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

Form 10-Q

(mark one)

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

For the quarterly period ended October 31, 2020.

OR

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

For the transition period from to

Commission file number: 001-35600

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	FIVE	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 2, 2020 was 55,871,672.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	October 31, 2020	February 1, 2020	November 2, 2019
Assets			
Current assets:			
Cash and cash equivalents	$ 117,045	$ 202,490	$ 77,496
Short-term investment securities	96,749	59,229	54,072
Inventories	430,200	324,028	419,340
Prepaid income taxes and tax receivable	18,090	4,063	16,396
Prepaid expenses and other current assets	50,194	75,903	58,666
Total current assets	712,278	665,713	625,970
Property and equipment, net of accumulated depreciation and amortization of $260,888, $215,071, and $200,306, respectively.	522,214	439,086	400,129
Operating lease assets	928,739	842,988	794,350
Deferred income taxes	—	—	2,283
Other assets	12,265	10,874	11,019
	$ 2,175,496	$ 1,958,661	$ 1,833,751
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit	$ —	$ —	$ —
Accounts payable	237,647	130,242	188,061
Income taxes payable	1,031	9,505	831
Accrued salaries and wages	22,164	19,873	11,773
Other accrued expenses	99,489	81,255	91,304
Operating lease liabilities	136,513	110,470	105,834
Total current liabilities	496,844	351,345	397,803
Other long-term liabilities	1,918	1,199	1,250
Long-term operating lease liabilities	922,784	837,623	789,307
Deferred income taxes	4,408	8,716	—
Total liabilities	1,425,954	1,198,883	1,188,360
Commitments and contingencies (note 6)			
Shareholders' equity:			
Common stock, $0.01 par value. Authorized 120,000,000 shares; issued and outstanding 55,866,590, 55,712,067, and 55,671,943 shares, respectively.	559	557	556
Additional paid-in capital	312,668	322,330	318,318
Retained earnings	436,315	436,891	326,517
Total shareholders' equity	749,542	759,778	645,391
	$ 2,175,496	$ 1,958,661	$ 1,833,751

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	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Net sales	$ 476,614	$ 377,438	$ 1,103,623	$ 1,159,600
Cost of goods sold	325,514	258,756	792,223	774,762
Gross profit	151,100	118,682	311,400	384,838
Selling, general and administrative expenses	126,851	105,997	326,205	311,655
Operating income (loss)	24,249	12,685	(14,805)	73,183
Interest (expense) income and other (expense) income, net	(660)	753	(1,017)	3,952
Income (loss) before income taxes	23,589	13,438	(15,822)	77,135
Income tax expense (benefit)	3,164	3,249	(15,246)	12,453
Net income (loss)	$ 20,425	$ 10,189	$ (576)	$ 64,682
Basic income (loss) per common share	$ 0.37	$ 0.18	$ (0.01)	$ 1.16
Diluted income (loss) per common share	$ 0.36	$ 0.18	$ (0.01)	$ 1.15
Weighted average shares outstanding:				
Basic shares	55,851,780	55,672,796	56,004,072	55,855,526
Diluted shares	56,099,328	56,019,736	56,004,072	56,208,718

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 1, 2020	55,712,067	$ 557	$ 322,330	$ 436,891	$ 759,778
Share-based compensation benefit	—	—	(3,536)	—	(3,536)
Exercise of options to purchase common stock	2,136	—	65	—	65
Vesting of restricted stock units and performance-based restricted stock units	204,769	2	—	—	2
Common shares withheld for taxes	(46,532)	—	(3,299)	—	(3,299)
Repurchase and retirement of common stock	(137,023)	(1)	(12,662)	—	(12,663)
Net loss	—	—	—	(50,582)	(50,582)
Balance, May 2, 2020	55,735,417	$ 558	$ 302,898	$ 386,309	$ 689,765
Share-based compensation expense	—	—	2,416	—	2,416
Issuance of unrestricted stock awards	584	—	64	—	64
Exercise of options to purchase common stock	83,814	1	2,196	—	2,197
Vesting of restricted stock units and performance-based restricted stock units	18,030	—	—	—	—
Common shares withheld for taxes	(2,885)	—	(297)	—	(297)
Issuance of common stock to employees under employee stock purchase plan	2,136	—	229	—	229
Net income	—	—	—	29,581	29,581
Balance, August 1, 2020	55,837,096	$ 559	$ 307,506	$ 415,890	$ 723,955
Share-based compensation expense	—	—	4,538	—	4,538
Issuance of unrestricted stock awards	477	—	64	—	64
Exercise of options to purchase common stock	25,864	—	753	—	753
Vesting of restricted stock units and performance-based restricted stock units	4,657	—	—	—	—
Common shares withheld for taxes	(1,504)	—	(193)	—	(193)
Net income	—	—	—	20,425	20,425
Balance, October 31, 2020	55,866,590	$ 559	$ 312,668	$ 436,315	$ 749,542

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 Cash Flows
(Unaudited)
(in thousands)

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Operating activities:		
Net (loss) income	$ (576)	$ 64,682
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	50,919	39,894
Share-based compensation expense	3,582	9,446
Deferred income tax (benefit) expense	(4,308)	3,843
Other non-cash expenses	1,643	75
Changes in operating assets and liabilities:		
Inventories	(106,172)	(175,704)
Prepaid income taxes and tax receivable	(14,027)	(15,059)
Prepaid expenses and other assets	30,784	326
Accounts payable	110,970	78,372
Income taxes payable	(8,474)	(19,795)
Accrued salaries and wages	2,291	(12,813)
Operating leases	25,453	9,660
Other accrued expenses	29,221	18,928
Net cash provided by operating activities	121,306	1,855
Investing activities:		
Purchases of investment securities and other investments	(120,033)	(103,055)
Sales, maturities, and redemptions of investment securities	77,513	127,093
Capital expenditures	(149,270)	(156,350)
Net cash used in investing activities	(191,790)	(132,312)
Financing activities:		
Borrowing on note payable under Amended Revolving Credit Facility	50,000	—
Repayment of note payable under Amended Revolving Credit Facility	(50,000)	—
Cash paid for credit facility financing costs	(1,755)	—
Net proceeds from issuance of common stock	229	195
Repurchase and retirement of common stock	(12,663)	(36,885)
Proceeds from exercise of options to purchase common stock and vesting of restricted and performance-based restricted stock units	3,017	3,186
Common shares withheld for taxes	(3,789)	(10,291)
Net cash used in financing activities	(14,961)	(43,795)
Net decrease in cash and cash equivalents	(85,445)	(174,252)
Cash and cash equivalents at beginning of period	202,490	251,748
Cash and cash equivalents at end of period	$ 117,045	$ 77,496
Supplemental disclosures of cash flow information:		
Non-cash investing activities		
Decrease in accrued purchases of property and equipment	$ 13,870	$ 17,547

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 October 31, 2020, operated in 38 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, Arizona, Nevada and Colorado. As of October 31, 2020 and November 2, 2019, the Company operated 1,018 stores and 894 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) *Impact of COVID-19*

As a result of the coronavirus (or COVID-19) pandemic in the first half of 2020, federal, state and local governments and private entities mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus, of which many have been eliminated or lessened over time. Such mandates required reduction of operating hours and forced temporary closures of certain retailers and other businesses. The COVID-19 pandemic has recently surged in many parts of the United States, which may lead to the imposition of new federal, state and local restrictions. It is impossible to predict the effect and ultimate impact of the pandemic and measures taken to control the spread, as the situation continues to evolve.

As a result of these restrictions and out of concern for its customers and employees, the Company temporarily closed all of its stores as of March 20, 2020. The Company began reopening its stores at the end of April in compliance with federal, state and local requirements. As a result of the temporary store closures, the Company withheld store rent for the closure period. With respect to virtually all of the Company's lease portfolio, the Company has either resumed rent payments or has agreed to rent deferrals and abatements related to this closure period with landlords. As a result, the Company does not expect that its prior rent withholdings or the associated deferrals and abatements agreed upon with landlords will have a material adverse impact on the Company's business, financial condition and results of future operations.

While the ultimate health and economic impact of the COVID-19 pandemic are highly uncertain, the Company expects that its business operations and results of operations, including net sales, earnings and cash flows, may be materially impacted for the foreseeable future, as a result of:

- temporary closures of Company stores;
- decreased customer traffic in stores, including, without limitation, as the result of limitations on the number of persons permitted in stores at one time by certain local and state regulations;
- uncertainty of the extent to which customers will maintain purchases through our e-commerce website and through curbside pickup (if and where any stores are closed to the public);
- changes in consumer confidence and consumer spending habits, including spending for the merchandise that the Company sells, and negative trends in consumer purchasing patterns due to changes in consumers' disposable income, credit availability and debt levels;
- disruption to the Company's supply chain including the manufacturing, supply, distribution, transportation and delivery of products;
- increased safety measures for the Company's employees and customers at the Company's stores, distribution centers and home office; and
- a slowdown in the U.S. and global economies, and an uncertain global economic outlook or a potential credit crisis.

To seek to mitigate the effects of the pandemic and to create financial flexibility, the Company has taken the following actions:

- a majority of its store and distribution center employees were furloughed in March and the Company covered the cost of health benefits for such furloughed employees through the end of May;
- the Company implemented a voluntary temporary base salary reduction of 50% for Joel Anderson, its Chief Executive Officer, and a 25% base salary reduction for the remainder of the executive leadership team that reports into Mr. Anderson. This compensation was reinstated in the second quarter of 2020 after substantially all of the Company's stores were reopened;
- its Board of Directors elected to forgo its quarterly cash retainers for the first quarter of 2020;
- the Company implemented a temporary pay reduction for all salaried corporate employees and certain field and supply chain leadership (that has been reinstated now that substantially all of the Company's stores have reopened) and delayed annual salary increases for corporate employees;
- as permitted by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the Company has applied for and received payroll tax credits with the IRS, and elected to defer the payment of the employer's portion of FICA taxes;
- the Company implemented significant temporary non-payroll expense reductions, including advertising, occupancy and other store operating expenses, distribution and corporate office operating expenses, as well as professional and consulting fees;
- the Company temporarily ceased paying rent on all closed store locations; as discussed above, we have since resumed rent payments and/or agreed to lease modifications with virtually all of our landlords;
- the Company cancelled certain vendor orders and delayed receipts on others in order to manage inventory levels, and extended payment terms for product and non-product vendors, although we have since returned to more normalized payment terms;
- the Company significantly reduced its 2020 capital expenditure budget, including reducing the number of new stores to be opened in 2020 and delaying the purchase and construction of a new Midwest distribution center;
- the Company amended its credit facility and increased its line of credit from $50 million to $225 million; and
- the Company evolved its product mix to meet the needs of its customers by adding to its assortment of essential products, including consumables (such as cleaning and personal hygiene products), food and drink, fitness products, pet accessories, and products needed to support work-from-home and school-from-home.

Depending on future developments with respect to the COVID-19 pandemic, including any new federal, state and local governmental restrictions that may be imposed, the Company may determine to reinstate any of the foregoing mitigation measures or take any additional steps that we consider necessary.

(c) ***Fiscal Year***

The Company operates on a 52/53-week fiscal year ending on the Saturday closest to January 31. References to "fiscal year 2020" or "fiscal 2020" refer to the period from February 2, 2020 to January 30, 2021, which is a 52-week fiscal 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. The fiscal quarters ended October 31, 2020 and November 2, 2019 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended October 31, 2020 and November 2, 2019 refer to the thirty-nine weeks ended as of those dates.

(d) ***Basis of Presentation***

The consolidated balance sheets as of October 31, 2020 and November 2, 2019, the consolidated statements of operations for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019, the consolidated statements of shareholders' equity for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 and the consolidated statements of cash flows for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 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 October 31, 2020 and November 2, 2019. The balance sheet as of February 1, 2020, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for fiscal 2019 as filed with the Securities and Exchange Commission on March 19, 2020 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 1, 2020 and footnotes thereto included in the Annual Report. The consolidated results of operations for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 are not necessarily indicative of the consolidated operating results for the year ending January 30, 2021 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.

(e) ***Recently Issued Accounting Pronouncements***

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. The Company also elected the practical expedient related to land easements, allowing the Company to carry forward its 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.

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

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 ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326), Targeted Transition Relief," which gives entities the ability to irrevocably elect the fair value option in Subtopic 825-10 for certain existing financial assets upon transition to ASU 2016-13. 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. The Company adopted the standard on February 2, 2020. The adoption did not impact the Company's financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the impact the adoption of ASU 2020-04 will have on its consolidated financial statements.

(f) ***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.

(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 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 investments in corporate bonds are Level 1 while the short-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 October 31, 2020, February 1, 2020, and November 2, 2019, the Company had cash equivalents of $104.7 million, $200.1 million and $64.3 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 October 31, 2020, February 1, 2020, and November 2, 2019, the Company's investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following (in thousands):

	As of October 31, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Short-term:				
Corporate bonds	$ 78,516	$ —	$ 43	$ 78,473
Municipal bonds	18,233	—	7	18,226
Total	$ 96,749	$ —	$ 50	$ 96,699

	As of February 1, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	$ 58,625	$ —	$ 4	$ 58,621
Municipal bonds	604	—	—	604
Total	$ 59,229	$ —	$ 4	$ 59,225

	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

Short-term investment securities as of October 31, 2020, February 1, 2020, and November 2, 2019 all mature in one year or less.

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

Prepaid expenses as of October 31, 2020, February 1, 2020, and November 2, 2019 were $17.7 million, $17.2 million, and $18.8 million, respectively. Other current assets as of October 31, 2020, February 1, 2020, and November 2, 2019 were $32.5 million, $58.7 million, and $39.9 million, respectively.

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

Other accrued expenses include accrued capital expenditures of $18.6 million, $28.9 million, and $30.6 million as of October 31, 2020, February 1, 2020, and November 2, 2019, respectively.

(2) Revenue from Contracts with Customers

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 significant reserve has been recorded. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption for merchandise or as breakage revenue in proportion to the pattern of redemption of the gift cards by the customer in net sales.

The transaction price for the Company's sales is based on the item's stated price. To the extent that the Company charges customers for shipping and handling on e-commerce sales, the Company records such amounts in net sales. Shipping and handling costs, which include fulfillment and shipping costs related to the Company's e-commerce operations, are 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 October 31, 2020		Thirteen Weeks Ended November 2, 2019	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	$ 221,970	46.6 %	$ 188,627	50.0 %
Fashion and home	176,867	37.1 %	120,636	32.0 %
Party and snack	77,777	16.3 %	68,175	18.0 %
Total	$ 476,614	100.0 %	$ 377,438	100.0 %

	Thirty-Nine Weeks Ended October 31, 2020		Thirty-Nine Weeks Ended November 2, 2019	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	$ 524,719	47.5 %	$ 587,649	50.7 %
Fashion and home	400,679	36.3 %	352,593	30.4 %
Party and snack	178,225	16.2 %	219,358	18.9 %
Total	$ 1,103,623	100.0 %	$ 1,159,600	100.0 %

(3) Leases

The Company determines if an arrangement contains a lease at the inception of a contract. Operating lease assets represent the Company’s right to use an underlying asset for the lease term and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. 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 the Company's 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 benefits of exercising the renewal options, and regularly opens, relocates or closes stores to align with its operating strategy. Therefore, generally, except for renewals that 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. 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 2034. 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 for reimbursement of real estate taxes, common area maintenance and insurance as well as payments based on sales volume, all of 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.

In response to the COVID-19 pandemic, certain of the Company's landlords have agreed to temporary rent concessions. These rent concessions generally relate to abatements and deferrals of certain rent payments for April through October until future periods. Additional negotiations of payment terms are still in process.

In accordance with the Financial Accounting Standards Board's recent staff guidance regarding rent concessions related to the effects of the COVID-19 pandemic, the Company has elected to account for the concessions agreed to by landlords that do not result in a substantial increase in the obligations of the lessee as if the enforceable rights and obligations for those concessions existed in the original lease agreements and the Company has elected to not remeasure the related lease liabilities and right-of-use assets. For qualifying rent abatement concessions, the Company has recorded negative variable lease expense for the amount of the concession during the period of relief, and for qualifying deferrals of rental payments, the Company has recognized a non-interest bearing payable in lieu of recognizing a decrease in cash for the lease payment that would have been made based on the original terms of the lease agreement, which will be reduced when the deferred payment is made in the future.

During the thirteen weeks ended October 31, 2020, the Company committed to 37 new store leases with average terms of approximately 10 years that have future minimum lease payments of approximately $83.0 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 October 31, 2020 and November 2, 2019, the weighted average remaining lease term for the Company's operating leases was 8.0 years and 7.9 years, respectively, and the weighted average discount rate was 6.6% and 7.0%, respectively.

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
Lease Cost	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Operating lease cost	$ 43,584	$ 37,549	$ 126,205	$ 106,580
Variable lease cost	11,977	10,422	33,939	29,634
Net lease cost*	$ 55,561	$ 47,971	$ 160,144	$ 136,214

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

The following table summarizes the maturity of lease liabilities under operating leases as of October 31, 2020 (in thousands):

Maturity of Lease Liabilities	Operating Leases
2020	$ 60,035
2021	184,549
2022	179,370
2023	172,390
2024	161,411
After 2024	595,524
Total lease payments	1,353,279
Less: imputed interest	293,982
Present value of lease liabilities	$ 1,059,297

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

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments arising from operating lease liabilities (1)	$ 91,013	$ 96,496
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	$ 159,707	$ 205,690

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

(4) Income (Loss) Per Common Share

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Numerator:				
Net income (loss)	$ 20,425	$ 10,189	$ (576)	$ 64,682
Denominator:				
Weighted average common shares outstanding - basic	55,851,780	55,672,796	56,004,072	55,855,526
Dilutive impact of options, restricted stock units and employee stock purchase plan	247,548	346,940	—	353,192
Weighted average common shares outstanding - diluted	56,099,328	56,019,736	56,004,072	56,208,718
Per common share:				
Basic income (loss) per common share	$ 0.37	$ 0.18	$ (0.01)	$ 1.16
Diluted income (loss) per common share	$ 0.36	$ 0.18	$ (0.01)	$ 1.15

The effects of the assumed vesting of restricted stock units for 4,361 shares of common stock for the thirteen weeks ended October 31, 2020 were excluded from the calculation of diluted net income per share, as their impact would have been anti-dilutive.

For the thirty-nine weeks ended October 31, 2020, all common stock equivalents related to outstanding stock options and unvested restricted units were excluded from the calculation of diluted net loss per share, as their impact would have been anti-dilutive due to the Company's net loss for the period.

The effects of the assumed vesting of restricted stock units for 2,303 and 768 shares of common stock for the thirteen 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 aforementioned excluded shares do not reflect the impact of any incremental repurchases under the treasury stock method.

(5) Line of Credit

On March 20, 2020, the Company exercised its right under the Fourth Amended and Restated Loan and Security Agreement, executed on May 10, 2017 (the "Prior Credit Agreement') to increase the aggregate commitments under the Revolving Credit Facility from $20 million to $50 million.

On April 24, 2020, the Company entered into a Fifth Amended and Restated Credit Agreement (the “Fifth Restated Credit Agreement”), among the Company, 1616 Holdings, Inc., a wholly-owned subsidiary of the Company ("1616 Holdings"), and Wells Fargo Bank, National Association as administrative agent (the “Agent”), and other lenders. The Fifth Restated Credit Agreement amends and restates the Prior Credit Agreement which governed the Revolving Credit Facility.

The Fifth Restated Credit Agreement includes a secured asset-based revolving line of credit in the amount of up to $225.0 million (the “Amended Revolving Credit Facility”). Pursuant to the Fifth Restated Credit Agreement, advances under the Amended Revolving Credit Facility are tied to a borrowing base consisting of eligible credit card receivables and inventory, as reduced by certain reserves in effect from time to time. The Amended Revolving Credit Facility expires on the earliest to occur of (i) April 24, 2023 or (ii) an event of default. The Amended Revolving Credit Facility may be increased by up to $150.0 million, subject to certain conditions, including obtaining commitments from one or more lenders. The entire amount of the Amended Revolving Credit Facility is available for the issuance of letters of credit and allows for swingline loans.

The Fifth Restated Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company's option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 1.00% to 1.25% or (b) a LIBOR rate plus a margin ranging from 2.00% to 2.25%. Letter of credit fees will range from 2.00% to 2.25%. The interest rate and letter of credit fees under the Fifth Restated Credit Agreement are subject to an increase of 2.00% per annum upon an event of default.

The Fifth Restated Credit Agreement contains customary covenants that limit, absent lender approval, the ability of Company and certain of its affiliates to, among other things, pay cash dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, enter into certain acquisition transactions or transactions with affiliates, merge, dissolve, repay certain indebtedness, change the nature of Company's business, enter sale or leaseback transactions, make investments or dispose of assets. In some cases, these restrictions are subject to certain negotiated exceptions or permit Company to undertake otherwise restricted activities if it satisfies certain required conditions. In addition, the Company will be required to maintain availability of not less than (i) 15% of the lesser of (x) aggregate commitments under the Amended Revolving Credit Facility and (y) the borrowing base (the "loan cap") prior to a stepdown date (as described below) and (ii) 10% of the loan cap after the stepdown date. The stepdown date is the first date occurring after both (i) the date that 75% of the number of stores as of the closing date of the Amended Revolving Credit Facility have reopened ("store opening date") and (ii) the date occurring at least six months after the store reopening date on which the fixed charge coverage ratio is at least 1.00 to 1.00.

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

The Fifth Restated Credit Agreement also contains a provision stating that the Company cannot borrow in excess of $50 million under the Amended Revolving Credit Facility at any time the amount of the consolidated cash and cash equivalents of the loan parties (excluding certain long-term investments and certain other items) exceeds $50 million.

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

During the thirteen weeks ended May 2, 2020, the Company borrowed and repaid approximately $50 million from its Amended Revolving Credit Facility. As of October 31, 2020, the Company had no borrowings under the Amended Revolving Credit Facility and had approximately $225.0 million available on the Amended Revolving Credit Agreement.

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 October 31, 2020 and November 2, 2019, 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 October 31, 2020, the Company has other purchase commitments of approximately $4.2 million consisting of purchase agreements for materials that will be used in the construction of new stores.

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 amount paid for the land and building was approximately $56 million. The Company began operating the distribution center in July 2020.

During the thirteen weeks ended August 1, 2020, the Company acquired land in Buckeye, Arizona, 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 $65 million, of which approximately $13 million has been paid through October 31, 2020. The Company expects to occupy the distribution center in Buckeye, Arizona in the second half of 2021.

Contingencies

Legal Matters

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

(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 October 31, 2020, approximately 2.5 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 October 31, 2020 was as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Balance as of February 1, 2020	231,525	$ 30.92	4.1
Forfeited	(1,650)	31.49	
Exercised	(111,814)	26.96	
Balance as of October 31, 2020	118,061	34.66	4.6
Exercisable as of October 31, 2020	118,061	$ 34.66	4.6

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 October 31, 2020.

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 and the fair value of RSUs is the market price of the underlying common stock on the date of grant. PSUs granted to date have vesting periods ranging from less than one year to five years from the date of grant.

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

PSUs that have a market condition based on our total shareholder return relative to a pre-defined peer group are subject to multi-year performance objectives with a vesting date in 2023 (if the applicable performance objectives are achieved). The fair value of these PSUs is determined using a Monte Carlo valuation model.

RSU and PSU activity during the thirty-nine weeks ended October 31, 2020 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 1, 2020	250,352	$ 79.37	357,166	$ 66.96
Granted	175,346	106.79	370,613	134.73
Vested	(99,836)	65.79	(127,622)	39.89
Forfeited	(22,376)	87.39	(22,152)	74.08
Non-vested balance as of October 31, 2020	303,486	$ 99.09	578,005	$ 116.12

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended October 31, 2020, the Company withheld 50,921 shares with an aggregate value of $3.8 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 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.

As of October 31, 2020, there was $41.3 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 2.9 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 fiscal 2019, the Company purchased 337,552 shares under this program at an aggregate cost of approximately $36.9 million, or an average price of $109.27 per share. During the thirteen weeks ended May 2, 2020, the Company purchased 137,023 shares under this program at an aggregate cost of approximately $12.7 million, or average price of $92.42 per share. During the thirteen weeks ended October 31, 2020, the Company did not execute any share repurchases. Since approval of the share repurchase program in March 2018, the Company has purchased approximately 500,000 shares for an aggregate cost of approximately $50 million. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be modified or discontinued at any time.

(8) Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted and signed into law. The CARES Act includes a number of income tax changes, including, but not limited to, (i) permitting taxpayers a five-year carryback period for net operating losses ("NOLs") arising in tax years beginning after December 31, 2017 and before January 1, 2021. (ii) temporarily suspending the 80% of taxable income limitation on the use of NOLs for tax years beginning before January 1, 2021, thereby permitting corporate taxpayers to use NOLs to fully offset taxable income in these years regardless of the year in which the net operating loss arose, (iii) accelerating AMT tax credit carryover refunds, (iv) temporarily increasing the allowable business interest deduction from 30% to 50% of adjusted taxable income, and (v) providing a technical correction for depreciation as relates to the definition of qualified improvement property. As a result of the CARES Act, the Company recorded an income tax receivable for the thirteen and thirty-nine weeks ended October 31, 2020.

The following table summarizes the Company’s income tax expense (benefit) and effective tax rates for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 (dollars in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Income (loss) before income taxes	$ 23,589	$ 13,438	$ (15,822)	$ 77,135
Income tax expense (benefit)	$ 3,164	$ 3,249	$ (15,246)	$ 12,453
Effective tax rate	13.4 %	24.2 %	96.4 %	16.1 %

The effective tax rates for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 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 October 31, 2020 was lower than the thirteen weeks ended November 2, 2019 primarily due to discrete items, which includes the impact of the CARES Act and 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. The effective tax rate for the thirty-nine weeks ended October 31, 2020 was higher than the thirty-nine weeks ended November 2, 2019 primarily due to discrete items, which includes the impact of the CARES Act and 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 October 31, 2020, February 1, 2020, or November 2, 2019 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 October 31, 2020 or November 2, 2019.

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 1, 2020 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes as of and for the thirteen and thirty-nine weeks ended October 31, 2020 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 2020" or "fiscal 2020" refer to the period from February 2, 2020 to January 30, 2021, which is a 52-week fiscal 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. The fiscal quarters ended October 31, 2020 and November 2, 2019 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended October 31, 2020 and November 2, 2019 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:

- *uncertainties associated with the Coronavirus (or COVID-19) pandemic, including closures of our stores, adverse impacts on our sales and operations, future impairment charges and the risk of global recession;*
- *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 (in addition to COVID-19), global political events, war, terrorism or civil unrest;*
- *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 October 31, 2020, we operated 1,018 stores in 38 states. 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.

Effect of the COVID-19 Pandemic on our Business and Operations

As a result of the coronavirus (or COVID-19) pandemic in the first half of 2020, federal, state and local governments and private entities have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus, of which many have been eliminated or lessened over time. Such mandates required reduction of operating hours and forced temporary closures of non-essential retailers and other businesses. The COVID-19 pandemic has recently surged in many parts of the United States, which may lead to the imposition of new federal, state and local restrictions. It is impossible to predict the effect and ultimate impact of the pandemic as the situation continues to evolve.

As a result of these restrictions and out of concern for our customers and employees, we temporarily closed all of our stores as of March 20, 2020. We began reopening our stores at the end of April in compliance with federal, state and local requirements. As a result of the temporary store closures, we withheld store rent for the closure period. With respect to virtually all of our lease portfolio, we have either resumed rent payments or agreed to rent deferrals and abatements related to this closure period with landlords. As a result, we do not expect that our prior rent withholdings or the associated deferrals and abatements agreed upon with landlords will have a material adverse impact on our business, financial condition and results of future operations.

While the ultimate health and economic impact of the COVID-19 pandemic are highly uncertain, we expect that our business operations and results of operations, including our net sales, earnings and cash flows, may be materially impacted for the foreseeable future, as a result of:

- temporary closures of our stores;
- decreased customer traffic in stores, including, without limitation, as the result of limitations on the number of persons permitted in stores at one time by certain local and state regulations;
- uncertainty of the extent to which customers will maintain purchases through our e-commerce website and through curbside pickup (if and where any stores are closed to the public);
- changes in consumer confidence and consumer spending habits, including spending for the merchandise that we sell, and negative trends in consumer purchasing patterns due to changes in consumers’ disposable income, credit availability and debt levels;
- disruption to our supply chain including the manufacturing, supply, distribution, transportation and delivery of our products;
- increased safety measures for our employees and customers at our stores, distribution centers and home office; and
- a slowdown in the U.S. and global economies, and an uncertain global economic outlook or a potential credit crisis.

To seek to mitigate the effects of the pandemic and to create financial flexibility, we have taken the following actions:

- a majority of our store and distribution center employees were furloughed in March and we covered the cost of health benefits for such furloughed employees through the end of May;
- we implemented a voluntary temporary base salary reduction of 50% for Joel Anderson, our Chief Executive Officer, and a 25% base salary reduction for the remainder of the executive leadership team that reports into Mr. Anderson. This compensation was reinstated in the second quarter of 2020 after substantially all of the Company’s stores were reopened;
- our Board of Directors elected to forgo its quarterly cash retainers for the first quarter of 2020;
- we implemented a temporary pay reduction for all salaried corporate employees and certain field and supply chain leadership (that has been reinstated now that substantially all of our stores have reopened) and delayed annual salary increases for corporate employees;
- as permitted by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, we have applied for and received payroll tax credits with the IRS, and elected to defer the payment of the employer's portion of FICA taxes;
- we implemented significant temporary non-payroll expense reductions, including advertising, occupancy and other store operating expenses, distribution and corporate office operating expenses, as well as professional and consulting fees;
- we temporarily ceased paying rent on all closed store locations; as discussed above, we have since resumed rent payments and/or agreed to lease modifications with virtually all of our landlords;
- we cancelled certain vendor orders and delayed receipts on others in order to manage inventory levels, and extended payment terms for product and non-product vendors, although we have since returned to more normalized payment terms;
- we significantly reduced our 2020 capital expenditure budget, including reducing the number of new stores to be opened in 2020 and delaying purchase and construction of a new Midwest distribution center;
- we amended our credit facility and increased our line of credit from $50 million to $225 million; and

- we evolved our product mix to meet the needs of our customers by adding to our assortment of essential products, including consumables (such as cleaning and personal hygiene products), food and drink, fitness products, pet accessories, and products needed to support work-from-home and school-from-home.

Depending on future developments with respect to the COVID-19 pandemic, including any new federal, state and local governmental restrictions that may be imposed, we may determine to reinstate any of the foregoing mitigation measures or take any additional steps that we consider necessary.

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;
- weather conditions; and
- the impacts associated with the COVID-19 pandemic, including closures of our stores, adverse impacts on our operations, and consumer sentiment regarding discretionary spending.

Opening new stores is an important part of our growth strategy. As we continue to pursue our growth strategy, we expect that a significant percentage of our net sales will continue to come from new stores not included in comparable sales. Accordingly, comparable sales 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 internal fulfillment and shipping costs related to our e-commerce operations. Store occupancy costs include rent, common area maintenance, utilities and property taxes for all store locations. Distribution costs include costs for receiving, processing, warehousing and shipping of merchandise 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	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
	(in millions, except percentages and total stores)			
Consolidated Statements of Operations Data [1]:				
Net sales	$ 476.6	$ 377.4	$ 1,103.6	$ 1,159.6
Cost of goods sold	325.5	258.8	792.2	774.8
Gross profit	151.1	118.7	311.4	384.8
Selling, general and administrative expenses	126.9	106.0	326.2	311.7
Operating income (loss)	24.2	12.7	(14.8)	73.2
Interest (expense) income and other (expense) income, net	(0.7)	0.8	(1.0)	4.0
Income (loss) before income taxes	23.6	13.4	(15.8)	77.1
Income tax expense (benefit)	3.2	3.2	(15.2)	12.5
Net income (loss)	$ 20.4	$ 10.2	$ (0.6)	$ 64.7
Percentage of Net Sales [1]:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	68.3	68.6	71.8	66.8
Gross profit	31.7	31.4	28.2	33.2
Selling, general and administrative expenses	26.6	28.1	29.6	26.9
Operating income (loss)	5.1	3.4	(1.3)	6.3
Interest (expense) income and other (expense) income, net	(0.1)	0.2	(0.1)	0.3
Income (loss) before income taxes	4.9	3.6	(1.4)	6.7
Income tax expense (benefit)	0.7	0.9	(1.4)	1.1
Net income (loss)	4.3 %	2.7 %	(0.1)%	5.6 %
Operational Data:				
Total stores at end of period	1,018	894	1,018	894
Comparable sales increase (decrease)	12.8 %	2.9 %	(16.9)%	2.4 %
Average net sales per store [2]	$ 0.5	$ 0.4	$ 1.1	$ 1.4

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

Thirteen Weeks Ended October 31, 2020 Compared to the Thirteen Weeks Ended November 2, 2019

Net Sales

Net sales increased to $476.6 million in the thirteen weeks ended October 31, 2020 from $377.4 million in the thirteen weeks ended November 2, 2019, an increase of $99.2 million, or 26.3%. The increase was the result of a non-comparable sales increase of $54.8 million and a comparable sales increase of $44.4 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2020 and the number of stores that opened in fiscal 2019 but have not been open for 15 full months.

Comparable sales increased 12.8%. This increase resulted from an increase of approximately 25.7% in the average dollar value of transactions, partially offset by a decrease of approximately 10.2% in the number of transactions. We plan to open 120 net new stores in fiscal 2020.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to $325.5 million in the thirteen weeks ended October 31, 2020 from $258.8 million in the thirteen weeks ended November 2, 2019, an increase of $66.7 million, or 25.8%. The increase in cost of goods sold was primarily the result of an increase in the merchandise cost of goods resulting from the increase in net sales. Also contributing to the increase in cost of goods sold was an increase in store occupancy costs resulting from new store openings.

Gross profit increased to $151.1 million in the thirteen weeks ended October 31, 2020 from $118.7 million in the thirteen weeks ended November 2, 2019, an increase of $32.4 million, or 27.3%. Gross margin increased to 31.7% for the thirteen weeks ended October 31, 2020 from 31.4% for the thirteen weeks ended November 2, 2019. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in store occupancy costs, partially offset by 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 $126.9 million in the thirteen weeks ended October 31, 2020 from $106.0 million in the thirteen weeks ended November 2, 2019, an increase of $20.9 million, or 19.7%. As a percentage of net sales, selling, general and administrative expenses decreased to 26.6% in the thirteen weeks ended October 31, 2020 compared to 28.1% in the thirteen weeks ended November 2, 2019. The increase in selling, general and administrative expenses was primarily the result of increases of $14.4 million in store-related expenses to support new store growth and $6.5 million of corporate-related expenses.

Income Tax Expense

Income tax expense was $3.2 million in the thirteen weeks ended October 31, 2020 which was consistent with the thirteen weeks ended November 2, 2019. The income tax expense in the thirteen weeks ended October 31, 2020 was primarily due to the $10.2 million increase in pre-tax income, partially offset by discrete items, which includes the impact of the CARES Act and 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 our consolidated statements of operations.

Our effective tax rate for the thirteen weeks ended October 31, 2020 was 13.4% compared to 24.2% in the thirteen weeks ended November 2, 2019. Our effective tax rate for the thirteen weeks ended October 31, 2020 was lower than the comparable prior year period primarily due to discrete items, which includes the impact of the CARES Act and 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 $20.4 million in the thirteen weeks ended October 31, 2020 from $10.2 million in the thirteen weeks ended November 2, 2019, an increase of $10.2 million or 100.5%.

Thirty-Nine Weeks Ended October 31, 2020 Compared to the Thirty-Nine Weeks Ended November 2, 2019

Net Sales

Net sales decreased to $1,103.6 million in the thirty-nine weeks ended October 31, 2020 from $1,159.6 million in the thirty-nine weeks ended November 2, 2019, a decrease of $56.0 million, or 4.8%. The decrease was primarily the result of the impact of COVID-19 as we temporarily closed all of our stores as of March 20, 2020. We began reopening our stores at the end of April in compliance with federal, state and local requirements, and as of the end of June, the Company had reopened substantially all of its stores to the general public. This temporary closure resulted in a 16.9% decrease in comparable sales for the thirty-nine weeks ended October 31, 2020. We plan to open 120 net new stores in fiscal 2020.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to $792.2 million in the thirty-nine weeks ended October 31, 2020 from $774.8 million in the thirty-nine weeks ended November 2, 2019, an increase of $17.4 million, or 2.3%. The increase in cost of goods sold was primarily the result of an increase in store occupancy costs resulting from new store openings, partially offset by a decrease in merchandise cost of goods sold, resulting from the decrease in net sales due to the impact of COVID-19 as we temporarily closed all of our stores.

Gross profit decreased to $311.4 million in the thirty-nine weeks ended October 31, 2020 from $384.8 million in the thirty-nine weeks ended November 2, 2019, a decrease of $73.4 million, or 19.1%. Gross margin decreased to 28.2% for the thirty-nine weeks ended October 31, 2020 from 33.2% for the thirty-nine weeks ended November 2, 2019. The decrease in gross margin was primarily the result of an increase as a percentage of net sales in store occupancy costs due to the impact of COVID-19 as we temporarily closed all of our stores while still incurring rent expense, and 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 $326.2 million in the thirty-nine weeks ended October 31, 2020 from $311.7 million in the thirty-nine weeks ended November 2, 2019, an increase of $14.5 million, or 4.7%. As a percentage of net sales, selling, general and administrative expenses increased to 29.6% in the thirty-nine weeks ended October 31, 2020 compared to 26.9% in the thirty-nine weeks ended November 2, 2019. The increase in selling, general and administrative expenses was primarily the result of an increase of $13.1 million in corporate-related expenses, which is net of the benefit related to the CARES Act and the reversal of certain performance-based stock award accruals. The increase was also driven by an increase of $1.4 million in store-related expenses to support new store growth, which is net of the expense savings from the temporary closure of all of our stores, furloughing of employees, and other non-payroll expense reductions due to the impact of COVID-19.

Income Tax (Benefit) Expense

Income tax benefit increased to $15.2 million in the thirty-nine weeks ended October 31, 2020 from an income tax expense of $12.5 million in the thirty-nine weeks ended November 2, 2019, an increase of $27.7 million. The increase in income tax benefit from an income tax expense was primarily due to a decrease of $93.0 million in pre-tax income, which resulted in a pre-tax loss, and discrete items, which includes the impact of the CARES Act, partially offset by a reduction of the benefit of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

Our effective tax rate for the thirty-nine weeks ended October 31, 2020 was 96.4% compared to 16.1% in the thirty-nine weeks ended November 2, 2019. Our effective tax rate for the thirty-nine weeks ended October 31, 2020 was higher than the comparable prior year period primarily due to discrete items, which includes the impact of the CARES Act and the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

Net (Loss) Income

As a result of the foregoing, we had a net loss of $0.6 million in the thirty-nine weeks ended October 31, 2020 compared to a net income of $64.7 million in the thirty-nine weeks ended November 2, 2019, a change of $65.3 million or 100.9%.

Liquidity and Capital Resources

Overview

Cash capital expenditures typically vary depending on the timing of new store openings and infrastructure-related investments. We plan to make cash capital expenditures of approximately $200 million in fiscal 2020, which exclude the impact of tenant allowances, and which we expect to fund from cash generated from operations, cash on hand, and, as needed, borrowings under our Amended Revolving Credit Facility. We expect to incur approximately $50 million of our cash capital expenditure budget in fiscal 2020 to construct and open 120 net new stores, with the remainder projected to be spent on our distribution centers (existing and new), store relocations and remodels and our corporate infrastructure.

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

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash on-hand, net cash provided by operating activities and borrowings under our Amended Revolving Credit Facility, as needed, and we expect that funding to continue. 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. Although it is not possible to reliably estimate the duration or severity of the COVID-19 pandemic and the resulting financial impact on our results of operations, financial position and liquidity, we have the ability to draw down on our Amended Revolving Credit Facility if and as needed. During the thirteen weeks ended May 2, 2020, we borrowed and repaid approximately $50 million from our Amended Revolving Credit Facility. As of October 31, 2020, we had no borrowings under the Amended Revolving Credit Facility and had approximately $225.0 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 fiscal 2019, we purchased 337,552 shares under this program at an aggregate cost of approximately $36.9 million, or an average price of $109.27 per share. During the thirteen weeks ended May 2, 2020, we purchased 137,023 shares under this program at an aggregate cost of approximately $12.7 million, or average price of $92.42 per share. During the thirteen weeks ended October 31, 2020, we did not execute any share repurchases. Since approval of the share repurchase program in March 2018, we have purchased approximately 500,000 shares for an aggregate cost of approximately $50 million. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be modified or discontinued at any time.

Based on our growth plans, we believe that our cash position, which includes our cash equivalents and short-term investments, net cash provided by operating activities and availability under our 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.

Although, we began reopening stores at the end of April where permitted in compliance with federal, state, and local requirements, any significant reduction in consumer willingness to visit malls and shopping centers or purchase merchandise using curbside pickup where available, levels of consumer spending at our stores or employee willingness to staff our stores or the temporary closure of our stores or distribution centers relating to the pandemic or its impact on the economy, disruptions in the supply chains related to our products or consumer sentiment or health concerns would result in a further loss of sales and profits and other material adverse effects. In order to mitigate the negative impact on our liquidity, management took several short term and long term actions, including the following:

- we cancelled certain vendor orders and delayed receipts on others in order to manage inventory levels, and extended payment terms for product and non-product vendors, although we have since returned to more normalized payment terms;
- we amended our credit facility and increased our line of credit from $50 million to $225 million;
- we implemented significant non-payroll expense reductions, including advertising, occupancy and other store operating expenses, distribution and corporate office operating expenses, as well as professional and consulting fees;
- we significantly reduced our 2020 capital expenditure budget, including reducing the number of new stores to be opened in 2020 and delaying purchase and construction of a new Midwest distribution center; and
- as permitted by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, we have applied for and received payroll tax credits with the IRS, and elected to defer the payment of the employer's portion of FICA taxes.

The extent to which COVID-19 impacts our results, financial position and liquidity will depend on future developments, which are highly uncertain and cannot be predicted, including new federal, state and local governmental restrictions that may be taken to contain COVID-19 or treat its impact, and any new mitigation measures we may determine to take in response to any such restrictions.

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	
	October 31, 2020	November 2, 2019
Net cash provided by operating activities	$ 121.3	$ 1.9
Net cash used in investing activities	(191.8)	(132.3)
Net cash used in financing activities	(15.0)	(43.8)
Net decrease during period in cash and cash equivalents [1]	$ (85.4)	$ (174.3)

[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 October 31, 2020 was $121.3 million, an increase of $119.5 million compared to the thirty-nine weeks ended November 2, 2019. The increase was primarily due to changes in working capital and a decrease in income taxes paid, partially offset by a decrease in operating cash flows from store performance due to the impact of COVID-19 as we temporarily closed all of our stores in March and had reopened substantially all of our stores as of the end of June.

Cash Used in Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended October 31, 2020 was $191.8 million, an increase of $59.5 million compared to the thirty-nine weeks ended November 2, 2019. The increase was primarily due to an increase in net purchases of investment securities and other investments, partially offset by a decrease in capital expenditures.

Cash Used in Financing Activities

Net cash used in financing activities for the thirty-nine weeks ended October 31, 2020 was $15.0 million, a decrease of $28.8 million compared to the thirty-nine weeks ended November 2, 2019. The decrease was primarily the result of decreases in the repurchase and retirement of common stock and in common shares withheld for taxes.

Line of Credit

On April 24, 2020, the Company entered into a Fifth Amended and Restated Credit Agreement (the “Fifth Restated Credit Agreement”), among the Company, 1616 Holdings, Inc., a wholly-owned subsidiary of the Company ("1616 Holdings"), and Wells Fargo Bank, National Association as administrative agent (the “Agent”), and other lenders. The Fifth Restated Credit Agreement amends and restates the Prior Credit Agreement which governed the Revolving Credit Facility.

The Fifth Restated Credit Agreement includes a secured asset-based revolving line of credit in the amount of up to $225.0 million (the “Amended Revolving Credit Facility”). Pursuant to the Fifth Restated Credit Agreement, advances under the Amended Revolving Credit Facility are tied to a borrowing base consisting of eligible credit card receivables and inventory, as reduced by certain reserves in effect from time to time. The Amended Revolving Credit Facility expires on the earliest to occur of (i) April 24, 2023 or (ii) an event of default. The Amended Revolving Credit Facility may be increased by up to $150.0 million, subject to certain conditions, including obtaining commitments from one or more lenders. The entire amount of the Amended Revolving Credit Facility is available for the issuance of letters of credit and allows for swingline loans.

The Fifth Restated Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company’s option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 1.00% to 1.25% or (b) a LIBOR rate plus a margin ranging from 2.00% to 2.25%. Letter of credit fees will range from 2.00% to 2.25%. The interest rate and letter of credit fees under the Fifth Restated Credit Agreement are subject to an increase of 2.00% per annum upon an event of default.

The Fifth Restated Credit Agreement contains customary covenants that limit, absent lender approval, the ability of Company and certain of its affiliates to, among other things, pay cash dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, enter into certain acquisition transactions or transactions with affiliates, merge, dissolve, repay certain indebtedness, change the nature of Company’s business, enter sale or leaseback transactions, make investments or dispose of assets. In some cases, these restrictions are subject to certain negotiated exceptions or permit Company to undertake otherwise restricted activities if it satisfies certain required conditions. In addition, the Company will be required to maintain availability of not less than (i) 15% of the lesser of (x) aggregate commitments under the Amended Revolving Credit Facility and (y) the borrowing base (the "loan cap") prior to a stepdown date (as described below) and (ii) 10% of the loan cap after the stepdown date. The stepdown date is the first date occurring after both (i) the date that 75% of the number of stores as of the closing date of the Amended Revolving Credit Facility have reopened ("store opening date") and (ii) the date occurring at least six months after the store reopening date on which the fixed charge coverage ratio is at least 1.00 to 1.00.

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

The Fifth Restated Credit Agreement also contains a provision stating that the Company cannot borrow in excess of $50 million under the Amended Revolving Credit Facility at any time the amount of the consolidated cash and cash equivalents of the loan parties (excluding certain long-term investments and certain other items) exceeds $50 million.

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

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

Critical Accounting Policies and Estimates

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

Contractual Obligations

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

From February 2, 2020 to October 31, 2020, we have entered into 93 new fully executed retail leases with average terms of approximately 10 years and other lease modifications that have future minimum lease payments of approximately $192.7 million.

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 amount paid for the land and building was approximately $56 million. We began operating the distribution center in July 2020.

During the thirteen weeks ended August 1, 2020, we acquired land in Buckeye, Arizona, 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 $65 million, of which approximately $13 million has been paid through October 31, 2020. We expect to occupy the distribution center in Buckeye, Arizona in the second half of 2021.

Off-Balance Sheet Arrangements

For the thirteen weeks ended October 31, 2020, 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, which could materially impact our consolidated statements of operations should we have any material borrowings under our Amended Revolving Credit Facility.

As of October 31, 2020, we had approximately $225.0 million available on the line of credit. The Fifth Restated Credit Agreement provides that the interest rate payable on borrowings shall be, at our option, a per annum rate equal to (a) a base rate plus a margin of 1.25% or (b) a LIBOR rate plus a margin of 2.25%. Letter of credit fees will range from 2.00% to 2.25%. The interest rate and letter of credit fees under the Fifth Restated Credit Agreement 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 October 31, 2020, 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 IA "Risk Factors in our Quarterly Reports on Form 10-Q for the quarters ended August 1, 2020 ("2nd Quarter 10-Q") and May 2, 2020 ("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.

The COVID-19 global pandemic and measures intended to prevent its spread present material uncertainty and risk and have had, and are expected to continue to have, a material adverse impact on our business, results of operations, financial condition and cash flows.

The COVID-19 global pandemic that began in the first quarter of 2020 has recently surged in many parts of the United States as many state-imposed stay-at home orders lapsed during the second quarter of 2020, which may lead to the imposition of new federal, state and local restrictions. The pandemic has led governments and other authorities to impose measures intended to control the pandemic’s spread, including restrictions on business operations, freedom of travel, border closings, shelter in place orders, and quarantines. The pandemic and the related preventative and protective actions have adversely impacted the global economy, resulted in unprecedented levels of unemployment, reduced consumer confidence and discretionary consumer spending, disrupted global supply chains, and created significant volatility in financial markets.

The pandemic and the related actions have materially adversely impacted our business, results of operations, financial condition and cash flows, including through temporary store closures, reductions in operating hours and decreases in store traffic. The scope and duration of the pandemic and governmental, business and consumer responses to the pandemic may adversely affect, among other aspects of our business:

- our ability to maintain and increase sales and margins and to execute effectively on our business plans;
- our ability to identify and respond effectively to changes in consumer preferences and behavior, including decreased consumer discretionary spending;
- our ability to implement and maintain safety measures to keep our employees and customers safe;
- our ability to generate increased sales through our e-commerce website and curbside pickup (in the event any store is required to be closed to the public);
- our ability to receive products from our vendors and to distribute such products to our store locations;
- our vendors’ ability to manufacture and distribute products to us;
- our business partners’ ability to operate or manage increases in their operating costs and other supply chain effects that may have an adverse effect on our ability to meet consumer demand and achieve cost targets;
- our ability to comply with financial covenants in credit agreements and with credit terms in agreements with our suppliers; and
- our ability to restructure our lease obligations.

As a result of the temporary store closures due to the COVID-19 pandemic, we withheld store rent for the closure period. With respect to virtually all of our lease portfolio, we have either resumed rent payments or agreed to rent deferrals and/or abatements related to this closure period with landlords. If, in response to additional store closures, we were to decide to withhold rent, all or some of our landlords could claim that our failure to pay rent is a default under our leases and seek remedies such as damages, acceleration of lease payments and/or termination of the subject leases. A successful assertion by the landlords of a breach of a significant number of our leases could have a material adverse impact on our business, financial condition, profitability and cash flows.

The extent of the impact of the pandemic on our business will depend on future developments, including the duration and scope of the pandemic and measures taken to prevent its spread, which are uncertain and cannot be predicted. Although no impairment charges were recorded during the third quarter ended October 31, 2020, we may be required to record impairment charges on our assets as a result of the pandemic in future periods.

Any of the negative impacts of the pandemic, including those described above, alone or in combination with others, may exacerbate many of the risk factors discussed in Part I - Item 1A - "Risk Factors," of our Annual Report on Form 10-K for the year ended February 1, 2020. The full extent to which the pandemic will negatively affect our business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities businesses and customers in response to the pandemic.

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

None.

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
10.32†	Compensation Policy for Non-Employee Directors
10.33†	Form of Award Agreement for Performance-Based Restricted Stock Units under the Five Below, Inc. Amended and Restated Equity Incentive Plan (Directors)
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 October 31, 2020, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of October 31, 2020, February 1, 2020 and November 2, 2019; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen and Thirty-Nine Weeks Ended October 31, 2020 and November 2, 2019; (iii) the Unaudited Consolidated Statements of Shareholders' Equity for the Thirty-Nine Weeks Ended October 31, 2020 and November 2, 2019; (iv) the Unaudited Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended October 31, 2020 and November 2, 2019 and (v) the Notes to Unaudited Consolidated Financial Statements, tagged in detail.
104*	Coverage Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management contract or compensatory plan or arrangement.

* 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 3, 2020	/s/ Joel D. Anderson
	Joel D. Anderson President and Chief Executive Officer (Principal Executive Officer)
Date: December 3, 2020	/s/ Kenneth R. Bull
	Kenneth R. Bull Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.32

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

FIVE BELOW, INC.
COMPENSATION POLICY FOR NON-EMPLOYEE DIRECTORS
(Effective September 29, 2020)

1. ANNUAL CASH AND STOCK COMPENSATION

•*Eligible Directors:* Each member of the Company's Board of Directors (the "Board") who is not an employee of the Company (a "Non-Employee Director").

•*Annual Cash Retainer.* Each eligible director shall receive $70,000 annually paid in arrears for each fiscal quarter. Such quarterly amount shall be appropriately prorated for partial service in any fiscal quarter.

◦ **Additional Annual Retainers for Chairs of Committees who are Eligible Directors:** $25,000 annually for the Audit Committee and the Compensation Committee and $20,000 annually for the Nominating and Corporate Governance Committee, in each case paid quarterly in arrears together with the annual retainer for all eligible directors. Such quarterly amounts shall be appropriately prorated for partial service of an eligible director in any fiscal quarter.

◦ **Additional Annual Retainer for the Non-Executive Chairman of the Board:** $80,000 annually for the non-executive Chairman of the Board, if any, paid quarterly in arrears together with the annual retainer for all eligible directors. Such quarterly amount, if any, shall be appropriately prorated for partial service in any fiscal quarter.

◦ **Stock in lieu of Retainers:** Prior to the end of the fiscal quarter with respect to which such cash retainer relates, an eligible director may elect, in lieu of the cash retainer, to receive fully vested shares of the Company's common stock ("Shares") having a Fair Market Value (as such term is defined under the Five Below, Inc. Amended and Restated Equity Incentive Plan (the "Plan")) equal to the amount of the foregone retainer for such period. Any such elected Shares will be delivered on or about the last day of the fiscal quarter with respect to which the foregone cash retainer relates. Any fractional Shares will be paid in cash.

• *Annual Equity Award.* At each annual meeting of shareholders of the Company, each eligible director will receive a restricted stock unit award having a Fair Market Value equal to $140,000.

• *Initial Annual Equity Award.* If an eligible director joins the Board at least 90 days prior to the scheduled date of the Company's next annual meeting of shareholders or, if such meeting has not been scheduled at such time, the anniversary date of the Company's last annual meeting of shareholders (as applicable, the "Meeting Date"), such eligible director will receive an initial grant of restricted stock units having a Fair Market Value equal to $140,000, appropriately prorated based on the number of days from such director's commencement of service as a director until the Meeting Date over 365.

• *Additional Equity Award for the Non-Executive Chairman of the Board*. At the time that the Annual Awards are made, the non-executive Chairman of the Board, if any, will receive an additional restricted stock unit award having a Fair Market Value equal to $150,000.

• *Initial Additional Equity Award for the Non-Executive Chairman of the Board.* If a person becomes the non-executive Chairman of the Board at least 90 days prior to the Meeting Date, such non-executive Chairman of the Board will receive an initial grant of restricted stock units having a Fair Market Value equal to $150,000, appropriately prorated based on the number of days from such person's commencement of service as the non-executive Chairman of the Board until the Meeting Date over 365.

Each equity award shall be issued under the Plan and subject to an award agreement (an “Award Agreement”). Subject to such director’s continued service with the Company, any such award shall vest in full at the next annual meeting of shareholders. Such vesting may be accelerated upon certain events as provided in an Award Agreement.

2. EXPENSE REIMBURSEMENT - Each Non-Employee Director will be reimbursed for reasonable out-of-pocket travel expenses incurred in connection with attendance at Board and committee meetings and other Board related activities in accordance with the Company’s plans or policies as in effect from time to time[1].

3. AMENDMENT AND TERMINATION - This Policy may be amended or terminated by the Board at any time.

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[1] To the extent that any such reimbursements constitute compensation, (i) such amount shall be reimbursed no later than December 31 of the year following the year in which the expense was incurred, (ii) such amount shall not affect the amount of compensatory expense reimbursements in any subsequent year, and (iii) the right to such reimbursement shall not be subject to liquidation or exchange for any other benefit.

Exhibit 10.33

<u>Grant Schedule</u>

Grantee's name:	[·]
Grant Date:	[·]
1. Number of Restricted Stock Units granted:	[·]
2. Target Number of Restricted Stock Units:	[·]
3. Vesting Date:	

PERFORMANCE VESTED UNITS: Except as specifically provided below, as set forth in the Grantee's employment agreement or as otherwise determined by the Committee, subject to Grantee's continued employment, as of [·], the Restricted Stock Units (the "Performance Units") will vest, if at all, based on the Company's Performance (as defined below) as follows:

The Performance Units shall become Earned (as defined below) based upon the Company's [·] ("Performance") over each applicable Performance Period (as defined below), as follows: [·]

For any applicable Performance Period above, the Compensation Committee will interpolate proportionately to determine the Performance Units which become Earned based on the level of the Company's Performance between the threshold and underperformance, between underperformance and the target, between the target and outperformance or between outperformance and the maximum. No Performance Units will be Earned below the threshold level of Performance in any applicable Performance Period. No Earned Performance Units will become vested and/or delivered until the vesting conditions set forth below are also satisfied.

At the end of any Performance Period (or such earlier date as provided below upon either certain terminations of employment or upon a Change in Control), any Performance Units that do not become Earned based upon the Company's Performance shall be forfeited with no further compensation due to the Grantee on account thereof.

The following terms shall be defined as set forth below:

"Earned" means Performance Units for which the applicable Performance has been attained for an applicable Performance Period.

"Peer Group" means the following [·] companies: [·], subject to the following adjustments.

Notwithstanding the foregoing:

(a) if the Grantee ceases to be employed by the Company (and its Affiliates, as applicable) during any Performance Period as a result of his or her death or Disability, all previously Earned Performance Units with respect to all previously competed Performance Periods and 100% of the Target Number of the Performance Units for any incomplete Performance Period(s) (to the extent such Performance Units were not previously forfeited) will immediately vest (and will, to the extent applicable, be deemed Earned), and any remaining Performance Units will be forfeited immediately upon such termination; and

(b) in the event of a Change in Control that occurs during any Performance Period (i) any, if any, previously Earned Performance Units with respect to all previously completed Performance Periods will immediately vest and [·], in either such case, immediately vest (and will, to the extent applicable, be deemed Earned), and any remaining Performance Units will be forfeited immediately upon the closing of such Change in Control.

If the Grantee's employment with the Company and its Affiliates terminates or is terminated for any other reason other than as set forth above, any Restricted Stock Units that are then still subject to vesting conditions as of such date (regardless of whether such units are Earned or unearned) shall be immediately forfeited with no other compensation due to the Grantee.

The Performance Units will, to the extent Earned, be deemed vested on [·], subject to the Grantee's continued employment through such date (or such earlier date as set forth above) and a number of the shares of the Company's common stock equal to the number of such Earned and vested Performance Units will be issued to the Grantee, either by book-entry registration or issuance of a stock certificate or certificates, as soon as administratively practicable following the date that the Committee determines the extent to which the applicable Performance has been attained, but in no event later than [·]. In the event the Performance Units become Earned and vested as a result of a Change in Control or the Grantee's death or Disability, the shares of the Company's common stock underlying such units will be issued not later than ten (10) business days following the date of such Change in Control or the Grantee's death or Disability, subject to any applicable delay set forth in Section 7 of the below Agreement.

FIVE BELOW, INC.

By:
Name:
Title:
DATED:

Award Agreement for Restricted Stock Units under the Five Below, Inc.

Amended and Restated Equity Incentive Plan

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "Agreement") is made by Five Below, Inc. (the "Company") to the participant named on the grant schedule attached hereto (the "Grantee"), dated as of the date set forth on the grant schedule attached hereto (the "Grant Date").

RECITALS

WHEREAS, the Company desires to award Restricted Stock Units to the Grantee under the Five Below, Inc. Amended and Restated Equity Incentive Plan, as amended (the "Plan"), pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties, intending to be legally bound hereby, agree as follows:

1. Grant Schedule. Certain terms of the grant of Restricted Stock Units are set forth on the grant schedule (the "Grant Schedule") that is attached to, and is a part of, this Agreement.

2. Grant of Restricted Stock Units. As of the Grant Date, pursuant to the Plan, the Company hereby awards to the Grantee the number of Restricted Stock Units set forth on the Grant Schedule (the "Award"), subject to the restrictions and on the terms and conditions set forth in this Agreement and the Plan. The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined herein, including the Grant Schedule, will have the same meaning as defined in the Plan.

3. Grant Date. The Grant Date of the Restricted Stock Units is set forth on the Grant Schedule.

4. Performance Target. To the extent that the Grant Schedule includes a performance-based target, the Grant Schedule will specify the extent to which the Restricted Stock Units will be forfeited for failure to achieve the performance-based target.

5. Vesting. Subject to the further provisions of this Agreement, the Restricted Stock Units will become "Earned" (as such term is defined in the Grant Schedule) and will vest as set forth on the Grant Schedule (the date on which Restricted Stock Units vest being referred to as a "Vesting Date"). No Earned Restricted Stock Units will be considered vested until such Earned units vest in accordance with the Grant Schedule.

6. Transferability. The Restricted Stock Units are not transferable or assignable otherwise than by will or by the laws of descent and distribution. Any attempt to transfer Restricted Stock Units, whether by transfer, pledge, hypothecation or otherwise and whether voluntary or involuntary, by operation of law or otherwise, will not vest the transferee with any interest or right in or with respect to such Restricted Stock Units.

7. Termination of Employment. In the event of the Grantee's termination of service with the Company and its Affiliates that is a "separation from service" within the meaning of section 409A of the Code and applicable Treasury Regulations issued under section 409A, all unvested Restricted Stock Units will vest or be forfeited according to the terms and conditions of the Grant Schedule, unless the Grantee's employment agreement provides for a result that is more favorable to the Grantee. To the extent compliance with the requirements of Treasury Regulation § 1.409A-3(i)(2) is necessary to avoid the application of an additional tax under section 409A of the Code to the issuance of Shares to the Grantee, then any issuance of Shares to the Grantee that would otherwise be made during the six-month period beginning on the date of such termination will be deferred and delivered to the Grantee immediately following the lapse of such six-month period.

8. Issuance of Shares.

a. Unless otherwise set forth on the Grant Schedule or as otherwise required under Section 7, within 2 and ½ months following any Vesting Date (including any accelerated vesting date provided in the Grant Schedule or pursuant to the Grantee's employment agreement), the Company shall issue to the Grantee, either by book-entry registration or issuance of a stock certificate or certificates, a number of Shares equal to the number of Restricted Stock Units granted hereunder that have vested as of such date. Any Shares issued to the Grantee hereunder shall be fully paid and non-assessable.

b. The Company may require as a condition of the issuance of Shares, pursuant to Section 8(a) hereof, that the Grantee remit to the Company an amount sufficient in the opinion of the Company to satisfy any federal, state and other governmental tax withholding requirements related to the issuance of such Shares. The Committee, in its sole discretion, may permit the Grantee to satisfy such obligation by delivering Shares or by directing the Company to withhold from delivery Shares, in either case valued at their Fair Market Value on the applicable issuance date, with fractional Shares being settled in cash.

c. The Grantee will not be deemed for any purpose to be, or have rights as, a stockholder of the Company by virtue of the grant of Restricted Stock Units, until Shares are issued in settlement of such Restricted Stock Units pursuant to Section 8(a) hereof. Upon the issuance of a stock certificate or the making of an appropriate book entry on the books of the transfer agent, the Grantee will have all of the rights of a stockholder.

9. Securities Matters. The Company shall be under no obligation to effect the registration pursuant to the Securities Act of 1933, as amended (the "1933 Act") of any interests in the Plan or any Shares to be issued thereunder or to effect similar compliance under any state laws. The Company shall not be obligated to cause to be issued any Shares, whether by means of stock certificates or appropriate book entries, unless and until the Company is advised by its counsel that the issuance of such Shares is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which Shares are traded. The Committee may require, as a condition of the issuance of Shares pursuant to the terms hereof, that the recipient of such Shares make such covenants, agreements and representations, and that any certificates bear such legends and any book entries be subject to such electronic coding or stop order, as the Committee, in its sole discretion, deems necessary or desirable. The Grantee specifically understands and agrees that the Shares, if and when issued, may be "restricted securities," as that term is defined in Rule 144 under the 1933 Act and, accordingly, the Grantee may be required to hold the Shares indefinitely unless they are registered under the 1933 Act or an exemption from such registration is available.

10. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, will impair any such right, power or remedy of such party, nor will it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor will any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character by the of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, must be in a writing signed by such party and will be effective only to the extent specifically set forth in such writing.

11. Withholding. The Company reserves the right to withhold, in accordance with any applicable laws, from any consideration payable or property transferable to Grantee any taxes required to be withheld by federal, state or local law as a result of the grant or vesting of this Award or other disposition of the Shares.

12. Right of Discharge Preserved. The grant of Restricted Stock Units hereunder will not confer upon the Grantee any right to continue in service with the Company or any of its subsidiaries or Affiliates.

13. The Plan. By accepting this Award, the Grantee acknowledges that the Grantee has received a copy of the Plan, has read the Plan and is familiar with its terms, and accepts the Restricted Stock Units subject to all of the terms and provisions of the Plan, as amended from time to time. Pursuant to the Plan, the Board or its Committee is authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as it deems appropriate. By accepting this Award, the Grantee acknowledges and agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or its Committee upon any questions arising under the Plan.

14. Governing Law. This Agreement and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter this Agreement) shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the application of the principles of conflicts of laws.

The Award is made by the Company as of the date stated in the introductory paragraph.

FIVE BELOW, INC.

By:
Name:
Title:
DATED:

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 3, 2020

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 3, 2020

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 October 31, 2020 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 3, 2020

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 October 31, 2020 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 3, 2020