

**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 30, 2021.
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
(State or Other Jurisdiction of
Incorporation or Organization)

75-3000378
(I.R.S. Employer
Identification No.)

**701 Market Street
Suite 300
Philadelphia
Pennsylvania**
(Address of Principal Executive Offices)

19106
(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 ☒
Non-accelerated filer ☐

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 1, 2021 was 56,025,386.

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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 30, 2021	January 30, 2021	October 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	\$ 86,753	\$ 268,783	\$ 117,045
Short-term investment securities	224,563	140,928	96,749
Inventories	521,107	281,267	430,200
Prepaid income taxes and tax receivable	24,013	6,350	18,090
Prepaid expenses and other current assets	77,480	58,085	50,194
Total current assets	933,916	755,413	712,278
Property and equipment, net of accumulated depreciation and amortization of \$340,637, \$278,019, and \$260,888, respectively.	728,319	565,351	522,214
Operating lease assets	1,151,632	975,862	928,739
Other assets	9,585	18,144	12,265
	\$ 2,823,452	\$ 2,314,770	\$ 2,175,496
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit	\$ —	\$ —	\$ —
Accounts payable	253,817	138,622	237,647
Income taxes payable	811	2,025	1,031
Accrued salaries and wages	28,697	43,445	22,164
Other accrued expenses	167,468	108,504	99,489
Operating lease liabilities	162,809	143,074	136,513
Total current liabilities	613,602	435,670	496,844
Other long-term liabilities	1,536	1,048	1,918
Long-term operating lease liabilities	1,137,658	967,255	922,784
Deferred income taxes	37,407	28,911	4,408
Total liabilities	1,790,203	1,432,884	1,425,954
Commitments and contingencies (note 6)			
Shareholders' equity:			
Common stock, \$0.01 par value. Authorized 120,000,000 shares; issued and outstanding 56,025,753, 55,935,237, and 55,866,590 shares, respectively.	560	559	559
Additional paid-in capital	333,823	321,075	312,668
Retained earnings	698,866	560,252	436,315
Total shareholders' equity	1,033,249	881,886	749,542
	\$ 2,823,452	\$ 2,314,770	\$ 2,175,496

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 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Net sales	\$ 607,645	\$ 476,614	\$ 1,852,022	\$ 1,103,623
Cost of goods sold	405,283	325,514	1,218,472	792,223
Gross profit	202,362	151,100	633,550	311,400
Selling, general and administrative expenses	159,913	126,851	441,246	326,205
Operating income (loss)	42,449	24,249	192,304	(14,805)
Interest (expense) income and other (expense) income, net	(10,624)	(660)	(12,672)	(1,017)
Income (loss) before income taxes	31,825	23,589	179,632	(15,822)
Income tax expense (benefit)	7,648	3,164	41,018	(15,246)
Net income (loss)	<u>\$ 24,177</u>	<u>\$ 20,425</u>	<u>\$ 138,614</u>	<u>\$ (576)</u>
Basic income (loss) per common share	<u>\$ 0.43</u>	<u>\$ 0.37</u>	<u>\$ 2.48</u>	<u>\$ (0.01)</u>
Diluted income (loss) per common share	<u>\$ 0.43</u>	<u>\$ 0.36</u>	<u>\$ 2.46</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding:				
Basic shares	<u>56,023,961</u>	<u>55,851,780</u>	<u>56,001,437</u>	<u>56,004,072</u>
Diluted shares	<u>56,340,635</u>	<u>56,099,328</u>	<u>56,305,456</u>	<u>56,004,072</u>

See accompanying notes to consolidated financial statements.

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

	Common stock		Additional	Retained	Total
	Shares	Amount	paid-in capital	earnings	shareholders' equity
Balance, January 30, 2021	55,935,237	\$ 559	\$ 321,075	\$ 560,252	\$ 881,886
Share-based compensation expense	—	—	5,695	—	5,695
Issuance of unrestricted stock awards	400	—	81	—	81
Exercise of options to purchase common stock	200	—	6	—	6
Vesting of restricted stock units and performance-based restricted stock units	92,914	1	—	—	1
Common shares withheld for taxes	(34,682)	—	(6,623)	—	(6,623)
Net income	—	—	—	49,596	49,596
Balance, May 1, 2021	55,994,069	\$ 560	\$ 320,234	\$ 609,848	\$ 930,642
Share-based compensation expense	—	—	6,457	—	6,457
Issuance of unrestricted stock awards	413	—	80	—	80
Exercise of options to purchase common stock	10,246	—	352	—	352
Vesting of restricted stock units and performance-based restricted stock units	17,339	—	—	—	—
Common shares withheld for taxes	(1,879)	—	(355)	—	(355)
Issuance of common stock to employees under employee stock purchase plan	2,090	—	443	—	443
Net income	—	—	—	64,841	64,841
Balance, July 31, 2021	56,022,278	\$ 560	\$ 327,211	\$ 674,689	\$ 1,002,460
Share-based compensation expense	—	—	6,707	—	6,707
Issuance of unrestricted stock awards	379	—	75	—	75
Exercise of options to purchase common stock	1,192	—	8	—	8
Vesting of restricted stock units and performance-based restricted stock units	2,834	—	—	—	—
Common shares withheld for taxes	(930)	—	(178)	—	(178)
Net income	—	—	—	24,177	24,177
Balance, October 30, 2021	56,025,753	\$ 560	\$ 333,823	\$ 698,866	\$ 1,033,249

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

See accompanying notes to consolidated financial statements.

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

	Thirty-Nine Weeks Ended	
	October 30, 2021	October 31, 2020
Operating activities:		
Net income (loss)	\$ 138,614	\$ (576)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	62,598	50,919
Share-based compensation expense	19,154	3,582
Deferred income tax expense (benefit)	8,496	(4,308)
Other non-cash expenses	530	1,643
Changes in operating assets and liabilities:		
Inventories	(239,840)	(106,172)
Prepaid income taxes and tax receivable	(17,663)	(14,027)
Prepaid expenses and other assets	(7,868)	30,784
Accounts payable	115,589	110,970
Income taxes payable	(1,214)	(8,474)
Accrued salaries and wages	(14,748)	2,291
Operating leases	14,368	25,453
Other accrued expenses	46,649	29,221
Net cash provided by operating activities	<u>124,665</u>	<u>121,306</u>
Investing activities:		
Purchases of investment securities and other investments	(285,429)	(120,033)
Sales, maturities, and redemptions of investment securities	198,295	77,513
Capital expenditures	(213,215)	(149,270)
Net cash used in investing activities	<u>(300,349)</u>	<u>(191,790)</u>
Financing activities:		
Borrowing on note payable under Revolving Credit Facility	—	50,000
Repayment of note payable under Revolving Credit Facility	—	(50,000)
Cash paid for Revolving Credit Facility financing costs	—	(1,755)
Net proceeds from issuance of common stock	443	229
Repurchase and retirement of common stock	—	(12,663)
Proceeds from exercise of options to purchase common stock and vesting of restricted and performance-based restricted stock units	368	3,017
Common shares withheld for taxes	(7,157)	(3,789)
Net cash used in financing activities	<u>(6,346)</u>	<u>(14,961)</u>
Net decrease in cash and cash equivalents	<u>(182,030)</u>	<u>(85,445)</u>
Cash and cash equivalents at beginning of period	268,783	202,490
Cash and cash equivalents at end of period	<u>\$ 86,753</u>	<u>\$ 117,045</u>
Supplemental disclosures of cash flow information:		
Non-cash investing activities		
Increase (decrease) in accrued purchases of property and equipment	\$ 12,350	\$ (13,870)

See accompanying notes to consolidated financial statements.

FIVE BELOW, INC.
Notes to Consolidated Financial Statements
(Unaudited)

(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 30, 2021, operated in 40 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, Colorado, Utah and New Mexico. As of October 30, 2021 and October 31, 2020, the Company operated 1,173 stores and 1,018 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 COVID-19 pandemic, the Company's business operations and results of operations, including its net sales, earnings and cash flows, were materially impacted in fiscal 2020 as a result of the temporary closures of its stores in the first half of 2020, and decreased customer traffic in stores, as the result of limitations on the number of persons permitted in stores at one time by certain local and state regulations.

The Company's ability to operate improved beginning in the second half of fiscal 2020 and extending into fiscal 2021. However, the ultimate health, economic and regulatory impact of the COVID-19 pandemic remains uncertain, especially in light of the latest surge due to the Delta variant. If the pandemic were to worsen once again, the Company's business operations, including net sales, earnings and cash flows, may be materially impacted. Further, the Company may determine to reinstate any of the mitigation measures implemented in fiscal 2020 that have since been modified or terminated, or take any additional steps that we consider necessary or as required by local, state or federal authorities.

(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 2021" or "fiscal 2021" refer to the period from January 31, 2021 to January 29, 2022, which is a 52-week fiscal 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. The fiscal quarters ended October 30, 2021 and October 31, 2020 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended October 30, 2021 and October 31, 2020 refer to the thirty-nine weeks ended as of those dates.

(d) Basis of Presentation

The consolidated balance sheets as of October 30, 2021 and October 31, 2020, the consolidated statements of operations for the thirteen and thirty-nine weeks ended October 30, 2021 and October 31, 2020, the consolidated statements of shareholders' equity for the thirteen and thirty-nine weeks ended October 30, 2021 and October 31, 2020 and the consolidated statements of cash flows for the thirty-nine weeks ended October 30, 2021 and October 31, 2020 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 30, 2021 and October 31, 2020. The balance sheet as of January 30, 2021, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for fiscal 2020 as filed with the Securities and Exchange Commission on March 18, 2021 and referred to herein as the "Annual Report," but does not include all annual disclosures required by U.S. GAAP. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended January 30, 2021 and footnotes thereto included in the Annual Report. The consolidated results of operations for the thirteen and thirty-nine weeks ended October 30, 2021 and October 31, 2020 are not necessarily indicative of the consolidated operating results for the year ending January 29, 2022 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 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 impact of the adoption of ASU 2020-04 is not expected to be significant to the Company's 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, net realizable value for inventories, income taxes, share-based compensation expense, the incremental borrowing rate utilized in operating lease liabilities, equity method investments and notes receivable.

(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 are based upon the lowest level of input that is significant to the measurement.

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

As of October 30, 2021, January 30, 2021, and October 31, 2020, the Company had cash equivalents of \$60.8 million, \$250.7 million and \$104.7 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 30, 2021, January 30, 2021, and October 31, 2020, 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 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	\$ 190,700	\$ 6	\$ 82	\$ 190,624
Municipal bonds	33,863	—	11	33,852
Total	\$ 224,563	\$ 6	\$ 93	\$ 224,476

As of January 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	\$ 95,530	\$ —	\$ 53	\$ 95,477
Municipal bonds	45,398	—	7	45,391
Total	<u>\$ 140,928</u>	<u>\$ —</u>	<u>\$ 60</u>	<u>\$ 140,868</u>

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	<u>\$ 96,749</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 96,699</u>

Short-term investment securities as of October 30, 2021, January 30, 2021, and October 31, 2020 all mature in one year or less.

(h) Prepaid Expenses and Other Current Assets

Prepaid expenses as of October 30, 2021, January 30, 2021, and October 31, 2020 were \$26.5 million, \$19.0 million, and \$17.7 million, respectively. Other current assets as of October 30, 2021, January 30, 2021, and October 31, 2020 were \$51.0 million, \$39.1 million, and \$32.5 million, respectively.

(i) Other Accrued Expenses

Other accrued expenses include accrued capital expenditures of \$42.0 million, \$29.2 million, and \$18.6 million as of October 30, 2021, January 30, 2021, and October 31, 2020, respectively.

(j) Deferred Compensation

The Company approved and adopted the Five Below, Inc. Nonqualified Deferred Compensation Plan (the "Plan") and a related, irrevocable grantor trust (the "Trust") during the thirteen weeks ended July 31, 2021. The Plan provides eligible key employees with the opportunity to elect to defer up to 80% of their eligible compensation. The Company may make discretionary contributions, at the discretion of the Board. Payments under the Plan will be made from the general assets of the Company or from the assets of the Trust, funded by the Company. The related liability is recorded as deferred compensation and included in other long-term liabilities in the consolidated balance sheets.

(k) Equity Method Investments

The Company uses the equity method to account for its investments in which the Company is deemed to have the ability to exercise significant influence over an investee's operating and financial policies or in which the Company holds a significant partnership or limited liability company interest. Equity method investments are initially recorded at cost in other assets in the consolidated balance sheets. The cost is adjusted to recognize the Company's proportionate share of the investee's net income or loss after the date of investment and is also adjusted for any impairments resulting from other-than-temporary declines in fair value that is less than its carrying value. During the thirteen weeks ended October 30, 2021, the Company recorded an other-than-temporary impairment utilizing the market and cost approach considering historical and projected financial results to calculate fair value. Also related to this investment, management recorded a reserve against outstanding debt owed to the Company based on management's evaluation of collectability. The total amount of impairment and reserve was approximately \$9.7 million and was recorded in interest (expense) income and other (expense) income, net in the consolidated statements of operations.

(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 customer receives the product as control transfers upon delivery. Returns subsequent to the period end are immaterial; accordingly, no significant reserve has been recorded. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption for merchandise or as breakage revenue in proportion to the pattern of redemption of the gift cards by the customer in net sales.

The transaction price for the Company's sales is based on the item's stated price. To the extent that the Company charges customers for shipping and handling on e-commerce sales, the Company records such amounts in net sales. Shipping and handling costs, which include fulfillment and shipping costs related to the Company's e-commerce operations, are included in costs of goods sold. As permitted by applicable accounting guidance, the Company has elected 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		Thirteen Weeks Ended	
	October 30, 2021		October 31, 2020	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	\$ 305,600	50.3 %	\$ 221,970	46.6 %
Fashion and home	192,472	31.7 %	176,867	37.1 %
Party and snack	109,573	18.0 %	77,777	16.3 %
Total	\$ 607,645	100.0 %	\$ 476,614	100.0 %

	Thirty-Nine Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2021		October 31, 2020	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Leisure	\$ 930,890	50.3 %	\$ 524,719	47.5 %
Fashion and home	563,401	30.4 %	400,679	36.3 %
Party and snack	357,731	19.3 %	178,225	16.2 %
Total	\$ 1,852,022	100.0 %	\$ 1,103,623	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.

In response to the COVID-19 pandemic, certain of the Company's landlords agreed to temporary rent concessions. These rent concessions generally related to deferrals and abatements of certain rent payments due between April 2020 through October 2020 into future periods.

In accordance with the Financial Accounting Standards Board's 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 30, 2021, the Company committed to 30 new store leases with average terms of approximately 10 years that have future minimum lease payments of approximately \$89.6 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 30, 2021 and October 31, 2020, the weighted average remaining lease term for the Company's operating leases was 7.9 years and 8.0 years, respectively, and the weighted average discount rate was 5.6% and 6.6%, respectively.

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

Lease Cost	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Operating lease cost	\$ 51,477	\$ 43,584	\$ 148,272	\$ 126,205
Variable lease cost	14,951	11,977	42,602	33,939
Net lease cost*	\$ 66,428	\$ 55,561	\$ 190,874	\$ 160,144

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

The following table summarizes the maturity of lease liabilities under operating leases as of October 30, 2021 (in thousands):

Maturity of Lease Liabilities	Operating Leases
2021	\$ 58,337
2022	221,131
2023	215,265
2024	205,455
2025	190,448
After 2025	692,582
Total lease payments	1,583,218
Less: imputed interest	282,751
Present value of lease liabilities	\$ 1,300,467

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

	Thirty-Nine Weeks Ended	
	October 30, 2021	October 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments arising from operating lease liabilities ⁽¹⁾	\$ 144,030	\$ 91,013
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	\$ 266,717	\$ 159,707

(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 the Company's total shareholder return relative to a pre-defined peer group, are included in the weighted average shares.

The following table reconciles net income (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 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Numerator:				
Net income (loss)	\$ 24,177	\$ 20,425	\$ 138,614	\$ (576)
Denominator:				
Weighted average common shares outstanding - basic	56,023,961	55,851,780	56,001,437	56,004,072
Dilutive impact of options, restricted stock units and employee stock purchase plan	316,674	247,548	304,019	—
Weighted average common shares outstanding - diluted	56,340,635	56,099,328	56,305,456	56,004,072
Per common share:				
Basic income (loss) per common share	\$ 0.43	\$ 0.37	\$ 2.48	\$ (0.01)
Diluted income (loss) per common share	\$ 0.43	\$ 0.36	\$ 2.46	\$ (0.01)

The effects of the assumed vesting of restricted stock units for 69 shares of common stock for the thirteen weeks ended October 30, 2021 were excluded from the calculation of diluted net income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 7,775 shares of common stock for the thirty-nine weeks ended October 30, 2021 were excluded from the calculation of diluted net income per share, as their impact would have been anti-dilutive.

The effects of the assumed vesting of restricted stock units for 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 aforementioned excluded shares do not reflect the impact of any incremental repurchases under the treasury stock method.

(5) Line of Credit

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

The Credit Agreement provides for a secured asset-based revolving line of credit in the amount of up to \$225.0 million (the "Revolving Credit Facility"). Advances under the Revolving Credit Facility are tied to a borrowing base consisting of eligible credit card receivables and inventory, as reduced by certain reserves in effect from time to time. Pursuant to the Credit Agreement, inventory appraisals and certain other diligence items are deferred, with reduced advance rates during the period that such appraisals have not been delivered. The Revolving Credit Facility expires on the earliest to occur of (i) April 24, 2023 or (ii) an event of default.

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

The Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company's option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 0.25% to 0.75% or (b) a LIBOR rate plus a margin ranging from 1.25% to 1.75%. Letter of credit fees range from 1.25% to 1.75%. The interest rate and letter of credit fees under the Credit Agreement are subject to an increase of 2.00% per annum upon an event of default.

The 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) 12.5% of the lesser of (x) aggregate commitments under the Revolving Credit Facility and (y) the borrowing base (the "loan cap") during the period that inventory appraisals have not been delivered as described above and (ii) at all other times 10% of the loan cap.

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

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

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

As of October 30, 2021, the Company had no borrowings under the Revolving Credit Facility and had approximately \$225 million available under the Revolving Credit Facility.

As of October 30, 2021 and October 31, 2020, the Company was in compliance with the covenants applicable to it under the Credit Agreement.

(6) Commitments and Contingencies

Commitments

Other Contractual Commitments

As of October 30, 2021, the Company has other purchase commitments of approximately \$12.5 million consisting of purchase agreements for materials that will be used in the construction of new stores.

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 amount paid for the land and building was approximately \$65 million. The Company began operating the distribution center in August 2021.

During the thirteen weeks ended May 1, 2021, the Company acquired land in Indianapolis, Indiana, to build an approximately 1,030,000 square foot distribution center to support the Company's anticipated growth. The total cost of the land and building is expected to be approximately \$61 million, of which approximately \$26 million has been paid through October 30, 2021. The Company expects to occupy the distribution center in 2022.

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 30, 2021, approximately 2.6 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 30, 2021 was as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Balance as of January 30, 2021	53,029	\$ 33.22	3.2
Forfeited	(432)	4.28	
Exercised	(11,638)	31.53	
Balance as of October 30, 2021	40,959	34.00	2.5
Exercisable as of October 30, 2021	40,959	\$ 34.00	2.5

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 30, 2021.

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 vesting periods of approximately three years from the date of grant (if the applicable performance objectives are achieved). The fair value of these PSUs are determined using a Monte Carlo valuation model.

RSU and PSU activity during the thirty-nine weeks ended October 30, 2021 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 January 30, 2021	304,398	\$ 99.94	259,776	\$ 151.73
Granted	67,689	183.46	89,460	196.36
Vested	(113,087)	95.74	—	—
Forfeited	(8,039)	119.84	—	—
Non-vested balance as of October 30, 2021	250,961	\$ 123.72	349,236	\$ 163.16

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended October 30, 2021, the Company withheld 37,491 shares with an aggregate value of \$7.2 million in satisfaction of minimum tax withholding obligations due upon vesting.

In connection with the vesting of RSUs and PSUs during the thirty-nine weeks ended October 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.

As of October 30, 2021, there was \$38.1 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 2.2 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. On March 9, 2021, the Company's Board of Directors approved a new share repurchase program for up to \$100 million of the Company's common stock through March 21, 2024. In fiscal 2020, the Company purchased 137,023 shares under the share repurchase program at an aggregate cost of approximately \$12.7 million, or average price of \$92.42 per share. During the thirteen and thirty-nine weeks ended October 30, 2021, 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 NOL arose, (iii) accelerating Alternative Minimum Tax ("AMT") 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.

The following table summarizes the Company's income tax expense (benefit) and effective tax rates for the thirteen weeks ended and thirty-nine weeks ended October 30, 2021 and October 31, 2020 (dollars in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Income (loss) before income taxes	\$ 31,825	\$ 23,589	\$ 179,632	\$ (15,822)
Income tax expense (benefit)	\$ 7,648	\$ 3,164	\$ 41,018	\$ (15,246)
Effective tax rate	24.0 %	13.4 %	22.8 %	96.4 %

The effective tax rates for the thirteen weeks ended and thirty-nine weeks ended October 30, 2021 and October 31, 2020 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 30, 2021 was higher than the thirteen weeks ended October 31, 2020 primarily due to discrete items, which includes the impact of the CARES Act in the thirteen weeks ended October 31, 2020 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 Company's consolidated statements of operations. The effective tax rate for the thirty-nine weeks ended October 30, 2021 was lower than the thirty-nine weeks ended October 31, 2020 primarily due to discrete items, which includes the impact of the CARES Act in the thirty-nine weeks ended October 31, 2020 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 30, 2021, January 30, 2021, or October 31, 2020 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 weeks ended and thirty-nine weeks ended October 30, 2021 or October 31, 2020.

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 January 30, 2021 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes as of and for the thirteen weeks ended and thirty-nine weeks ended October 30, 2021 included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The statements in this discussion regarding expectations of our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described below in "Special Note Regarding Forward-Looking Statements" and in Part II, Item 1A "Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2021" or "fiscal 2021" refer to the period from January 31, 2021 to January 29, 2022, which is a 52-week fiscal 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. The fiscal quarters ended October 30, 2021 and October 31, 2020 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended October 30, 2021 and October 31, 2020 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, the risk of global recession, and the impact of related government regulations;*
- *failure to successfully implement our growth strategy;*
- *disruptions in our ability to select, obtain, distribute and market merchandise profitably;*
- *reliance on merchandise manufactured outside of the United States;*
- *the direct and indirect impact of current and potential tariffs imposed and proposed by the United States on foreign imports, including, without limitation, the tariffs themselves, any counter-measures thereto and any indirect effects on consumer discretionary spending, which could increase the cost to us of certain products, lower our margins, increase our import related expenses, and reduce consumer spending for discretionary items, each of which could have a material adverse effect on our business, financial condition and results of future operations;*
- *the impact of price increases, such as, a reduction in our unit sales, damage to our reputation with our customers, and our becoming less competitive in the marketplace;*
- *dependence on the volume of traffic to our stores and website;*
- *inability to successfully build, operate or expand our distribution centers or network capacity;*
- *disruptions to the global supply chain, increased cost of freight, constraints on shipping capacity to transport inventory or the timely receipt of inventory;*
- *extreme weather conditions in the areas in which our stores are located could negatively affect our business and results of operations;*
- *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;*
- *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;*
- *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;*
- *the impact to our financial performance related to insurance programs;*
- *inability to protect our brand name, trademarks and other intellectual property rights;*
- *the impact of product and food safety claims and effects of legislation; and*
- *restrictions imposed by our indebtedness on our current and future operations.*

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

Overview

Five Below, Inc. (collectively referred to herein with its wholly owned 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 30, 2021, we operated 1,173 stores in 40 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. 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 COVID-19 pandemic, our business operations and results of operations, including our net sales, earnings and cash flows, were materially impacted in fiscal 2020 as a result of the temporary closures of our stores in the first half of 2020, and decreased customer traffic in stores, as the result of limitations on the number of persons permitted in stores at one time by certain local and state regulations.

The Company's ability to operate improved beginning in the second half of fiscal 2020 and extending into fiscal 2021. However, the ultimate health, economic and regulatory impact of the COVID-19 pandemic remains uncertain, especially in light of the latest surge due to the Delta variant. If the pandemic were to worsen once again, the Company's business operations, including net sales, earnings and cash flows, may be materially impacted. Further, the Company may determine to reinstate any of the mitigation measures implemented in fiscal 2020 that have since been modified or terminated, or take any additional steps that we consider necessary or as required by local, state or federal authorities.

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. In addition, current global supply chain disruptions, the cost of freight and constraints on shipping capacity to transport inventory may have an adverse impact on our gross profit and results of operations, as well as our sales. Changes in the mix of our products may also impact our overall cost of goods sold.

Selling, General and Administrative Expenses

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

Results of Consolidated Operations

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
(in millions, except percentages and total stores)				
Consolidated Statements of Operations Data ⁽¹⁾:				
Net sales	\$ 607.6	\$ 476.6	\$ 1,852.0	\$ 1,102.0
Cost of goods sold	405.3	325.5	1,218.5	792.0
Gross profit	202.4	151.1	633.6	310.0
Selling, general and administrative expenses	159.9	126.9	441.2	326.0
Operating income (loss)	42.4	24.2	192.3	(14.0)
Interest (expense) income and other (expense) income, net	(10.6)	(0.7)	(12.7)	(1.0)
Income (loss) before income taxes	31.8	23.6	179.6	(15.0)
Income tax expense (benefit)	7.6	3.2	41.0	(15.0)
Net income (loss)	\$ 24.2	\$ 20.4	\$ 138.6	\$ (0.0)
Percentage of Net Sales ⁽¹⁾:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	66.7	68.3	65.8	71.0
Gross profit	33.3	31.7	34.2	29.0
Selling, general and administrative expenses	26.3	26.6	23.8	29.0
Operating income (loss)	7.0	5.1	10.4	(1.0)
Interest (expense) income and other (expense) income, net	(1.7)	(0.1)	(0.7)	(0.0)
Income (loss) before income taxes	5.2	4.9	9.7	(1.0)
Income tax expense (benefit)	1.3	0.7	2.2	(1.0)
Net income (loss)	4.0 %	4.3 %	7.5 %	(0.0)
Operational Data:				
Total stores at end of period	1,173	1,018	1,173	1,018
Comparable sales increase (decrease)	14.8 %	12.8 %	52.0 %	(16.0)
Average net sales per store ⁽²⁾	\$ 0.5	\$ 0.5	\$ 1.7	\$ 1.1

⁽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 30, 2021 Compared to the Thirteen Weeks Ended October 31, 2020

Net Sales

Net sales increased to \$607.6 million in the thirteen weeks ended October 30, 2021 from \$476.6 million in the thirteen weeks ended October 31, 2020, an increase of \$131.0 million, or 27.5%. The increase was the result of a comparable sales increase of \$65.6 million and a non-comparable sales increase of \$65.4 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2021 and the number of stores that opened in fiscal 2020 but have not been open for 15 full months.

Comparable sales increased 14.8%. This increase resulted from an increase of approximately 14.3% in the number of transactions and approximately 0.5% in the average dollar value of transactions. We plan to open 170 net new stores in fiscal 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to \$405.3 million in the thirteen weeks ended October 30, 2021 from \$325.5 million in the thirteen weeks ended October 31, 2020, an increase of \$79.8 million, or 24.5%. The increase in cost of goods sold was primarily the result of an increase in the merchandise cost of goods sold resulting from the increase in net sales.

Gross profit increased to \$202.4 million in the thirteen weeks ended October 30, 2021 from \$151.1 million in the thirteen weeks ended October 31, 2020, an increase of \$51.3 million, or 33.9%. Gross margin increased to 33.3% for the thirteen weeks ended October 30, 2021 from 31.7% for the thirteen weeks ended October 31, 2020, an increase of approximately 160 basis points. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in store occupancy costs. Also contributing to the increase in gross margin was a decrease as a percentage of net sales in distribution costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$159.9 million in the thirteen weeks ended October 30, 2021 from \$126.9 million in the thirteen weeks ended October 31, 2020, an increase of \$33.1 million, or 26.1%. As a percentage of net sales, selling, general and administrative expenses decreased approximately 30 basis points to 26.3% in the thirteen weeks ended October 30, 2021 compared to 26.6% in the thirteen weeks ended October 31, 2020. The increase in selling, general and administrative expenses was primarily the result of an increase of \$20.3 million in store-related expenses to support new store growth and \$12.8 million in corporate-related expenses.

Interest (Expense) Income and Other (Expense) Income, net

Interest expense and other, net increased to \$10.6 million in the thirteen weeks ended October 30, 2021 from \$0.7 million in the thirteen weeks ended October 31, 2020, an increase of \$9.9 million. The increase in interest expense and other, net was primarily driven by an other than temporary impairment related to an equity method investment.

Income Tax Expense

Income tax expense increased to \$7.6 million in the thirteen weeks ended October 30, 2021 from \$3.2 million in the thirteen weeks ended October 31, 2020, an increase of \$4.4 million. The increase in income tax expense was primarily due to the \$8.2 million increase in pre-tax income and discrete items, which includes the impact of the CARES Act in the thirteen weeks ended October 31, 2020 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 30, 2021 was 24.0% compared to 13.4% in the thirteen weeks ended October 31, 2020. Our effective tax rate for the thirteen weeks ended October 30, 2021 was higher than the comparable prior year period primarily due to discrete items, which includes the impact of the CARES Act in the thirteen weeks ended October 31, 2020 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 \$24.2 million in the thirteen weeks ended October 30, 2021 from \$20.4 million in the thirteen weeks ended October 31, 2020, an increase of \$3.8 million or 18.4%.

Thirty-Nine Weeks Ended October 30, 2021 Compared to the Thirty-Nine Weeks Ended October 31, 2020

Net Sales

Net sales increased to \$1,852.0 million in the thirty-nine weeks ended October 30, 2021 from \$1,103.6 million in the thirty-nine weeks ended October 31, 2020, an increase of \$748.4 million, or 67.8%. The increase was the result of a comparable sales increase of \$538.3 million and a non-comparable sales increase of \$210.1 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2021 and the number of stores that opened in fiscal 2020 but have not been open for 15 full months.

Comparable sales increased 52.0%. The increase was primarily the result of the impact of COVID-19 during the thirty-nine weeks ended October 31, 2020 as we temporarily closed all of our stores as of March 20, 2020, began reopening at the end of April 2020, and had reopened substantially all of our stores by the end of June 2020. We plan to open 170 net new stores in fiscal 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased to \$1,218.5 million in the thirty-nine weeks ended October 30, 2021 from \$792.2 million in the thirty-nine weeks ended October 31, 2020, an increase of \$426.3 million, or 53.8%. The increase in cost of goods sold was primarily the result of an increase in the merchandise cost of goods sold resulting from the increase in net sales primarily due to the impact of COVID-19 in the thirty-nine weeks ended October 31, 2020.

Gross profit increased to \$633.6 million in the thirty-nine weeks ended October 30, 2021 from \$311.4 million in the thirty-nine weeks ended October 31, 2020, an increase of \$322.2 million, or 103.5%. Gross margin increased to 34.2% for the thirty-nine weeks ended October 30, 2021 from 28.2% for the thirty-nine weeks ended October 31, 2020, an increase of approximately 600 basis points. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in store occupancy costs primarily due to the impact of COVID-19 in the thirty-nine weeks ended October 31, 2020 as we temporarily closed all of our stores while still incurring rent expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$441.2 million in the thirty-nine weeks ended October 30, 2021 from \$326.2 million in the thirty-nine weeks ended October 31, 2020, an increase of \$115.0 million, or 35.3%. As a percentage of net sales, selling, general and administrative expenses decreased approximately 580 basis points to 23.8% in the thirty-nine weeks ended October 30, 2021 compared to 29.6% in the thirty-nine weeks ended October 31, 2020. The increase in selling, general and administrative expenses was primarily the result of an increase of \$76.1 million in store-related expenses to support new store growth and due to the impact of COVID-19 during the thirty-nine weeks ended October 31, 2020, which included the temporary closure of all of our stores, furloughing of employees, and other non-payroll expense reductions. This increase was also driven by an increase of \$38.9 million of corporate-related expenses, which included both the benefit related to the CARES Act and the reversal of certain compensation related accruals in the thirty-nine weeks ended October 31, 2020.

Interest (Expense) Income and Other (Expense) Income, net

Interest expense and other, net increased to \$12.7 million in the thirty-nine weeks ended October 30, 2021 from \$1.0 million in the thirty-nine weeks ended October 31, 2020, an increase of \$11.6 million. The increase in interest expense and other, net was primarily driven by an other than temporary impairment related to an equity method investment.

Income Tax Expense (Benefit)

Income tax expense increased to \$41.0 million in the thirty-nine weeks ended October 30, 2021 from an income tax benefit of \$15.2 million in the thirty-nine weeks ended October 31, 2020, an increase of \$56.2 million. The increase in income tax expense from an income tax benefit was primarily due to the \$195.5 million increase in pre-tax income and discrete items, which includes the impact of the CARES Act in the thirty-nine weeks ended October 31, 2020 and the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

Our effective tax rate for the thirty-nine weeks ended October 30, 2021 was 22.8% compared to 96.4% in the thirty-nine weeks ended October 31, 2020. Our effective tax rate for the thirty-nine weeks ended October 30, 2021 was lower than the comparable prior year period primarily due to discrete items, which includes the impact of the CARES Act in the thirty-nine weeks ended October 31, 2020 and the impact of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

Net Income (Loss)

As a result of the foregoing, we had net income of \$138.6 million in the thirty-nine weeks ended October 30, 2021 compared to a net loss of \$0.6 million in the thirty-nine weeks ended October 31, 2020, a change of \$139.2 million.

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 \$310 million in fiscal 2021, which exclude the impact of tenant allowances, and which we expect to fund from cash generated from operations, cash on hand, investments and, as needed, borrowings under our Revolving Credit Facility. We expect to incur approximately \$92 million of our cash capital expenditure budget in fiscal 2021 to construct and open 170 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 Revolving Credit Facility, as needed, and we expect that funding to continue. When we have used our Revolving Credit Facility, the amount of indebtedness outstanding under it has tended to be the highest in the beginning of the fourth quarter of each fiscal year. To the extent that we have drawn on the facility, we have paid down the borrowings before the end of the fiscal year with cash generated during our peak selling season in the fourth quarter. 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 Revolving Credit Facility if and as needed. As of October 30, 2021, we had no borrowings under the Revolving Credit Facility and had approximately \$225 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 the Company's common stock through March 31, 2021, on the open market, in privately negotiated transactions, or otherwise. On March 9, 2021, our Board of Directors approved a new share repurchase program for up to \$100 million of the Company's common stock through March 21, 2024. In fiscal 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 and thirty-nine weeks ended October 30, 2021, 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 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 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.

As a result of the COVID-19 pandemic, our business operations and results of operations, including our net sales, earnings and cash flows, were materially impacted in fiscal 2020 as a result of the temporary closures of our stores in the first half of 2020, and decreased customer traffic in stores, as the result of limitations on the number of persons permitted in stores at one time by certain local and state regulations.

The Company's ability to operate improved beginning in the second half of fiscal 2020 and extending into fiscal 2021. However, the ultimate health, economic and regulatory impact of the COVID-19 pandemic remains uncertain, especially in light of the latest surge due to the Delta variant. If the pandemic were to worsen once again, the Company's business operations, including net sales, earnings and cash flows, may be materially impacted. Further, the Company may determine to reinstate any of the mitigation measures implemented in fiscal 2020 that have since been modified or terminated, or take any additional steps that we consider necessary or as required by local, state or federal authorities.

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 30, 2021	October 31, 2020
Net cash provided by operating activities	\$ 124.7	\$ 121.3
Net cash used in investing activities	(300.3)	(191.8)
Net cash used in financing activities	(6.3)	(15.0)
Net decrease during period in cash and cash equivalents ⁽¹⁾	\$ (182.0)	\$ (85.4)

⁽¹⁾ Components may not add to total due to rounding.

Cash Provided by Operating Activities

Net cash provided by operating activities for the thirty-nine weeks ended October 30, 2021 was \$124.7 million, an increase of \$3.4 million compared to the thirty-nine weeks ended October 31, 2020. The increase was primarily due to an increase in operating cash flows from store performance due to the impact of COVID-19 as we temporarily closed all of our stores in March 2020 and had reopened substantially all of our stores as of the end June 2020, partially offset by changes in working capital and an increase in income taxes paid.

Cash Used in Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended October 30, 2021 was \$300.3 million, an increase of \$108.5 million compared to the thirty-nine weeks ended October 31, 2020. The increase was primarily due to increases in capital expenditures and net purchases of investment securities and other investments. The increase in capital expenditures was primarily for our distribution centers, new store construction, and corporate infrastructure.

Cash Used in Financing Activities

Net cash used in financing activities for the thirty-nine weeks ended October 30, 2021 was \$6.3 million, a decrease of \$8.7 million compared to the thirty-nine weeks ended October 31, 2020. The decrease was primarily the result of a decrease in the repurchase and retirement of common stock.

Line of Credit

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

The Credit Agreement provides for a secured asset-based revolving line of credit in the amount of up to \$225.0 million (the "Revolving Credit Facility"). Advances under the Revolving Credit Facility are tied to a borrowing base consisting of eligible credit card receivables and inventory, as reduced by certain reserves in effect from time to time. Pursuant to the Credit Agreement, inventory appraisals and certain other diligence items are deferred, with reduced advance rates during the period that such appraisals have not been delivered. The Revolving Credit Facility expires on the earliest to occur of (i) April 24, 2023 or (ii) an event of default.

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

The Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company's option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 0.25% to 0.75% or (b) a LIBOR rate plus a margin ranging from 1.25% to 1.75%. Letter of credit fees range from 1.25% to 1.75%. The interest rate and letter of credit fees under the Credit Agreement are subject to an increase of 2.00% per annum upon an event of default.

The 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) 12.5% of the lesser of (x) aggregate commitments under the Revolving Credit Facility and (y) the borrowing base (the "loan cap") during the period that inventory appraisals have not been delivered as described above and (ii) at all other times 10% of the loan cap.

If there exists an event of default or availability under the Revolving Credit Facility is less than 15% of the loan cap, amounts in any of the Loan Parties' or subsidiary guarantors' designated deposit accounts will be transferred daily into a blocked account held by the Agent and applied to reduce outstanding amounts under the Revolving Credit Facility (the "Cash Dominion Event"), so long as (i) such event of default has not been waived and/or (ii) until availability has exceeded 15% of

the loan cap for sixty (60) consecutive calendar days (provided that such ability to discontinue the Cash Dominion Event shall be limited to two times during the term of the Credit Agreement).

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

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

As of October 30, 2021, the Company had no borrowings under the Revolving Credit Facility and had approximately \$225 million available under the Revolving Credit Facility.

As of October 30, 2021 and October 31, 2020, the Company was in compliance with the covenants applicable to it under the Credit Agreement.

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 January 31, 2021 to October 30, 2021, we have entered into 119 new fully executed retail leases with average terms of approximately 10 years and other lease modifications that have future minimum lease payments of approximately \$278.6 million.

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 amount paid for the land and building was approximately \$65 million. We began operating the distribution center in August 2021.

During the thirteen weeks ended May 1, 2021, we acquired land in Indianapolis, Indiana, to build an approximately 1,030,000 square foot distribution center to support our anticipated growth. The total cost of the land and building is expected to be approximately \$61 million, of which approximately \$26 million has been paid through October 30, 2021. We expect to occupy the distribution center in 2022.

Off-Balance Sheet Arrangements

For the thirteen weeks ended October 30, 2021, we were not party to any material off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, net sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Recently Issued Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

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

As of October 30, 2021, we had approximately \$225 million available on the line of credit. The Credit Agreement provides that the interest rate payable on borrowings shall be, at the Company's option, a per annum rate equal to (a) a base rate plus an applicable margin ranging from 0.25% to 0.75% or (b) a LIBOR rate plus a margin ranging from 1.25% to 1.75%. Letter of credit fees range from 1.25% to 1.75%. The interest rate and letter of credit fees under the 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 30, 2021, 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. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

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
10.34†	Compensation Policy for Non-Employee 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 30, 2021, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of October 30, 2021, January 30, 2021 and October 31, 2020; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen and Thirty-Nine Weeks Ended October 30, 2021 and October 31, 2020; (iii) the Unaudited Consolidated Statements of Shareholders' Equity for the Thirteen and Thirty-Nine Weeks Ended October 30, 2021 and October 31, 2020; (iv) the Unaudited Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended October 30, 2021 and October 31, 2020 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 2, 2021

/s/ Joel D. Anderson

Joel D. Anderson

President and Chief Executive Officer (Principal Executive Officer)

Date: December 2, 2021

/s/ Kenneth R. Bull

Kenneth R. Bull

Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

FIVE BELOW, INC. COMPENSATION POLICY FOR NON-EMPLOYEE DIRECTORS (Effective January 1, 2022)

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 \$85,000 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:** \$30,000 annually for the Audit Committee, \$25,000 annually for 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 \$165,000.

• **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 \$165,000, 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 time¹.

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

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.

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 2, 2021

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 2, 2021

**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 30, 2021 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 2, 2021

**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 30, 2021 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 2, 2021