | 39,359 | 1 | — | — | 1 |
| Common shares withheld for taxes | (8,223) | — | (722) | — | (722) |
| Issuance of common stock to employees under employee stock purchase plan | 1,633 | — | 168 | — | 168 |
| Net income | — | — | — | 25,063 | 25,063 |
| Balance, August 4, 2018 | 55,723,267 | $ 557 | $ 348,344 | $ 159,057 | $ 507,958 |
| Share-based compensation expense | — | — | 3,087 | — | 3,087 |
| Issuance of unrestricted stock awards | 371 | — | 45 | — | 45 |
| Exercise of options to purchase common stock | 34,195 | — | 652 | — | 652 |
| Vesting of restricted stock units and performance-based restricted stock units | 4,650 | — | — | — | — |
| Common shares withheld for taxes | (1,498) | — | (187) | — | (187) |
| Net income | — | — | — | 13,516 | 13,516 |
| Balance, November 3, 2018 | 55,760,985 | $ 557 | $ 351,941 | $ 172,573 | $ 525,071 |

See accompanying notes to consolidated financial statements.

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

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | **November 2, 2019** | **November 3, 2018** |
| Operating activities: | | |
| Net income | $ 64,682 | $ 60,383 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 39,894 | 30,267 |
| Share-based compensation expense | 9,446 | 9,297 |
| Deferred income tax expense | 3,843 | 3,433 |
| Other non-cash expenses | 75 | 43 |
| Changes in operating assets and liabilities: | | |
| Inventories | (175,704) | (152,861) |
| Prepaid income taxes | (15,059) | (9,179) |
| Prepaid expenses and other assets | 326 | (14,175) |
| Accounts payable | 78,372 | 79,036 |
| Income taxes payable | (19,795) | (24,994) |
| Accrued salaries and wages | (12,813) | (11,767) |
| Deferred rent | (92,382) | 12,785 |
| Operating leases | 102,042 | — |
| Other accrued expenses | 18,928 | 19,351 |
| Net cash provided by operating activities | 1,855 | 1,619 |
| Investing activities: | | |
| Purchases of investment securities and other investments | (103,055) | (91,375) |
| Sales, maturities, and redemptions of investment securities | 127,093 | 166,006 |
| Capital expenditures | (156,350) | (82,027) |
| Net cash used in investing activities | (132,312) | (7,396) |
| Financing activities: | | |
| Net proceeds from issuance of common stock | 195 | 168 |
| Repurchase and retirement of common stock | (36,885) | — |
| Proceeds from exercise of options to purchase common stock and vesting of restricted and performance-based restricted stock units | 3,186 | 4,019 |
| Common shares withheld for taxes | (10,291) | (7,817) |
| Net cash used in financing activities | (43,795) | (3,630) |
| Net decrease in cash and cash equivalents | (174,252) | (9,407) |
| Cash and cash equivalents at beginning of period | 251,748 | 112,669 |
| Cash and cash equivalents at end of period | $ 77,496 | $ 103,262 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Non-cash investing activities | | |
| (Decrease) increase in accrued purchases of property and equipment | $ (17,547) | $ 11,813 |

See accompanying notes to consolidated financial statements.

## (1) Summary of Significant Accounting Policies

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

Five Below, Inc. (collectively referred to herein with its wholly owned subsidiary as the "Company") 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.

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, 2019, operated in 36 states that include Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Massachusetts, New Hampshire, West Virginia, North Carolina, New York, Connecticut, Rhode Island, Ohio, Illinois, Indiana, Michigan, Missouri, Georgia, Texas, Tennessee, Maine, Alabama, Kentucky, Kansas, Florida, South Carolina, Mississippi, Louisiana, Wisconsin, Oklahoma, Minnesota, California, Arkansas, Iowa, Nebraska, and Arizona. As of November 2, 2019 and November 3, 2018, the Company operated 894 stores and 745 stores, respectively, each operating under the name "Five Below", and sells merchandise on the internet, through the Company's fivebelow.com e-commerce website.

(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 2019" or "fiscal 2019" refer to the period from February 3, 2019 to February 1, 2020, which is a 52-week fiscal year. References to "fiscal year 2018" or "fiscal 2018" refer to the period from February 4, 2018 to February 2, 2019, which is a 52-week fiscal year. The fiscal quarters ended November 2, 2019 and November 3, 2018 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended November 2, 2019 and November 3, 2018 refer to the thirty-nine weeks ended as of those dates.

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

The consolidated balance sheets as of November 2, 2019 and November 3, 2018, the consolidated statements of operations for the thirteen and thirty-nine weeks ended November 2, 2019 and November 3, 2018, the consolidated statements of shareholders' equity for the thirty-nine weeks ended November 2, 2019 and November 3, 2018 and the consolidated statements of cash flows for the thirty-nine weeks ended November 2, 2019 and November 3, 2018 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, 2019 and November 3, 2018. The balance sheet as of February 2, 2019, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for fiscal 2018 as filed with the Securities and Exchange Commission on March 28, 2019 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 financial statements for the fiscal year ended February 2, 2019 and footnotes thereto included in the Annual Report. The consolidated results of operations for the thirteen and thirty-nine weeks ended November 2, 2019 and November 3, 2018 are not necessarily indicative of the consolidated operating results for the year ending February 1, 2020 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 May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 clarifies the principles for recognizing revenue from contracts with customers and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. On February 4, 2018, the Company adopted the pronouncement using the modified retrospective method by recognizing the cumulative effect of gift card breakage as an adjustment to retained earnings resulting in a $0.5 million increase to retained earnings.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. On February 3, 2019, the Company adopted this pronouncement on a modified retrospective basis and applied the new standard to all leases. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which includes, among other things, the ability to carry forward the existing lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. At adoption, the new standard had a material impact on the Company's balance sheets resulting in an increase in net assets and liabilities of approximately $618 million, as the Company has a significant number of leases for its stores. Although the standard impacts the treatment of certain initial direct leases costs that were previously capitalizable, it did not materially impact the Company's consolidated statements of operations and had no impact on the Company's cash flows.

The following is a discussion of the Company's lease policy under the new lease accounting standard:

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. Operating lease assets and operating lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the rate implicit in the lease is not readily determinable for the Company's leases, the Company utilizes its incremental borrowing rate to determine the present value of future lease payments. The incremental borrowing rate represents a significant judgment and is determined based on an analysis of our synthetic credit rating, prevailing financial market conditions, corporate bond yields, treasury bond yields, and the effect of collateralization. The operating lease assets also include lease payments made before commencement and exclude lease incentives.

The Company's real estate leases typically contain options that permit renewals for additional periods of up to five years. For real estate leases, except for renewals that generally take the lease to a ten-year term, the options to renew are not considered reasonably certain at lease commencement because the Company reevaluates each lease on a regular basis to consider the economic and strategic incentives of exercising the renewal options, and regularly opens, relocates or closes stores to align with its operating strategy. Generally, except for renewals that generally take the lease to a ten-year term, the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the operating lease asset and operating lease liability as the exercise of such options is not reasonably certain. Similarly, renewal options are not included in the lease term for non-real estate leases because they are not considered reasonably certain of being exercised at lease commencement. Leases with an initial term of 12 months or less are not recorded on the balance sheets and lease expense is recognized on a straight-line basis over the term of the short-term lease.

For certain real estate leases, the Company accounts for lease components and nonlease components as a single lease component. Certain real estate leases require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs. Other real estate leases contain one fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the operating lease assets and operating lease liabilities.

See Note 3 ''Leases'' for additional information.

*Impact of New Lease Standard on Balance Sheet Line Items*

As a result of applying the new lease standard using the modified retrospective method, the following adjustments were made to accounts on the consolidated balance sheet as of February 3, 2019 (in thousands):

| | Impact of ASC 842 Adoption | | |
|---|---|---|---|
| | **As Reported February 2, 2019** | **Adjustments** | **Adjusted February 3, 2019** |
| **Assets** | | | |
| Current assets: | | | |
| Prepaid expenses and other current assets | 60,124 | (11,077) | 49,047 |
| Total current assets | 642,257 | (11,077) | 631,180 |
| Operating lease assets | — | 628,924 | 628,924 |
| | $ 952,264 | $ 617,847 | $ 1,570,111 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Other accrued expenses | 104,201 | (8,033) | 96,168 |
| Total current liabilities | 253,105 | (8,033) | 245,072 |
| Deferred rent and other | 84,065 | (84,065) | — |
| Long-term operating lease liabilities | — | 709,945 | 709,945 |
| Total liabilities | 337,170 | 617,847 | 955,017 |
| Shareholders' equity: | | | |
| Total shareholders' equity | 615,094 | — | 615,094 |
| | $ 952,264 | $ 617,847 | $ 1,570,111 |

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." ASU 2018-15 requires implementation costs incurred by customers in cloud computing arrangements to be deferred over the noncancelable term of the cloud computing arrangements plus any optional renewal periods (1) that are reasonably certain to be exercised by the customer or (2) for which exercise of the renewal option is controlled by the cloud service provider. The effective date of this pronouncement is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and early adoption is permitted. The standard can be adopted either using the prospective or retrospective transition approach. During the thirteen weeks ended November 3, 2018, the Company adopted the pronouncement using the prospective transition method and it did not have a significant impact to the Company's financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses," which addresses certain fair value disclosure requirements, the measurement basis under the measurement alternative and which equity securities have to be remeasured at historical exchange rates. In May 2019, the FASB issued "Financial Instruments - Credit Losses (Topic 326), Targeted Transition Relief," which allows entities to elect to measure assets in the scope of ASC 326-20, using the fair value option when ASU 2016-13 is adopted. The effective date of the standards will be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted for annual periods beginning after December 15, 2018. The new standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date to align the Company's credit loss methodology with the new standard. While the Company is currently evaluating the impact to its consolidated financial statements of adopting this guidance, the Company does not anticipate that the guidance will materially impact its consolidated financial statements.

(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, valuation allowances for inventories, income taxes, share-based compensation expense and the incremental borrowing rate utilized in operating lease liabilities.

(f) ***Equity Method Investments***

The Company uses the equity method to account for its investments in which the Company is deemed to have the ability to exercise significant influence over an investee's operating and financial policies or in which the Company holds a significant partnership or limited liability company interest. Equity method investments are initially recorded at cost in other assets in the consolidated balance sheets. The cost is adjusted to recognize the Company's proportionate share of the investee's net income or loss after the date of investment and is also adjusted for any impairments resulting from other-than-temporary declines in fair value. These adjustments are recorded in interest income and other, net in the consolidated statements of operations. Additional adjustments to cost may include any additional contributions made and dividends received and both are recorded in other assets in the consolidated balance sheets.

(g) ***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 is based upon the lowest level of input that is significant to the measurement.

The Company's financial instruments consist primarily of cash equivalents, short-term and long-term investment securities, accounts payable, and borrowings, if any, under a line of credit. 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 the short-term and long-term investments in corporate bonds are level 1 while the short-term and long-term 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, 2019, February 2, 2019, and November 3, 2018, the Company had cash equivalents of $64.3 million, $215.7 million and $84.9 million, respectively. The Company's cash equivalents consist of credit and debit card receivables, money market funds, and corporate 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, 2019, February 2, 2019, and November 3, 2018, the Company's short-term 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, 2019 | | | |
|---|---|---|---|---|
| | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Market Value** |
| Short-term: | | | | |
| Corporate bonds | $ 53,996 | $ 48 | $ — | $ 54,044 |
| Municipal bonds | 76 | — | — | 76 |
| Total | $ 54,072 | $ 48 | $ — | $ 54,120 |

| | As of February 2, 2019 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Market Value |
| Short-term: | | | | |
| Corporate bonds | $ 83,128 | $ — | $ 63 | $ 83,065 |
| Municipal bonds | 2,284 | — | 2 | 2,282 |
| Total | $ 85,412 | $ — | $ 65 | $ 85,347 |

| | As of November 3, 2018 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Market Value |
| Short-term: | | | | |
| Corporate bonds | $ 82,710 | $ — | $ 194 | $ 82,516 |
| Municipal bonds | 2,319 | — | 7 | 2,312 |
| Total | $ 85,029 | $ — | $ 201 | $ 84,828 |

Short-term investment securities as of November 2, 2019, February 2, 2019, and November 3, 2018 all mature in one year or less.

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

Prepaid expenses as of November 2, 2019, February 2, 2019, and November 3, 2018 were $18.8 million, $26.1 million, and $32.1 million, respectively. Other current assets as of November 2, 2019, February 2, 2019, and November 3, 2018 were $39.9 million, $34.0 million, and $27.4 million, respectively.

(i) ***Other Accrued Expenses***

Other accrued expenses include accrued capital expenditures of $30.6 million, $54.2 million, and $12.9 million as of November 2, 2019, February 2, 2019, and November 3, 2018, respectively.

**(2) Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 clarifies the principles for recognizing revenue from contracts with customers. The Company adopted the standard during the thirteen weeks ended May 5, 2018 using the modified retrospective method by recognizing the cumulative effect as an adjustment to retained earnings.

***Revenue Transactions***

Revenue from store operations 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 consumer receives the product as control transfers upon delivery. Returns subsequent to the period end are immaterial; accordingly, no 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 included in costs of goods sold. The Company has chosen the pronouncement's policy election which allows it to exclude all sales taxes 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 party and snack (in thousands):

| | Thirteen Weeks Ended November 2, 2019 | | Thirteen Weeks Ended November 3, 2018 | |
|---|---|---|---|---|
| | Amount | Percentage of Net Sales | Amount | Percentage of Net Sales |
| Leisure | $ 188,627 | 50.0% | $ 161,634 | 51.7% |
| Fashion and home | 120,636 | 32.0% | 97,107 | 31.0% |
| Party and snack | 68,175 | 18.0% | 54,082 | 17.3% |
| Total | $ 377,438 | 100.0% | $ 312,823 | 100.0% |

| | Thirty-Nine Weeks Ended November 2, 2019 | | Thirty-Nine Weeks Ended November 3, 2018 | |
|---|---|---|---|---|
| | Amount | Percentage of Net Sales | Amount | Percentage of Net Sales |
| Leisure | $ 587,649 | 50.7% | $ 493,650 | 51.6% |
| Fashion and home | 352,593 | 30.4% | 288,944 | 30.2% |
| Party and snack | 219,358 | 18.9% | 174,285 | 18.2% |
| Total | $ 1,159,600 | 100.0% | $ 956,879 | 100.0% |

***Financial Statement Impact of Adopting ASU 2014-09***

All of the Company's revenue is recognized from contracts with customers and, therefore, is subject to ASU 2014-09. The Company adopted ASU 2014-09 using a modified retrospective approach during the thirteen weeks ended May 5, 2018 and recognized the cumulative effect as an adjustment by increasing retained earnings by $0.5 million and income taxes payable by $0.1 million, and reducing accrued expenses by $0.7 million and deferred tax asset by $0.1 million. The cumulative adjustment was related to the recognition of gift card breakage.

**(3) Leases**

The Company leases property and equipment under noncancelable operating leases. Certain retail store lease agreements provide for contingent rental payments if the store’s net sales exceed stated levels (percentage rents) and/or contain escalation clauses, which provide for increases in base rental payments for increases in future operating costs. Many of the Company’s leases provide for one or more renewal options for periods of five years. The Company’s operating lease agreements, including assumed renewals, which are generally those that take the lease to a ten-year term, expire through fiscal 2033.

During the thirteen weeks ended November 2, 2019, the Company committed to 28 new store leases with average terms of approximately 10 years that have future minimum lease payments of approximately $49.5 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, 2019, the weighted average remaining lease term for the Company's operating leases is 7.9 years, and the weighted average discount rate is 7.0%. For the thirty-nine weeks ended November 2, 2019, cash paid for amounts included in the measurement of operating lease liabilities of $96.5 million was reflected in cash flows from operating activities in the consolidated statements of cash flows.

The following table is a summary of the Company's components for net lease costs as of November 2, 2019 (in thousands):

| | November 2, 2019 | |
|---|---|---|
| **Lease Cost** | Thirteen Weeks Ended | Thirty-Nine Weeks Ended |
| Operating lease cost | $ 37,549 | $ 106,580 |
| Variable lease cost | 10,422 | 29,634 |
| Net lease cost* | $ 47,971 | $ 136,214 |

* Excludes short-term lease cost, which is immaterial

The following table summarizes the maturity of lease liabilities under operating leases as of November 2, 2019 (in thousands):

| **Maturity of Lease Liabilities** | **Operating Leases** |
|---|---|
| 2019 | $ 39,821 |
| 2020 | 161,775 |
| 2021 | 157,668 |
| 2022 | 149,453 |
| 2023 | 139,771 |
| After 2023 | 518,912 |
| Total lease payments | 1,167,400 |
| Less: imputed interest | 272,259 |
| Present value of lease liabilities | $ 895,141 |

**(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 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, 2019** | **November 3, 2018** | **November 2, 2019** | **November 3, 2018** |
| Numerator: | | | | |
| Net income | $ 10,189 | $ 13,516 | $ 64,682 | $ 60,383 |
| Denominator: | | | | |
| Weighted average common shares outstanding - basic | 55,672,796 | 55,742,854 | 55,855,526 | 55,731,098 |
| Dilutive impact of options, restricted stock units and employee stock purchase plan | 346,940 | 485,451 | 353,192 | 454,207 |
| Weighted average common shares outstanding - diluted | 56,019,736 | 56,228,305 | 56,208,718 | 56,185,305 |
| Per common share: | | | | |
| Basic income per common share | $ 0.18 | $ 0.24 | $ 1.16 | $ 1.08 |
| Diluted income per common share | $ 0.18 | $ 0.24 | $ 1.15 | $ 1.07 |

The effects of the assumed vesting of restricted stock units for 2,303 and 768 shares of common stock for the thirteen weeks ended and thirty-nine weeks ended November 2, 2019, respectively, were excluded from the calculation of diluted net income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 1,322 and 1,971 shares of common stock for the thirteen weeks ended and thirty-nine weeks ended November 3, 2018, respectively, were excluded from the calculation of diluted net 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 May 10, 2017, the Company entered into a Fourth Amended and Restated Loan and Security Agreement (the “Amended Loan and Security Agreement”), among the Company, 1616 Holdings, Inc. (formerly known as Five Below Merchandising, Inc.), a wholly-owned subsidiary of the Company, and Wells Fargo Bank, National Association. The Amended

Loan and Security Agreement amends and restates the Third Amended and Restated Loan and Security Agreement, dated June 12, 2013, among the Company, 1616 Holdings, Inc. and Wells Fargo Bank, National Association, which governed the Revolving Credit Facility.

The Amended Loan and Security Agreement includes a revolving line of credit in the amount of up to $20.0 million (the “Amended Revolving Credit Facility”). Pursuant to the Amended Loan and Security Agreement, advances under the Amended Revolving Credit Facility are no longer tied to a borrowing base; however, the Company is required to maintain eligible inventory at all times in an amount equal to at least $100.0 million. The Amended Revolving Credit Facility expires on the earliest to occur of (i) May 10, 2022 or (ii) an event of default. The Amended Revolving Credit Facility may be increased to up to $50.0 million, subject to certain conditions. The Amended Revolving Credit Facility also includes a $20.0 million sub-limit for the issuance of letters of credit.

The Amended Loan and Security Agreement reduces the interest rate payable on borrowings to be, at the Company’s option, a per annum rate equal to (a) a prime rate or (b) a LIBOR-based rate plus a margin of 1.00%. Letter of credit fees are equal to the interest rate payable on LIBOR-based loans. The interest rate and letter of credit fees under the Amended Loan and Security Agreement are subject to an increase of 2.00% per annum upon an event of default.

The Amended Loan and Security Agreement removes restrictions on the Company’s ability to pay or make dividends and distributions or repurchase its stock, but the Amended Loan and Security Agreement continues to include other customary negative and affirmative covenants including, among other things, limitations on the Company’s ability to (i) incur additional debt; (ii) create liens; (iii) make certain investments, loans and advances; (iv) sell assets; (v) engage in mergers or consolidations; or (vi) change its business.

The Amended Loan and Security Agreement also removes the provisions that required the Company to make prepayments on outstanding Amended Revolving Credit Facility balances upon the receipt of certain proceeds, including those from the sale of certain assets. Amounts under the Amended Revolving Credit Facility may become due upon certain events of default including, among other things, the Company’s failure to comply with the Amended Revolving Credit Facility’s covenants, bankruptcy, default on certain other indebtedness or a change in control.

Under the Amended Loan and Security Agreement, all obligations under the Amended Revolving Credit Facility continue to be guaranteed by 1616 Holdings, Inc. and are secured by substantially all of the assets of the Company and 1616 Holdings, Inc.

As of November 2, 2019, the Company had no borrowings under the Amended Revolving Credit Facility and had approximately $20.0 million available on the line of credit.

All obligations under the Amended Revolving Credit Facility are secured by substantially all of the Company's assets and are guaranteed by the Company's subsidiary. As of November 2, 2019 and November 3, 2018, the Company was in compliance with the covenants applicable to it under the Amended Revolving Credit Facility.

**(6) Commitments and Contingencies**

***Commitments***

*Other contractual commitments*

As of November 2, 2019, the Company has other purchase commitments of approximately $1.8 million consisting of purchase agreements for materials that will be used in the construction of new stores.

During the thirteen weeks ended May 4, 2019, the Company completed the purchase of an approximately 700,000 square foot build-to-suit distribution center in Forsyth, Georgia for approximately $42 million, for land and building, to support the Company's anticipated growth.

During the thirteen weeks ended November 2, 2019, the Company acquired land in Conroe, Texas, to build an approximately 860,000 square foot distribution center to support the Company's anticipated growth. The total cost of the land and building is expected to be approximately $56 million, of which approximately $15 million has been paid through November 2, 2019. The Company expects to occupy the distribution center in Conroe, Texas in 2020.

***Contingencies***

*Legal Matters*

From time to time, the Company is involved in certain legal actions arising in the ordinary course of business. In management’s opinion, the outcome of such actions will not have a material adverse effect on the Company’s financial condition or results of operations.

## (7) Share-Based Compensation

***Equity Incentive Plan***

Pursuant to the Company's 2002 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 employees and professional service providers. The Plan, as amended, allows for the issuance of up to a total of 7.6 million shares under the Plan. As of November 2, 2019, approximately 3.3 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, 2019 was as follows:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) |
|---|---|---|---|
| Balance as of February 2, 2019 | 374,257 | $ 30.23 | 5.1 |
| Forfeited | (950) | 39.42 | |
| Exercised | (105,974) | 30.04 | |
| Balance as of November 2, 2019 | 267,333 | 30.27 | 4.2 |
| Exercisable as of November 2, 2019 | 255,776 | $ 30.04 | 4.1 |

The fair value of each option award granted to employees, including outside directors, is estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted during the thirty-nine weeks ended November 2, 2019.

***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 granted to date have vesting periods ranging from less than one year to five years from the date of grant. PSUs granted to date have vesting periods ranging from one year to five years from the date of grant, including grants that have a cumulative three year performance period, 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. Compensation is recognized over the vesting period and adjusted for the probability of achievement of the performance criteria.

RSU and PSU activity during the thirty-nine weeks ended November 2, 2019 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 2, 2019 | 292,888 | $ 53.52 | 416,200 | $ 47.38 |
| Granted | 87,361 | 119.11 | 85,939 | 116.92 |
| Vested | (106,921) | 43.58 | (117,137) | 39.21 |
| Forfeited | (17,105) | 66.53 | (27,836) | 45.23 |
| Non-vested balance as of November 2, 2019 | 256,223 | $ 79.16 | 357,166 | $ 66.96 |

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended November 2, 2019, the Company withheld 82,505 shares with an aggregate value of $10.3 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 November 3, 2018, the Company withheld 111,649 shares with an aggregate value of $7.8 million in satisfaction of minimum tax withholding obligations due upon vesting.

As of November 2, 2019, there was $22.7 million of total unrecognized compensation costs related to non-vested share-based compensation arrangements (including stock options, RSUs and PSUs) granted under the Plan. The cost is expected to be recognized over a weighted average vesting period of 2.4 years.

***Share Repurchase Program***

On March 20, 2018, the Company's board of directors approved a share repurchase program authorizing the repurchase of up to $100 million of the Company's common stock through March 31, 2021, on the open market, in privately negotiated transactions, or otherwise. In December 2018, the Company purchased 21,810 shares under this program at an aggregate cost of approximately $2.0 million, or an average price of $91.07 per share. During the thirteen weeks ended August 3, 2019, the Company purchased 146,185 shares under this program at an aggregate cost of approximately $16.6 million, or an average price of $113.55 per share. During the thirteen weeks ended November 2, 2019, the Company purchased 191,367 shares under this program at an aggregate cost of approximately $20.3 million, or an average price of $106.00 per share. 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, 2019 and November 3, 2018 (dollars in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | November 2, 2019 | November 3, 2018 | November 2, 2019 | November 3, 2018 |
| Income before income taxes | $ 13,438 | $ 16,606 | $ 77,135 | $ 73,796 |
| Income tax expense | $ 3,249 | $ 3,090 | $ 12,453 | $ 13,413 |
| Effective tax rate | 24.2% | 18.6% | 16.1% | 18.2% |

The effective tax rates for the thirteen and thirty-nine weeks ended November 2, 2019 and November 3, 2018 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, 2019 was higher than the thirteen weeks ended November 3, 2018 primarily due to discrete items, which includes the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," with respect to the requirement to recognize excess income tax benefits or deficiencies as income tax benefit or expense in the consolidated statements of operations rather than as additional paid-in capital in the consolidated balance sheets. The effective tax rate for the thirty-nine weeks ended November 2, 2019 was lower than the thirty-nine weeks ended November 3, 2018 primarily due to discrete items, which includes the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

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, 2019, February 2, 2019, or November 3, 2018 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, 2019 or November 3, 2018.

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 February 3, 2018 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 2, 2019 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes as of and for the thirteen weeks ended and thirty-nine weeks ended November 2, 2019 included in Part I, Item I 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 2019" or "fiscal 2019" refer to the period from February 3, 2019 to February 1, 2020, which is a 52-week fiscal year. References to "fiscal year 2018" or "fiscal 2018" refer to the period from February 4, 2018 to February 2, 2019, which is a 52-week fiscal year. The fiscal quarters ended November 2, 2019 and November 3, 2018 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended November 2, 2019 and November 3, 2018 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. In many cases, you can identify forward-looking statements 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:

- *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 recent 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 attract and retain qualified employees;*
- *inability to successfully build, operate or expand our distribution centers or network capacity;*
- *disruptions to our distribution network 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;*
- *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 employees or our company, including the costs associated with protection against or remediation of such incidents;*
- *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;*
- *increasing costs due to inflation, increased operating costs, wage rate increases or energy prices;*
- *the seasonality of our business;*
- *inability to successfully implement our expansion into online retail;*
- *disruptions to our information technology systems in the ordinary course or as a result of system upgrades;*
- *the impact of damage or interruptions to our technology systems;*
- *failure to maintain adequate internal controls;*
- *complications with the design or implementation of the new enterprise resource system;*
- *natural disasters, adverse weather conditions, pandemic outbreaks, global political events, war and terrorism;*
- *the impact of changes in tax legislation;*
- *current economic conditions and other economic factors;*
- *the impact of governmental laws and regulations;*
- *the impact of changes in accounting standards;*
- *the impact to our financial performance related to insurance programs;*
- *the costs and consequences of legal proceedings;*
- *inability to protect our brand name, trademarks and other intellectual property rights;*
- *the costs and liabilities associated with infringement of third party intellectual property rights;*
- *the impact of product and food safety claims and effects of legislation;*
- *inability to obtain additional financing, if needed;*
- *restrictions imposed by our indebtedness on our current and future operations; and*
- *regulations related to conflict minerals.*

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 subsidiary 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. As of November 2, 2019, we operated 894 stores in 36 states. In fall 2018, we began offering an expanded product assortment with prices exceeding $5 in a select number of our stores (with such product offerings branded as "Ten Below" or "JUST WOW"). In addition, in fall 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.

We also offer our merchandise on the internet, through our fivebelow.com e-commerce website. All e-commerce sales, which includes shipping and handling revenue, are included in net sales. Beginning with the third fiscal quarter of 2016, when we launched our e-commerce channel, all e-commerce sales 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.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted. The TCJA includes a number of changes to existing U.S. tax laws that impact us, most notably a reduction of the U.S. corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. In fiscal 2018 and future years, we may invest a portion of any savings generated by the TCJA into expenses that could significantly increase and impact the comparability between periods of Cost of Goods Sold and Gross Profit, Selling, General and Administrative Expenses and Operating Income.

## 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 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 distribution centers 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 distribution centers 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. Due to the 53rd week in fiscal 2017, all comparable sales related to any reporting period during the year ended February 2, 2019 are reported on a restated calendar basis using the National Retail Federation's restated calendar comparing similar weeks.

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; and
- weather conditions.

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 is 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, as well as shipping and handling costs, store occupancy, distribution and buying expenses. Shipping and handling costs include both internal and third-party 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 to or from our distribution centers 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 as well as gross margin. 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. Changes in the mix of our products may also impact our overall cost of goods sold.

***Selling, General and Administrative Expenses***

Selling, general and administrative, 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 or modifications will increase 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, 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, 2019 | November 3, 2018 | November 2, 2019 | November 3, 2018 |
| | (in millions, except percentages and total stores) | | | |
| **Consolidated Statements of Operations Data (1):** | | | | |
| Net sales | $ 377.4 | $ 312.8 | $ 1,159.6 | $ 956.9 |
| Cost of goods sold | 258.8 | 210.7 | 774.8 | 635.8 |
| Gross profit | 118.7 | 102.1 | 384.8 | 321.1 |
| Selling, general and administrative expenses | 106.0 | 86.5 | 311.7 | 250.4 |
| Operating income | 12.7 | 15.5 | 73.2 | 70.7 |
| Interest income, net | 0.8 | 1.1 | 4.0 | 3.1 |
| Income before income taxes | 13.4 | 16.6 | 77.1 | 73.8 |
| Income tax expense | 3.2 | 3.1 | 12.5 | 13.4 |
| Net income | $ 10.2 | $ 13.5 | $ 64.7 | $ 60.4 |
| **Percentage of Net Sales (1):** | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 68.6 | 67.4 | 66.8 | 66.4 |
| Gross profit | 31.4 | 32.6 | 33.2 | 33.6 |
| Selling, general and administrative expenses | 28.1 | 27.7 | 26.9 | 26.2 |
| Operating income | 3.4 | 5.0 | 6.3 | 7.4 |
| Interest income, net | 0.2 | 0.3 | 0.3 | 0.3 |
| Income before income taxes | 3.6 | 5.3 | 6.7 | 7.7 |
| Income tax expense | 0.9 | 1.0 | 1.1 | 1.4 |
| Net income | 2.7% | 4.3% | 5.6% | 6.3% |
| **Operational Data:** | | | | |
| Total stores at end of period | 894 | 745 | 894 | 745 |
| Comparable sales growth | 2.9% | 4.8% | 2.4% | 3.6% |
| Average net sales per store (2) | $ 0.4 | $ 0.4 | $ 1.4 | $ 1.4 |

(1) Components may not add to total due to rounding.
(2) Only includes stores open during the full thirteen and thirty-nine weeks ended.

### Thirteen Weeks Ended November 2, 2019 Compared to the Thirteen Weeks Ended November 3, 2018

#### *Net Sales*

Net sales increased to $377.4 million in the thirteen weeks ended November 2, 2019 from $312.8 million in the thirteen weeks ended November 3, 2018, an increase of $64.6 million, or 20.7%. The increase was the result of a non-comparable sales increase of $56.2 million and a comparable sales increase of $8.4 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2019 and the number of stores that opened in fiscal 2018 but have not been open for 15 full months. We plan to open 150 new stores in fiscal 2019.

Comparable sales increased 2.9%. This increase resulted from an increase of approximately 1.9% in the average dollar value of transactions and an increase of approximately 1.0% in the number of transactions.

***Cost of Goods Sold and Gross Profit***

Cost of goods sold increased to $258.8 million in the thirteen weeks ended November 2, 2019 from $210.7 million in the thirteen weeks ended November 3, 2018, an increase of $48.1 million, or 22.8%. The increase in cost of goods sold was primarily the result of an increase in merchandise cost of goods, which includes net unmitigated tariff costs, resulting from the increase in net sales. Also contributing to the increase in cost of goods sold were increases in store occupancy costs resulting from new store openings.

Gross profit increased to $118.7 million in the thirteen weeks ended November 2, 2019 from $102.1 million in the thirteen weeks ended November 3, 2018, an increase of $16.6 million, or 16.3%. Gross margin decreased to 31.4% for the thirteen weeks ended November 2, 2019 from 32.6% for the thirteen weeks ended November 3, 2018, a decrease of approximately 120 basis points. The decrease in gross margin was primarily the result of an increase as a percentage of net sales in merchandise cost of goods sold.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased to $106.0 million in the thirteen weeks ended November 2, 2019 from $86.5 million in the thirteen weeks ended November 3, 2018, an increase of $19.5 million, or 22.5%. As a percentage of net sales, selling, general and administrative expenses increased approximately 40 basis points to 28.1% in the thirteen weeks ended November 2, 2019 compared to 27.7% in the thirteen weeks ended November 3, 2018. The increase in selling, general and administrative expenses was primarily the result of increases of $15.2 million in store-related expenses to support new store growth and the impact of the adoption of the new lease accounting standard and $4.3 million of corporate-related expenses.

***Income Tax Expense***

Income tax expense increased to $3.2 million in the thirteen weeks ended November 2, 2019 from $3.1 million in the thirteen weeks ended November 3, 2018, an increase of $0.1 million, or 5.1%. The increase in income tax expense was primarily due to discrete items, which include the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" with respect to the requirement to recognize excess income tax benefits or deficiencies as income tax benefit or expense in the consolidated statements of operations rather than as additional paid-in capital in the consolidated balance sheets, partially offset by a decrease of $3.2 million in pre-tax income.

Our effective tax rate for the thirteen weeks ended November 2, 2019 was 24.2% compared to 18.6% in the thirteen weeks ended November 3, 2018. Our effective tax rate for the thirteen weeks ended November 2, 2019 was higher than the comparable period primarily due to discrete items, which include the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

***Net Income***

As a result of the foregoing, net income decreased to $10.2 million in the thirteen weeks ended November 2, 2019 from $13.5 million in the thirteen weeks ended November 3, 2018, a decrease of $3.3 million or 24.6%.

**Thirty-Nine Weeks Ended November 2, 2019 Compared to the Thirty-Nine Weeks Ended November 3, 2018**

***Net Sales***

Net sales increased to $1,159.6 million in the thirty-nine weeks ended November 2, 2019 from $956.9 million in the thirty-nine weeks ended November 3, 2018, an increase of $202.7 million, or 21.2%. The increase was the result of a non-comparable sales increase of $181.1 million and a comparable sales increase of $21.6 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2019 and the number of stores that opened in fiscal 2018 but have not been open for 15 full months. We plan to open 150 new stores in fiscal 2019.

Comparable sales increased 2.4%. This increase resulted from an increase of approximately 1.3% in the average dollar value of transactions and an increase of approximately 1.1% in the number of transactions.

***Cost of Goods Sold and Gross Profit***

Cost of goods sold increased to $774.8 million in the thirty-nine weeks ended November 2, 2019 from $635.8 million in the thirty-nine weeks ended November 3, 2018, an increase of $139.0 million, or 21.9%. The increase in cost of goods sold was primarily the result of an increase in merchandise cost of goods, which includes net unmitigated tariff costs, resulting from the increase in net sales. Also contributing to the increase in cost of goods sold were increases in store occupancy costs resulting from new store openings and distribution costs related to the new Southeast distribution center.

Gross profit increased to $384.8 million in the thirty-nine weeks ended November 2, 2019 from $321.1 million in the thirty-nine weeks ended November 3, 2018, an increase of $63.7 million, or 19.9%. Gross margin decreased to 33.2% for the thirty-nine weeks ended November 2, 2019 from 33.6% for the thirty-nine weeks ended November 3, 2018, a decrease of approximately 40 basis points. The decrease in gross margin was primarily the result of increases as a percentage of net sales in distribution costs, store occupancy costs and merchandise cost of goods sold.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased to $311.7 million in the thirty-nine weeks ended November 2, 2019 from $250.4 million in the thirty-nine weeks ended November 3, 2018, an increase of $61.3 million, or 24.5%. As a percentage of net sales, selling, general and administrative expenses increased approximately 70 basis points to 26.9% in the thirty-nine weeks ended November 2, 2019 compared to 26.2% in the thirty-nine weeks ended November 3, 2018. The increase in selling, general and administrative expenses was primarily the result of increases of $48.6 million in store-related expenses to support new store growth, tax reinvestments, and the impact of the adoption of the new lease accounting standard and $12.7 million of corporate-related expenses.

### *Income Tax Expense*

Income tax expense decreased to $12.5 million in the thirty-nine weeks ended November 2, 2019 from $13.4 million in the thirty-nine weeks ended November 3, 2018, a decrease of $0.9 million, or 7.2%. The decrease in income tax expense was primarily due to discrete items, which include the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," partially offset by an increase of $3.3 million in pre-tax income.

Our effective tax rate for the thirty-nine weeks ended November 2, 2019 was 16.1% compared to 18.2% in the thirty-nine weeks ended November 3, 2018. Our effective tax rate for the thirty-nine weeks ended November 2, 2019 was lower than the comparable period primarily due to discrete items, which include the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

### *Net Income*

As a result of the foregoing, net income increased to $64.7 million in the thirty-nine weeks ended November 2, 2019 from $60.4 million in the thirty-nine weeks ended November 3, 2018, an increase of $4.3 million or 7.1%.

## Liquidity and Capital Resources

### *Overview*

Our primary source of liquidity is cash flows from operations. Our primary cash needs are for capital expenditures and working capital.

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 $210 million in fiscal 2019, which exclude the impact of tenant allowances, and which we expect to fund from cash generated from operations and cash on-hand. We expect to incur approximately $50 million of our cash capital expenditure budget in fiscal 2019 to construct and open 150 new stores, with the remainder projected to be spent on our distribution facilities (existing and new), our corporate infrastructure, and existing stores.

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 Amended Revolving Credit Facility. When we have used our Amended 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. We did not have any direct borrowings under our Amended Revolving Credit Facility during the thirty-nine weeks ended November 2, 2019. As of November 2, 2019, we had approximately $20.0 million available on the line of credit.

On March 20, 2018, our board of directors approved a share repurchase program authorizing the repurchase of up to $100 million of our common stock through March 31, 2021, on the open market, in privately negotiated transactions, or otherwise. In December 2018, we purchased 21,810 shares under this program at an aggregate cost of approximately $2.0 million, or an average price of $91.07 per share. During the thirteen weeks ended August 3, 2019, we purchased 146,185 shares under this program at an aggregate cost of approximately $16.6 million, or an average price of $113.55 per share. During the thirteen weeks ended November 2, 2019, we purchased 191,367 shares under this program at an aggregate cost of approximately $20.3 million, or an average price of $106.00 per share. 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 Amended Revolving Credit Facility 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 Amended 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, 2019** | **November 3, 2018** |
| Net cash provided by operating activities | $ 1.9 | $ 1.6 |
| Net cash used in investing activities | (132.3) | (7.4) |
| Net cash used in financing activities | (43.8) | (3.6) |
| Net decrease during period in cash and cash equivalents (1) | $ (174.3) | $ (9.4) |

(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, 2019 was $1.9 million, an increase of $0.3 million compared to the thirty-nine weeks ended November 3, 2018. The increase was primarily due to an increase in operating cash flows from store performance partially offset by changes in working capital.

***Cash Used in Investing Activities***

Net cash used in investing activities for the thirty-nine weeks ended November 2, 2019 was $132.3 million, an increase of $124.9 million compared to the thirty-nine weeks ended November 3, 2018. The increase was primarily due to an increase in capital expenditures and a decrease in net sales, maturities, and redemptions of investment securities. The increase in capital expenditures was primarily for our distribution facilities, our new store construction, and our corporate infrastructure.

***Cash Used in Financing Activities***

Net cash used in financing activities for the thirty-nine weeks ended November 2, 2019 was $43.8 million, an increase of $40.2 million compared to the thirty-nine weeks ended November 3, 2018. The increase was primarily the result of an increase in the repurchase and retirement of common stock.

***Line of Credit***

On May 10, 2017, we entered into a Fourth Amended and Restated Loan and Security Agreement (the “Amended Loan and Security Agreement”), among Five Below, Inc., 1616 Holdings, Inc. (formerly known as Five Below Merchandising, Inc.) and Wells Fargo Bank, National Association. The Amended Loan and Security Agreement amends and restates the Third Amended and Restated Loan and Security Agreement, dated June 12, 2013, among Five Below, Inc., 1616 Holdings, Inc. and Wells Fargo Bank, National Association, which governed the Revolving Credit Facility.

The Amended Loan and Security Agreement includes a revolving line of credit in the amount of up to $20.0 million (the “Amended Revolving Credit Facility”). Pursuant to the Amended Loan and Security Agreement, advances under the Amended Revolving Credit Facility are no longer tied to a borrowing base; however, we are required to maintain eligible inventory at all times in an amount equal to at least $100.0 million. The Amended Revolving Credit Facility expires on the earliest to occur of (i) May 10, 2022 or (ii) an event of default. The Amended Revolving Credit Facility may be increased to up to $50.0 million, subject to certain conditions. The Amended Revolving Credit Facility also includes a $20.0 million sub-limit for the issuance of letters of credit.

The Amended Loan and Security Agreement reduces the interest rate payable on borrowings to be, at our option, a per annum rate equal to (a) a prime rate or (b) a LIBOR-based rate plus a margin of 1.00%. Letter of credit fees are equal to the interest rate payable on LIBOR-based loans. The interest rate and letter of credit fees under the Amended Loan and Security Agreement are subject to an increase of 2.00% per annum upon an event of default.

The Amended Loan and Security Agreement removes restrictions related to our ability to pay or make dividends and distributions or repurchase our stock, but the Amended Loan and Security Agreement continues to include other customary negative and affirmative covenants including, among other things, limitations on our ability to (i) incur additional debt; (ii) create liens; (iii) make certain investments, loans and advances; (iv) sell assets; (v) engage in mergers or consolidations; or (vi) change our business.

The Amended Loan and Security Agreement also removes the provisions that required us to make prepayments on outstanding Amended Revolving Credit Facility balances upon the receipt of certain proceeds, including those from the sale of certain assets. Amounts under the Amended Revolving Credit Facility may become due upon certain events of default including, among other things, our failure to comply with the Amended Revolving Credit Facility’s covenants, bankruptcy, default on certain other indebtedness or a change in control.

Under the Amended Loan and Security Agreement, all obligations under the Amended Revolving Credit Facility continue to be guaranteed by our subsidiary and are secured by substantially all of our and our subsidiary's assets.

As of November 2, 2019, we had approximately $20.0 million available on the line of credit.

All obligations under the Amended Revolving Credit Facility are secured by substantially all of our assets and are guaranteed by our subsidiary. As of November 2, 2019 and November 3, 2018, we were in compliance with the covenants applicable to us under the Amended Revolving Credit Facility.

## 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.

***Leases***

Effective February 3, 2019, we adopted ASU 2016-02, “Leases" (Topic 842). We are required to recognize an operating lease asset and an operating lease liability for all of our leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of lease payments using an estimated incremental borrowing rate, on a collateralized basis over a similar term, that we would have incurred to borrow the funds necessary to purchase the leased asset. The asset is based on the liability, subject to certain adjustments, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases result in straight-line expense (similar to operating leases under the prior accounting standard) while finance leases result in a front-loaded expense pattern (similar to capital leases under the prior accounting standard). See the Recently Issued Accounting Pronouncements Recently section of Note 1 ‘‘Summary of Significant Accounting Policies’’ to the consolidated financial statements for a detailed discussion of the adoption of this new lease standard.

### 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 3, 2019 to November 2, 2019, we have entered into 99 new fully executed retail leases with average terms of approximately 10 years and other lease modifications that have future minimum lease payments of approximately $170.7 million.

During the thirteen weeks ended May 4, 2019, we completed the purchase of an approximately 700,000 square foot build-to-suit distribution center in Forsyth, Georgia for approximately $42 million, for land and building, to support our anticipated growth.

During the thirteen weeks ended November 2, 2019, we acquired land in Conroe, Texas, to build an approximately 860,000 square foot distribution center to support our anticipated growth. The total cost of the land and building is expected to be approximately $56 million, of which approximately $15 million has been paid through November 2, 2019. We expect to occupy the distribution center in Conroe, Texas in 2020.

### Off-Balance Sheet Arrangements

For the thirteen weeks ended November 2, 2019, 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 short-term 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 an Amended Revolving Credit Facility which includes a revolving line of credit, which bears interest at a variable rate. Because our Amended Revolving Credit Facility bears interest at a variable rate, we will be exposed to market risks relating to changes in interest rates.

As of November 2, 2019, we had approximately $20.0 million available on the line of credit. The Amended Revolving Credit Facility reduces the interest rate payable on borrowings to be, at our option, a per annum rate equal to (a) a prime rate or (b) a LIBOR-based rate plus a margin of 1.00%. Letter of credit fees are equal to the interest rate payable on LIBOR-based loans. The interest rate and letter of credit fees under the Amended Revolving Credit Facility are subject to an increase of 2.00% per annum upon an event of default. 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 cannot assure you, however, 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, 2019, 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.

## 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 and in Part II, Item 1A "Risk Factors" in our Form 10-Q for the quarters ended August 3, 2019 ("2nd Quarter 10-Q") and May 4, 2019 ("1st Quarter 10-Q"). The following risk factor represents an update to the risk factors previously disclosed. You should carefully consider the risks described below and in our Annual Report, 2nd Quarter 10-Q and 1st Quarter 10-Q, which could materially affect our business, financial condition or future results. The risks described below and in our Annual Report, 2nd Quarter 10-Q and 1st Quarter 10-Q 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.

***Our reliance on merchandise manufactured outside of the United States subjects us to legal, regulatory, political and economic risks. In particular, tariffs imposed and proposed by the U.S. government could increase the cost to us of certain products, lower our margins, increase our import related expenses, cause us to increase our prices to consumers, and reduce consumer spending on discretionary items, each of which could have a material adverse effect on our business, financial condition and results of future operations.***

A significant majority of our merchandise is manufactured outside of the United States, and changes in the prices and flow of these goods for any reason could have an adverse impact on our operations. The United States and other countries have occasionally proposed and enacted protectionist trade policies, which may result in changes in tariff structures and trade policies and restrictions that could increase the cost or reduce the availability of certain merchandise. In particular, the United States has recently imposed increased tariffs on certain imports from China. Effective on July 6, 2018, and again on August 23, 2018, the United States government imposed a 25% tariff on a variety of imports from China (List 1 and List 2, respectively). Effective on September 24, 2018, a 10% tariff was imposed on additional products from China (List 3), which increased to 25% effective on May 10, 2019. On August 14, 2019, the United States announced that an additional 10% tariff would be imposed on additional imports from China in two tranches of imports, with the first tranche (List 4A) effective on September 1, 2019 and a second tranche (List 4B) effective on December 15, 2019 (with both tranches relating to thousands of categories of products imported from China). The List 4 tariffs increased to 15% from 10% with the first tranche (List 4A) effective on September 1, 2019 and a second tranche (List 4B) scheduled for December 15, 2019. An increase to 30% from 25% scheduled to be effective in October 2019 for the List 1, 2 and 3 tariffs has been postponed. President Trump has directed United States companies to immediately begin to look for alternatives to China and suggested he had the authority to order United States companies to cease production in, and importation from, China. We expect the trade issues between the United States and China will continue to be volatile and difficult to predict or forecast.

The increased tariffs as well as any newly imposed tariffs on items imported from China or elsewhere would likely result in lower gross margins on impacted products, unless we are able to successfully take any one or more of the following mitigating actions: negotiate lower product costs with our vendors, purchase products produced in countries with no or lower tariffs or transition away from domestic vendors who source from China or other tariff impacted countries, increase our prices, or alter or cease offering certain products. Any increase in pricing, alteration of products or reduced product offering could reduce the competitiveness of our products. Furthermore, any retaliatory counter-measures imposed by countries subject to such tariffs, such as China, could increase our, or our vendors', import expenses. Additionally, even if the products we import are not directly impacted by additional tariffs, the imposition of such additional tariffs on goods imported into the United States could cause increased prices for consumer goods in general, which could have a negative impact on consumer spending for discretionary items reducing demand for our products. These direct and indirect impacts of increased tariffs or trade restrictions implemented by the United States, both individually and cumulatively, could have a material adverse effect on our business, financial condition and results of future operations.

It has also been suggested that the United States may materially modify or withdraw from some of its existing trade agreements. Any of these or other measures, if ultimately enacted, or events relating to the manufacturers of our merchandise and the countries in which they are located, some or all of which are beyond our control, could adversely affect our ability to access suitable merchandise on acceptable terms, negatively impact our operations, increase costs and lower our margins. Such events or circumstances include, but are not limited to:

- political and economic instability;
- the financial instability and labor problems of the manufacturers of our merchandise;
- the availability and cost of raw materials;
- merchandise quality or safety issues;

- changes in currency exchange rates;
- the regulatory environment in the countries in which the manufacturers of our merchandise are located;
- work stoppages or other employee rights issues;
- inflation or deflation; and
- transportation availability, costs and disruptions.

Moreover, negative press or reports about products manufactured outside the United States may sway public opinion, and thus customer confidence, away from the products sold in our stores. These and other factors affecting the manufacturers of our merchandise who are located outside of the United States and our access to our products could adversely affect our financial performance.

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

The following table sets forth the information with respect to repurchases of our common stock for the thirteen weeks ended November 2, 2019:

| 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 |
|---|---|---|---|---|
| **Second Quarter 2019** | | | | $ 81,413,121 |
| August 4, 2019 - August 31, 2019 | 191,367 | $ 106.00 | 191,367 | $ 61,128,219 |
| September 1, 2019 - October 5, 2019 | — | $ — | — | $ 61,128,219 |
| October 6, 2019 - November 2, 2019 | — | $ — | — | $ 61,128,219 |
| **Third Quarter 2019** | **191,367** | **$ —** | **191,367** | **$ 61,128,219** |

(1) On March 21, 2018, we announced that our board of directors approved a share repurchase program authorizing the repurchase of up to $100 million of our common stock through March 31, 2021. 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

None.

## ITEM 6. EXHIBITS

*(a) Exhibits*

| No. | Description |
|---|---|
| 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 3, 2019, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of November 2, 2019, February 2, 2019 and November 3, 2018; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen Weeks Ended and Thirty-Nine Weeks Ended November 2, 2019 and November 3, 2018; (iii) the Unaudited Consolidated Statements of Shareholders' Equity for the Thirty-Nine Weeks Ended November 2, 2019 and November 3, 2018; (iv) the Unaudited Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended November 2, 2019 and November 3, 2018 and (v) the Notes to Unaudited Consolidated Financial Statements, tagged in detail. |
| 104* | Coverage Page Interactive Date 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, 2019 | /s/ Joel D. Anderson |
| | Joel D. Anderson |
| | President and Chief Executive Officer (Principal Executive Officer) |
| Date: December 5, 2019 | /s/ Kenneth R. Bull |
| | Kenneth R. Bull |
| | Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer) |

**CERTIFICATION** **Exhibit 31.1**

I, Joel D. Anderson, 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/ Joel D. Anderson

Name: Joel D. Anderson

Title: President and Chief Executive Officer

Dated: December 5, 2019

**CERTIFICATION** **Exhibit 31.2**

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: Chief Financial Officer and Treasurer

Dated: December 5, 2019

**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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joel D. Anderson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Joel D. Anderson

Joel D. Anderson

President and Chief Executive Officer

Date: December 5, 2019

**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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kenneth R. Bull, 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/ Kenneth R. Bull

Kenneth R. Bull

Chief Financial Officer and Treasurer

Date: December 5, 2019