

FIVE BELOW, INC  
Form 10-Q  
September 11, 2014

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 August 2, 2014.

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.)

1818 Market Street, Suite 2000  
Philadelphia, PA  
(Address of Principal Executive Offices)  
(215) 546-7909  
(Registrant's Telephone Number, Including Area Code)

19103  
(Zip Code)

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 and posted on its corporate Web site, if any, 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Edgar Filing: FIVE BELOW, INC - Form 10-Q

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 September 10, 2014 was 54,303,812

---

INDEX

	Page
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Consolidated Financial Statements (unaudited)</u>	<u>3</u>
<u>Unaudited Consolidated Balance Sheets as of August 2, 2014, February 1, 2014 and August 3, 2013</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Operations for the Thirteen and Twenty-Six Weeks Ended August 2, 2014 and August 3, 2013</u>	<u>4</u>
<u>Unaudited Consolidated Statement of Shareholders' Equity for the Twenty-Six Weeks Ended August 2, 2014</u>	<u>5</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Twenty-Six Weeks Ended August 2, 2014 and August 3, 2013</u>	<u>6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>13</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>22</u>
Item 4. <u>Controls and Procedures</u>	<u>23</u>
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>23</u>
Item 1A. <u>Risk Factors</u>	<u>24</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>24</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>24</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>24</u>
Item 5. <u>Other Information</u>	<u>24</u>
Item 6. <u>Exhibits</u>	<u>25</u>

## PART I - FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

## FIVE BELOW, INC.

## Consolidated Balance Sheets

(Unaudited)

(in thousands, except share and per share data)

	August 2, 2014	February 1, 2014	August 3, 2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$25,550	\$50,184	\$21,088
Inventories	106,749	89,377	83,470
Prepaid income taxes	2,247	1,497	837
Deferred income taxes	5,145	4,586	1,807
Prepaid expenses and other current assets	19,913	15,255	14,182
Total current assets	159,604	160,899	121,384
Property and equipment, net of accumulated depreciation and amortization of \$51,685, \$43,997, and \$37,717, respectively	82,902	70,381	65,555
Deferred income taxes	1,281	232	—
Other assets	293	542	601
	\$244,080	\$232,054	\$187,540
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Line of credit	\$—	\$—	\$—
Current portion of note payable	—	19,500	—
Accounts payable	46,529	34,013	32,174
Income taxes payable	1,748	6,007	1,910
Accrued salaries and wages	3,364	2,672	2,044
Other accrued expenses	19,279	17,550	14,402
Total current liabilities	70,920	79,742	50,530
Note payable	—	—	19,500
Deferred rent and other	40,442	35,439	33,894
Deferred income taxes	—	—	1,645
Total liabilities	111,362	115,181	105,569
Commitments and contingencies (note 4)			
<b>Shareholders' equity:</b>			
Common stock, \$0.01 par value. Authorized 120,000,000 shares; issued and outstanding 54,300,398, 54,190,724 and 54,039,838 shares, respectively.	543	542	540
Additional paid-in capital	289,066	284,622	276,225
Accumulated deficit	(156,891)	(168,291)	(194,794)
Total shareholders' equity	132,718	116,873	81,971
	\$244,080	\$232,054	\$187,540

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		Twenty-Six Weeks Ended	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
Net sales	\$152,479	\$117,087	\$278,483	\$212,691
Cost of goods sold	101,574	77,687	188,643	143,078
Gross profit	50,905	39,400	89,840	69,613
Selling, general and administrative expenses	37,570	32,214	71,243	59,238
Operating income	13,335	7,186	18,597	10,375
Interest expense, net	10	391	82	902
Loss on debt extinguishment	—	266	244	266
Income before income taxes	13,325	6,529	18,271	9,207
Income tax expense	5,005	2,460	6,871	3,568
Net income	8,320	4,069	11,400	5,639
Net income attributable to participating securities	—	(52	) (38	) (91
Net income attributable to common shareholders	\$8,320	\$4,017	\$11,362	\$5,548
Basic income per common share	\$0.15	\$0.08	\$0.21	\$0.10
Diluted income per common share	\$0.15	\$0.07	\$0.21	\$0.10
Weighted average shares outstanding:				
Basic shares	54,280,336	53,334,551	54,072,660	53,138,198
Diluted shares	54,669,600	53,804,539	54,481,540	53,601,459

See accompanying notes to consolidated financial statements.

## FIVE BELOW, INC.

## Consolidated Statement of Shareholders' Equity

(Unaudited)

(in thousands, except share data)

	Shareholders' Equity		Additional paid-in capital	Accumulated deficit	Total shareholders' equity
	Common stock Shares	Amount			
Balance, February 1, 2014	54,190,724	\$542	\$284,622	\$(168,291 )	\$116,873
Stock-based compensation expense	2,123	—	2,436	—	2,436
Exercise of options to purchase common stock	105,306	1	706	—	707
Vesting of restricted shares	—	—	61	—	61
Repurchase of unvested restricted shares related to stock option exercises	(87 )	—	—	—	—
Excess tax benefit related to exercises of stock options	—	—	1,136	—	1,136
Issuance of common stock to employees under employee stock purchase plan	2,332	—	105	—	105
Net income	—	—	—	11,400	11,400
Balance, August 2, 2014	54,300,398	\$543	\$289,066	\$(156,891 )	\$132,718

See accompanying notes to consolidated financial statements.

## FIVE BELOW, INC.

## Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Twenty-Six Weeks Ended	
	August 2, 2014	August 3, 2013
Operating activities:		
Net income	\$11,400	\$5,639
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,042	6,187
Loss on debt extinguishment	244	266
Loss on disposal of property and equipment	28	384
Amortization of deferred financing costs	12	130
Stock-based compensation expense	2,441	4,825
Deferred income taxes	(1,608	) (417 )
Changes in operating assets and liabilities:		
Prepaid income taxes	(750	) (801 )
Inventories	(17,372	) (22,639 )
Prepaid expenses and other assets	(4,665	) (2,764 )
Accounts payable	11,836	3,426
Income taxes payable	(4,259	) (5,173 )
Accrued salaries and wages	692	(2,160 )
Deferred rent	5,025	5,803
Other accrued expenses	1,553	1,604
Net cash provided by (used in) operating activities	12,619	(5,690 )
Investing activities:		
Capital expenditures	(19,700	) (15,140 )
Net cash used in investing activities	(19,700	) (15,140 )
Financing activities:		
Repayment of note payable under Term Loan Facility	(19,500	) (15,000 )
Cash paid for debt financing costs	—	(40 )
Net proceeds from issuance of common stock	105	81
Proceeds from exercise of options to purchase common stock	707	209
Repurchase of unvested restricted shares related to stock option exercises	(1	) (3 )
Excess tax benefit related to exercises of stock options	1,136	590
Net cash used in financing activities	(17,553	) (14,163 )
Net decrease in cash and cash equivalents	(24,634	) (34,993 )
Cash and cash equivalents at beginning of period	50,184	56,081
Cash and cash equivalents at end of period	\$25,550	\$21,088
Supplemental disclosures of cash flow information:		
Interest paid	\$97	\$858
Income taxes paid	\$12,393	\$9,367
Non-cash investing activities		
(Decrease) increase in accrued purchases of property and equipment	\$(891	) \$2,054
See accompanying notes to consolidated financial statements.		





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

(1) Summary