

FIVE BELOW, INC  
Form 10-Q  
August 31, 2017  
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 July 29, 2017.

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-35600

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

Pennsylvania 75-3000378  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

1818 Market Street, Suite 2000  
Philadelphia, PA 19103  
(Address of Principal Executive Offices) (Zip Code)  
(215) 546-7909  
(Registrant’s Telephone Number, Including Area 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   
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 August 30, 2017 was 55,199,645.

---

INDEX

	Page
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Consolidated Financial Statements (unaudited)</u>	<u>4</u>
<u>Unaudited Consolidated Balance Sheets as of July 29, 2017, January 28, 2017 and July 30, 2016</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Operations for the Thirteen and Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016</u>	<u>4</u>
<u>Unaudited Consolidated Statement of Shareholders' Equity for the Twenty-Six Weeks Ended July 29, 2017</u>	<u>6</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016</u>	<u>7</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>24</u>
Item 4. <u>Controls and Procedures</u>	<u>25</u>
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>26</u>
Item 1A. <u>Risk Factors</u>	<u>27</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>27</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>27</u>
Item 5. <u>Other Information</u>	<u>27</u>
Item 6. <u>Exhibits</u>	<u>28</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)

	July 29, 2017	January 28, 2017	July 30, 2016
Assets			
Current assets:			
Cash and cash equivalents	\$74,759	\$76,088	\$67,109
Short-term investment securities	92,721	77,791	28,933
Inventories	184,517	154,448	154,809
Prepaid income taxes	3,698	1,552	3,177
Prepaid expenses and other current assets	34,876	29,910	24,907
Total current assets	390,571	339,789	278,935
Property and equipment, net of accumulated depreciation and amortization of \$114,534, \$100,200 and \$87,080, respectively.	159,717	138,376	132,500
Deferred income taxes	9,653	11,039	8,838
Long-term investment securities	—	10,514	—
Other assets	1,638	818	795
	\$561,579	\$500,536	\$421,068
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit	\$—	\$—	\$—
Accounts payable	76,880	51,178	59,565
Income taxes payable	3,271	23,939	670
Accrued salaries and wages	8,550	10,794	5,313
Other accrued expenses	44,772	30,652	34,557
Total current liabilities	133,473	116,563	100,105
Deferred rent and other	61,591	52,568	51,266
Total liabilities	195,064	169,131	151,371
Commitments and contingencies (note 4)			
Shareholders' equity:			
Common stock, \$0.01 par value. Authorized 120,000,000 shares; issued and outstanding 55,197,314, 54,904,954 and 54,864,418 shares, respectively.	552	549	548
Additional paid-in capital	331,515	321,603	315,131
Retained earnings (accumulated deficit)	34,448	9,253	(45,982 )
Total shareholders' equity	366,515	331,405	269,697
	\$561,579	\$500,536	\$421,068

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		Twenty-Six Weeks	
	Ended		Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net sales	\$283,320	\$220,130	\$516,201	\$412,845
Cost of goods sold	184,814	146,780	343,909	279,228
Gross profit	98,506	73,350	172,292	133,617
Selling, general and administrative expenses	72,205	57,636	133,209	107,151
Operating income	26,301	15,714	39,083	26,466
Interest income, net	259	73	568	147
Income before income taxes	26,560	15,787	39,651	26,613
Income tax expense	9,756	5,940	14,456	10,008
Net income	\$16,804	\$9,847	\$25,195	\$16,605
Basic income per common share	\$0.30	\$0.18	\$0.46	\$0.30
Diluted income per common share	\$0.30	\$0.18	\$0.45	\$0.30
Weighted average shares outstanding:				
Basic shares	55,150,108	54,795,750	55,101,406	54,756,580
Diluted shares	55,519,303	55,077,754	55,423,034	55,039,204

See accompanying notes to consolidated financial statements.

## FIVE BELOW, INC.

## Consolidated Statement of Shareholders' Equity

(Unaudited)

(in thousands, except share data)

	Common stock		Additional	Retained	Total
	Shares	Amount	paid-in capital	earnings	shareholders'
					equity
Balance, January 28, 2017	54,904,954	\$ 549	\$ 321,603	\$ 9,253	\$ 331,405
Share-based compensation expense	—	—	7,867	—	7,867
Issuance of unrestricted stock awards	2,346	—	113	—	113
Exercise of options to purchase common stock	102,348	1	2,842	—	2,843
Vesting of restricted stock units and performance-based restricted stock units	210,819	2	—	—	2
Common shares withheld for taxes	(25,753 )	—	(1,045 )	—	(1,045 )
Issuance of common stock to employees under employee stock purchase plan	2,600	—	135	—	135
Net income	—	—	—	25,195	25,195
Balance, July 29, 2017	55,197,314	\$ 552	\$ 331,515	\$ 34,448	\$ 366,515

See accompanying notes to consolidated financial statements.

## FIVE BELOW, INC.

## Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016
Operating activities:		
Net income	\$25,195	\$16,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,479	12,680
Share-based compensation expense	7,992	6,013
Deferred income tax expense (benefit)	1,386	(331 )
Other non-cash expenses	66	29
Changes in operating assets and liabilities:		
Inventories	(30,069 )	(6,439 )
Prepaid income taxes	(2,146 )	(1,836 )
Prepaid expenses and other assets	(5,826 )	(9,839 )
Accounts payable	22,323	1,994
Income taxes payable	(20,668 )	(11,272 )
Accrued salaries and wages	(2,244 )	(2,348 )
Deferred rent	9,507	6,143
Other accrued expenses	10,107	4,992
Net cash provided by operating activities	31,102	16,391
Investing activities:		
Purchases of investment securities	(72,804 )	(35,631 )
Sales, maturities, and redemptions of investment securities	68,387	53,033
Capital expenditures	(29,949 )	(22,372 )
Net cash used in investing activities	(34,366 )	(4,970 )
Financing activities:		
Net proceeds from issuance of common stock	135	93
Proceeds from exercise of options to purchase common stock	2,843	2,612
Common shares withheld for taxes	(1,045 )	(1,808 )
Excess tax benefit related to exercises of stock options, vesting of restricted stock units, and vesting of performance-based restricted units	—	1,710
Other	2	—
Net cash provided by financing activities	1,935	2,607
Net (decrease) increase in cash and cash equivalents	(1,329 )	14,028
Cash and cash equivalents at beginning of period	76,088	53,081
Cash and cash equivalents at end of period	\$74,759	\$67,109
Supplemental disclosures of cash flow information:		
Non-cash investing activities		
Increase in accrued purchases of property and equipment	\$6,897	\$3,041
See accompanying notes to consolidated financial statements.		



FIVE BELOW, INC.

Notes to Consolidated Financial Statements

(Unaudited)

(1) Summary of Significant Accounting Policies

(a) Nature of Business

Five Below, Inc. (collectively with its wholly owned subsidiary as the "Company") is a specialty value retailer offering merchandise targeted at the teen and pre-teen demographic. The Company offers an edited assortment of products, priced at \$5 and below. In August 2016, the Company commenced selling merchandise on the internet, through the Company's fivebelow.com e-commerce website.

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 July 29, 2017, operated in 32 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 and California. As of July 29, 2017 and July 30, 2016, the Company operated 584 stores and 491 stores, respectively, each operating under the name "Five Below."

(b) Fiscal Year

The Company operates on a 52/53-week fiscal year ending on the Saturday closest to January 31. References to "fiscal year 2017" or "fiscal 2017" refer to the period from January 29, 2017 to February 3, 2018 and consists of a 53-week fiscal year. References to "fiscal year 2016" or "fiscal 2016" refer to the period from January 31, 2016 to January 28, 2017 and consists of a 52-week fiscal year. The fiscal quarters ended July 29, 2017 and July 30, 2016 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended July 29, 2017 and July 30, 2016 refer to the twenty-six weeks ended as of those dates.

(c) Basis of Presentation

The consolidated balance sheets as of July 29, 2017 and July 30, 2016, the consolidated statements of operations for the thirteen and twenty-six weeks ended July 29, 2017 and July 30, 2016, the consolidated statement of shareholders' equity for the twenty-six weeks ended July 29, 2017 and the consolidated statements of cash flows for the twenty-six weeks ended July 29, 2017 and July 30, 2016 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 July 29, 2017 and July 30, 2016. The balance sheet as of January 28, 2017, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for fiscal 2016 as filed with the Securities and Exchange Commission on March 23, 2017 and referred to herein as the "Annual Report," but does not include all annual disclosures required by U.S. GAAP. These consolidated financial statements should be read in conjunction with the financial statements for the fiscal year ended January 28, 2017 and footnotes thereto included in the Annual Report. The consolidated results of operations for the thirteen and twenty-six weeks ended July 29, 2017 and July 30, 2016 are not necessarily indicative of the consolidated operating results for the year ending February 3, 2018 or any other period. The Company's business is seasonal and as a result, the Company's net sales fluctuate from quarter to quarter. Net sales are usually highest in the fourth fiscal quarter due to the year-end holiday season.

(d) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 clarifies the principles for recognizing revenue from contracts with customers. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date." ASU 2015-14 deferred the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods. In the first six months of fiscal 2016, the FASB issued guidance clarifying the interpretation of certain principles of ASU 2014-09. The Company may use either a full retrospective approach or a modified retrospective approach to adopt ASU 2014-09. The Company is currently evaluating the impact of the updated guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The standard requires use of the modified retrospective transition approach. While the Company is currently evaluating this standard, given the significant amount of leases the Company is party to, the Company expects this standard will have a significant impact on the Company's consolidated financial statements from the recognition of right of use assets and related liabilities. The Company plans to adopt this standard in the first quarter of fiscal 2019, coinciding with the standard's effective date.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 affects all entities that issue share-based payment awards to their employees. This accounting standards update makes several modifications to the accounting for employee share-based payment transactions, including the requirement that the excess income tax benefits or deficiencies that arise when the tax consequences of share-based compensation differ from amounts previously recognized in the consolidated statement of operations be recognized as income tax benefit or expense in the consolidated statement of operations rather than as additional paid-in capital in the consolidated balance sheets. The guidance also clarifies the classification of components of share-based awards on the consolidated statement of cash flows such that excess income tax benefits should not be presented separately from other income taxes in the consolidated statement of cash flows and, thus, should be classified as an operating activity rather than a financing activity as they are under the current guidance. ASU 2016-09 is effective for financial statements issued for annual reporting periods beginning after December 15, 2016 and interim periods within those years. The Company adopted this standard prospectively in the first quarter of fiscal 2017. This standard will result in a decrease or increase to the Company's effective tax rate, net income, and earnings per share based upon the requirement to recognize the excess income tax benefits or deficiencies in the consolidated statements of operations and change the Company's earnings per share calculation to exclude excess tax benefits previously assumed under the treasury stock method. No changes were required related to the classification of employee taxes paid for withheld shares in the Company's consolidated statements of cash flows since the Company has historically classified these within financing cash flows.

(e) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation allowances for inventories, income taxes and share-based compensation expense.

(f) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation at the measurement date:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than Level 1, that are either directly or indirectly observable.

Level 3: Unobservable inputs developed using the Company's estimates and assumptions which reflect those that market participants would use.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement.

The Company's financial instruments consist primarily of cash equivalents, short-term investment securities, accounts payable, and borrowings, if any, under a line of credit. The Company believes that: (1) the carrying value of cash equivalents and accounts payable are representative of their respective fair value due to the short-term nature of these instruments; and (2) the carrying value of the borrowings, if any, under the line of credit approximates fair value because the line of credit's interest rates vary with market interest rates. Under the fair value hierarchy, the fair market values of the short-term investments in corporate bonds are level 1 while the short-term investments in certificates of deposits and municipals 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 July 29, 2017, January 28, 2017, and July 30, 2016, the Company had cash equivalents of \$35.8 million, \$36.3 million and \$42.4 million, respectively. The Company's cash equivalents consist of credit and debit card receivables, money market funds, certificates of deposit, and short-term municipal bonds. Fair value for cash equivalents was determined based on Level 1 inputs.

As of July 29, 2017, January 28, 2017, and July 30, 2016, the Company's short-term investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following (in thousands):

As of July 29, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	\$74,177	\$ —	\$ 48	\$74,129
Municipal bonds	18,544	10	—	18,554
Total	\$92,721	\$ 10	\$ 48	\$92,683

As of January 28, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	\$45,558	\$ —	\$ 98	\$45,460
Municipal bonds	32,233	—	14	32,219
Total	\$77,791	\$ —	\$ 112	\$77,679

Long-term:

Corporate bonds	\$6,265	\$ —	\$ 11	\$6,254
Municipal bonds	4,249	8	—	4,257
Total	\$10,514	\$ 8	\$ 11	\$10,511

As of July 30, 2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Corporate bonds	\$6,390	\$ —	\$ 7	\$6,383
Municipal bonds	22,543	4	—	22,547
Total	\$28,933	\$ 4	\$ 7	\$28,930

Short-term investment securities as of July 29, 2017, January 28, 2017, and July 30, 2016 all mature in one year or less. Long-term investment securities as of January 28, 2017 all mature after one year but in less than three years.



## (2) Income Per Common Share

Basic income per common share amounts are calculated using the weighted-average number of common shares outstanding for the period. Diluted income per common share amounts are calculated using the weighted-average number of common shares outstanding for the period and include the dilutive impact of exercise of stock options as well as assumed lapse of restrictions on restricted stock awards and shares currently available for purchase under the Company's Employee Stock Purchase Plan, using the treasury stock method. Performance-based restricted stock units are considered contingently issuable shares for diluted income per common share purposes and the dilutive impact, if any, is not included in the weighted-average shares until the performance conditions are met.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Numerator:				
Net income	\$ 16,804	\$ 9,847	\$ 25,195	\$ 16,605
Denominator:				
Weighted average common shares outstanding - basic	55,150,108	54,795,750	55,101,406	54,756,580
Dilutive impact of options, restricted stock units and employee stock purchase plan	369,195	282,004	321,628	282,624
Weighted average common shares outstanding - diluted	55,519,303	55,077,754	55,423,034	55,039,204
Per common share:				
Basic income per common share	\$ 0.30	\$ 0.18	\$ 0.46	\$ 0.30
Diluted income per common share	\$ 0.30	\$ 0.18	\$ 0.45	\$ 0.30

The effects of the assumed exercise of stock options for 53,480 and 133,248 shares of common stock for the thirteen weeks ended and twenty-six weeks ended July 29, 2017, respectively, were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

The effects of the assumed exercise of restricted stock units for 387 and 26,646 shares of common stock for the thirteen weeks ended and twenty-six weeks ended July 29, 2017, respectively, were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

The effects of the assumed exercise of stock options for 67,179 and 263,283 shares of common stock for the thirteen weeks ended and twenty-six weeks ended July 30, 2016, respectively, were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

The effects of the assumed exercise of restricted stock units for 4,127 and 2,064 shares of common stock for the thirteen weeks ended and twenty-six weeks ended July 30, 2016, respectively, were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

The aforementioned excluded shares do not reflect the impact of any incremental repurchases under the treasury stock method.

### (3) Line of Credit

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

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

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

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

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

Under the Amended Loan and Security Agreement, all obligations under the Amended Revolving Credit Facility continue to be guaranteed by Five Below Merchandising, Inc., a wholly-owned subsidiary of the Company, and are secured by substantially all of the assets of the Company and Five Below Merchandising, Inc.

As of July 29, 2017, the Company had no borrowings under the Amended Revolving Credit Facility and had approximately \$20 million available on the line of credit.

All obligations under the Amended Revolving Credit Facility are secured by substantially all of the Company's assets and are guaranteed by the Company's subsidiary. As of July 29, 2017 and July 30, 2016, the Company was in compliance with the covenants applicable to it under the Amended Revolving Credit Facility.

### (4) Commitments and Contingencies

#### Commitments

#### Leases

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

During the thirteen weeks ended July 29, 2017, the Company committed to 25 new store leases with terms of 10 to 15 years that have future minimum lease payments of approximately \$46.1 million.

In September 2016, the Company signed a fifteen-year lease for a new corporate headquarters location in Philadelphia, Pennsylvania to accommodate the Company’s current and anticipated future growth. The Company expects to initially occupy approximately 115,000 square feet of office space in early 2018 and expects to expand into approximately 20,000 square feet of additional office space by no later than 2023. The lease agreement has future

minimum lease payments of approximately \$50 million and expires in early 2033 with three successive options to renew for an additional term up to approximately fifteen years.



## Other contractual commitments

As of July 29, 2017, the Company has other purchase commitments of approximately \$1.1 million consisting of purchase agreements for materials that will be used in the construction of new stores.

## Contingencies

## Legal Matters

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

## (5) 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 7,600,000 shares under the Plan. As of July 29, 2017, 3,399,673 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 compensation committee of the Company's board of directors.

Options granted to date generally vest over four years from the date of grant.

Stock option activity under the Plan was as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Balance at January 28, 2017	866,637	\$ 29.60	6.7
Forfeited	(15,222 )	36.72	
Exercised	(102,348 )	27.78	
Balance at July 29, 2017	749,067	29.70	6.2
Exercisable at July 29, 2017	597,812	\$ 28.47	5.9

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 issued during the twenty-six weeks ended July 29, 2017.

## 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. RSU's granted to date have vesting periods ranging from less than one year to five years from the date of grant. PSU's granted to date have vesting periods ranging from one year to five years from the date of grant, including grants that have a cumulative three year performance period, subject to satisfaction of the applicable performance goals established for the respective grant. The Company periodically assesses the probability of achievement of the performance criteria and adjusts the amount of compensation expense accordingly. Compensation is recognized over the vesting period and adjusted for the probability of achievement of the performance criteria.

RSU and PSU activity during the twenty-six weeks ended July 29, 2017 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 28, 2017	275,176	\$ 36.27	504,556	\$ 36.91
Granted	136,177	38.88	147,552	39.65
Vested	(69,816 )	34.17	(141,003 )	38.15
Forfeited	(23,087 )	42.70	(9,541 )	33.40
Non-vested balance as of July 29, 2017	318,450	\$ 37.38	501,564	\$ 37.43

In connection with the vesting of RSU's and PSU's during the twenty-six weeks ended July 29, 2017, the Company withheld 25,753 shares with an aggregate value of \$1.0 million in satisfaction of minimum tax withholding obligations due upon vesting.

As of July 29, 2017, there was \$20.4 million of total unrecognized compensation costs related to non-vested share-based compensation arrangements (including stock options, restricted stock units and performance-based restricted stock units) granted under the Plan. That cost is expected to be recognized over a weighted average vesting period of 2.4 years.

#### (6) Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the thirteen and twenty-six weeks ended July 29, 2017 and July 30, 2016 (dollars in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Income before income taxes	\$26,560	\$15,787	\$39,651	\$26,613
Income tax expense	\$9,756	\$5,940	\$14,456	\$10,008
Effective tax rate	36.7 %	37.6 %	36.5 %	37.6 %

The effective tax rates for the thirteen and twenty-six weeks ended July 29, 2017 and July 30, 2016 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 and twenty-six weeks ended July 29, 2017 was lower than the thirteen and twenty-six weeks ended July 30, 2016 primarily due to discrete items, which include the impact of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," with respect to the requirement to recognize excess income tax benefits or deficiencies as income tax benefit or expense in the consolidated statements of operations rather than as additional paid-in capital in the consolidated balance sheets. The Company had no material accrual for uncertain tax positions or interest or penalties related to income taxes on the Company's balance sheets as of July 29, 2017, January 28, 2017, or July 30, 2016 and has not recognized any material uncertain tax positions or interest and/or penalties related to income taxes in the consolidated statements of operations for the thirteen and twenty-six weeks ended July 29, 2017 or July 30, 2016.

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 1, 2014 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 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 28, 2017 and referred to herein as the "Annual Report," and the consolidated financial statements and related notes as of and for the thirteen and twenty-six weeks ended July 29, 2017 included in Part I, Item I of this Quarterly Report on Form 10-Q. The statements in this discussion regarding expectations of our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described below in "Special Note Regarding Forward-Looking Statements" and in Part II, Item 1A "Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2017" or "fiscal 2017" refer to the period from January 29, 2017 to February 3, 2018 and consists of a 53-week fiscal year. References to "fiscal year 2016" or "fiscal 2016" refer to the period from January 31, 2016 to January 28, 2017 and consists of a 52-week fiscal year. The fiscal quarters ended July 29, 2017 and July 30, 2016 refer to the thirteen weeks ended as of those dates. The year-to-date periods ended July 29, 2017 and July 30, 2016 refer to the twenty-six 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 other of these terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our views as of the date of this report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Part I, Item 1A "Risk Factors" in our Annual Report, as amended by the risk factors included in Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q. These factors include without limitation:

- failure to successfully implement our growth strategy;
- disruptions in our ability to select, obtain, distribute and market merchandise profitably;
- reliance on merchandise manufactured outside of the United States;
- dependence on a volume of traffic to our stores;
- inability to attract and retain qualified employees;
- inability to successfully expand our distribution network capacity;
- disruptions to our distribution network or the timely receipt of inventory;
- extreme weather conditions in the areas in which our stores are located could negatively affect our business and results of operations;

- failure to secure customers' confidential or credit card information, or other private data relating to our employees or our company;

15

---

- increased operating costs or exposure to fraud or theft due to customer payment-related risk;
- 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;
- our lease obligations;
- changes in our competitive environment, including increased competition from other retailers and the presence of online retailers;
- increasing costs due to inflation, increased operating costs, wage rate increases or energy prices;
- the seasonality of our business;
- inability to successfully implement our expansion to online retail;
- disruptions to our information technology systems in the ordinary course or as a result of system upgrades;
- failure to maintain adequate internal controls;
- complications with the design or implementation of the new enterprise resource system;
- natural disasters, adverse weather conditions, pandemic outbreaks, global political events, war and terrorism;
- current economic conditions and other economic factors;
- the impact of governmental laws and regulations;
- the costs and consequences of legal proceedings;
- inability to protect our brand name, trademarks and other intellectual property rights;
- the impact of product and food safety claims and effects of legislation;
- inability to obtain additional financing, if needed;
- restrictions imposed by our indebtedness on our current and future operations; and
- regulations related to conflict minerals.

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

#### Overview

Five Below is a rapidly growing specialty value retailer offering a broad range of trend-right, high-quality merchandise targeted at the teen and pre-teen customer. We offer a dynamic, edited assortment of exciting products, all priced at \$5 and below, including select brands and licensed merchandise across our category worlds. As of July 29, 2017, we operated 584 stores in 32 states.

In August 2016, we commenced selling merchandise on the internet, through our fivebelow.com e-commerce website. We launched our e-commerce operation as an additional channel to service our customers. All e-commerce sales, which includes shipping and handling revenue, are included in net sales and beginning with the third fiscal quarter of 2016, 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.

### 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.

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.

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 our store base is performing. Various factors affect comparable sales, including:

- consumer preferences, buying trends and overall economic trends;
- our ability to identify and respond effectively to customer preferences and trends;
  - our ability to provide an assortment of high-quality, trend-right and everyday product offerings that generate new and repeat visits to our stores;
- the customer experience we provide in our stores and online;
- the level of traffic near our locations in the power, community and lifestyle centers in which we operate;
- competition;
- changes in our merchandise mix;
- pricing;
- our ability to source and distribute products efficiently;
- the timing of promotional events and holidays;
- the timing of introduction of new merchandise and customer acceptance of new merchandise;
- our opening of new stores in the vicinity of existing stores;
- the number of items purchased per store visit; and
- weather conditions.

Opening new stores is an important part of our growth strategy. As we continue to pursue our growth strategy, we expect that a significant percentage of our net sales will continue to come from new stores not included in comparable sales. Accordingly, comparable sales is only one measure we use to assess the success of our growth strategy.

#### Cost of Goods Sold and Gross Profit

Gross profit is equal to our net sales less our cost of goods sold. Gross margin is gross profit as a percentage of our net sales. Cost of goods sold reflects the direct costs of purchased merchandise and inbound freight, as well as shipping and handling costs, store occupancy, distribution and buying expenses. Shipping and handling costs include third-party fulfillment and shipping costs related to our e-commerce operations. Store occupancy costs include rent, common area maintenance, utilities and property taxes for all store locations. Distribution costs include costs for receiving, processing, warehousing and shipping of merchandise to or from our distribution centers and between store locations. Buying costs include compensation expense and other costs for our internal buying organization, including our merchandising and product development team and our planning and allocation group. These costs are significant and can be expected to continue to increase as our company grows.

The components of our cost of goods sold may not be comparable to the components of cost of goods sold or similar measures of our competitors and other retailers. As a result, data in this Quarterly Report on Form 10-Q regarding our gross profit and gross margin may not be comparable to similar data made available by our competitors and other retailers.

The variable component of our cost of goods sold is higher in higher volume quarters because the variable component of our cost of goods sold generally increases as net sales increase. We regularly analyze the components of gross profit as well as gross margin. Any inability to obtain acceptable levels of initial markups, a significant increase in our use of markdowns, and a significant increase in inventory shrinkage or inability to generate sufficient sales leverage on the store occupancy, distribution and buying components of cost of goods sold could have an adverse impact on our gross profit and results of operations. Changes in the mix of our products may also impact our overall cost of goods sold.

#### Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses are composed of payroll and other compensation, marketing and advertising expense, depreciation and amortization expense and other selling and administrative expenses. SG&A expenses as a percentage of net sales are usually higher in lower sales volume quarters and lower in higher sales volume quarters.

The components of our SG&A expenses may not be comparable to those of other retailers. We expect that our SG&A expenses will increase in future periods due to our continuing store growth. In addition, any increase in future share-based grants or modifications will increase our share-based compensation expense included in SG&A expenses.

Operating Income

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

18

---



## 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		Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
(in millions, except percentages and total stores)				
Consolidated Statements of Operations Data <sup>(1)</sup> :				
Net sales	\$283.3	\$220.1	\$516.2	\$412.8
Cost of goods sold	184.8	146.8	343.9	279.2
Gross profit	98.5	73.4	172.3	133.6
Selling, general and administrative expenses	72.2	57.6	133.2	107.2
Operating income	26.3	15.7	39.1	26.5
Interest income, net	0.3	0.1	0.6	0.1
Income before income taxes	26.6	15.8	39.7	26.6
Income tax expense	9.8	5.9	14.5	10.0
Net income	\$16.8	\$9.8	\$25.2	\$16.6
Percentage of Net Sales <sup>(1)</sup> :				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	65.2	66.7	66.6	67.6
Gross profit	34.8	33.3	33.4	32.4
Selling, general and administrative expenses	25.5	26.2	25.8	26.0
Operating income	9.3	7.1	7.6	6.4
Interest income, net	0.1	—	0.1	—
Income before income taxes	9.4	7.2	7.7	6.4
Income tax expense	3.4	2.7	2.8	2.4
Net income	5.9 %	4.5 %	4.9 %	4.0 %
Operational Data:				
Total stores at end of period	584	491	584	491
Comparable sales growth	9.3 %	3.1 %	6.1 %	3.9 %
Average net sales per store <sup>(2)</sup>	\$0.5	\$0.4	\$0.9	\$0.8

<sup>(1)</sup> Components may not add to total due to rounding.

<sup>(2)</sup> Only includes stores open during the full thirteen and twenty-six weeks ended.

## Thirteen Weeks Ended July 29, 2017 Compared to the Thirteen Weeks Ended July 30, 2016

## Net Sales

Net sales increased to \$283.3 million in the thirteen weeks ended July 29, 2017 from \$220.1 million in the thirteen weeks ended July 30, 2016, an increase of \$63.2 million, or 28.7%. The increase was the result of a non-comparable sales increase of \$44.6 million and a comparable sales increase of \$18.6 million. The increase in non-comparable sales was primarily driven by new stores that opened in fiscal 2017 and the number of stores that opened in fiscal 2016 but have not been open for 15 full months. We plan to open approximately 100 new stores in fiscal 2017.

Comparable sales increased 9.3% for the thirteen weeks ended July 29, 2017 compared to the thirteen weeks ended July 30, 2016. This increase resulted from an increase of approximately 9.1% in the number of transactions in our stores and an increase of approximately 0.2% in the average dollar value of transactions.

#### Cost of Goods Sold and Gross Profit

Cost of goods sold increased to \$184.8 million in the thirteen weeks ended July 29, 2017 from \$146.8 million in the thirteen weeks ended July 30, 2016, an increase of \$38.0 million, or 25.9%. The increase in cost of goods sold was primarily the result of an increase in the merchandise cost of goods resulting from the increase in net sales. Also contributing to the increase in cost of goods sold were an increase in store occupancy costs resulting from new store openings.

Gross profit increased to \$98.5 million in the thirteen weeks ended July 29, 2017 from \$73.4 million in the thirteen weeks ended July 30, 2016, an increase of \$25.1 million, or 34.3%. Gross margin increased to 34.8% for the thirteen weeks ended July 29, 2017 from 33.3% in the thirteen weeks ended July 30, 2016, an increase of approximately 150 basis points. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in merchandise cost of goods sold and store occupancy costs.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$72.2 million in the thirteen weeks ended July 29, 2017 from \$57.6 million in the thirteen weeks ended July 30, 2016, an increase of \$14.6 million, or 25.3%. As a percentage of net sales, selling, general and administrative expenses decreased approximately 70 basis points to 25.5% in the thirteen weeks ended July 29, 2017 compared to 26.2% in the thirteen weeks ended July 30, 2016. The increase in selling, general and administrative expenses was primarily the result of increases of \$9.9 million in store-related expenses to support new store growth and \$4.7 million of corporate-related expenses.

#### Income Tax Expense

Income tax expense increased to \$9.8 million in the thirteen weeks ended July 29, 2017 from \$5.9 million in the thirteen weeks ended July 30, 2016, an increase of \$3.9 million, or 64.2%. The increase in income tax expense was primarily the result of a \$10.8 million increase in pre-tax income. Our effective tax rate for the thirteen weeks ended July 29, 2017 was 36.7% compared to 37.6% in the thirteen weeks ended July 30, 2016. Our effective tax rate for the thirteen weeks ended July 29, 2017 was lower than the comparable period primarily due to discrete items, which include the impact of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," with respect to the requirement to recognize excess income tax benefits or deficiencies as income tax benefit or expense in the consolidated statements of operations rather than as additional paid-in capital in the consolidated balance sheets.

#### Net Income

As a result of the foregoing, net income increased to \$16.8 million in the thirteen weeks ended July 29, 2017 from \$9.8 million in the thirteen weeks ended July 30, 2016, an increase of \$7.0 million or 70.7%.

#### Twenty-Six Weeks Ended July 29, 2017 Compared to the Twenty-Six Weeks Ended July 30, 2016

##### Net Sales

Net sales increased to \$516.2 million in the twenty-six weeks ended July 29, 2017 from \$412.8 million in the twenty-six weeks ended July 30, 2016, an increase of \$103.4 million, or 25.0%. The increase was the result of a non-comparable sales increase of \$80.0 million and a comparable sales increase of \$23.4 million. The increase in non-comparable sales was primarily driven by the number of stores that opened in fiscal 2016 but have not been open for 15 full months and new stores that opened in fiscal 2017. We plan to open approximately 100 new stores in fiscal 2017.

Comparable sales increased 6.1% for the twenty-six weeks ended July 29, 2017 compared to the twenty-six weeks ended July 30, 2016. This increase resulted from an increase of approximately 6.4% in the number of transactions in our stores partially offset by a decrease of approximately 0.3% in the average dollar value of transactions.

##### Cost of Goods Sold and Gross Profit

Cost of goods sold increased to \$343.9 million in the twenty-six weeks ended July 29, 2017 from \$279.2 million in the twenty-six weeks ended July 30, 2016, an increase of \$64.7 million, or 23.2%. The increase in cost of goods sold was primarily the result of an increase in the merchandise cost of goods resulting from the increase in net sales. Also contributing to the increase in cost of goods sold were an increase in store occupancy costs resulting from new store openings.



Gross profit increased to \$172.3 million in the twenty-six weeks ended July 29, 2017 from \$133.6 million in the twenty-six weeks ended July 30, 2016, an increase of \$38.7 million, or 28.9%. Gross margin increased to 33.4% for the twenty-six weeks ended July 29, 2017 from 32.4% in the twenty-six weeks ended July 30, 2016, an increase of approximately 100 basis points. The increase in gross margin was primarily the result of a decrease as a percentage of net sales in merchandise cost of goods sold.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$133.2 million in the twenty-six weeks ended July 29, 2017 from \$107.2 million in the twenty-six weeks ended July 30, 2016, an increase of \$26.0 million, or 24.3%. As a percentage of net sales, selling, general and administrative expenses decreased approximately 20 basis points to 25.8% in the twenty-six weeks ended July 29, 2017 compared to 26.0% in the twenty-six weeks ended July 30, 2016. The increase in selling, general and administrative expenses was primarily the result of increases of \$16.8 million in store-related expenses to support new store growth and \$9.2 million of corporate-related expenses.

#### Income Tax Expense

Income tax expense increased to \$14.5 million in the twenty-six weeks ended July 29, 2017 from \$10.0 million in the twenty-six weeks ended July 30, 2016, an increase of \$4.5 million, or 44.4%. The increase in income tax expense was primarily the result of a \$13.0 million increase in pre-tax income. Our effective tax rate for the twenty-six weeks ended July 29, 2017 was 36.5% compared to 37.6% in the twenty-six weeks ended July 30, 2016. Our effective tax rate for the twenty-six weeks ended July 29, 2017 was lower than the comparable period primarily due to discrete items, which include the impact of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," with respect to the requirement to recognize excess income tax benefits or deficiencies as income tax benefit or expense in the consolidated statements of operations rather than as additional paid-in capital in the consolidated balance sheets.

#### Net Income

As a result of the foregoing, net income increased to \$25.2 million in the twenty-six weeks ended July 29, 2017 from \$16.6 million in the twenty-six weeks ended July 30, 2016, an increase of \$8.6 million or 51.7%.

#### Liquidity and Capital Resources

##### Overview

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

Capital expenditures typically vary depending on the timing of new store openings and infrastructure-related investments. We plan to make capital expenditures of approximately \$78 million in fiscal 2017, which exclude the impact of tenant allowances, and which we expect to fund from cash generated from operations. We expect to incur approximately \$35 million of our capital expenditure budget in fiscal 2017 to construct and open approximately 100 new stores, with the remainder projected to be spent on our new corporate headquarters, store relocations and remodels, distribution centers, and corporate infrastructure.

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

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash on hand, net cash provided by operating activities and borrowings under our Amended Revolving Credit Facility. When we have used our Amended Revolving Credit Facility, the amount of indebtedness outstanding under it has tended to be the highest in the beginning of the fourth quarter of each fiscal year. Over the past three fiscal years, to the extent that we have drawn on the facility, we have paid down the borrowings before the end of the fiscal year with cash generated during our peak selling season in the fourth quarter. We did not have any direct borrowings under our Amended Revolving Credit Facility during the twenty-six weeks ended July 29, 2017. As of July 29, 2017, we had approximately \$20.0 million available on the line of credit.

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

will be adequate to finance our planned capital expenditures and working capital requirements over the next 12 months and for the foreseeable future thereafter. If cash flows from operations and borrowings under our Amended Revolving Credit Facility are

21

---

not sufficient or available to meet our requirements, then we will be required to obtain additional equity or debt financing in the future. There can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current shareholders.

#### Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table (in millions):

	Twenty-Six Weeks Ended July 29, July 30, 2017 2016	
Net cash provided by operating activities	\$31.1	\$ 16.4
Net cash used in investing activities	(34.4 )	(5.0 )
Net cash provided by financing activities	1.9	2.6
Net (decrease) increase during period in cash and cash equivalents <sup>(1)</sup>	\$(1.3 )	\$ 14.0

<sup>(1)</sup> Components may not add to total due to rounding.

#### Cash Provided by Operating Activities

Net cash provided by operating activities for the twenty-six weeks ended July 29, 2017 was \$31.1 million, an increase of \$14.7 million compared to the twenty-six weeks ended July 30, 2016. The increase was primarily due to an increase in operating cash flows from store performance partially offset by an increase in income taxes paid.

#### Cash Used in Investing Activities

Net cash used in investing activities for the twenty-six weeks ended July 29, 2017 was \$34.4 million, an increase of \$29.4 million compared to the twenty-six weeks ended July 30, 2016. The increase was primarily due to increases in net purchases of investment securities and capital expenditures. The increase in capital expenditures was primarily for our new store construction, our corporate infrastructure, and our distribution facilities.

#### Cash Provided by Financing Activities

Net cash provided by financing activities for the twenty-six weeks ended July 29, 2017 was \$1.9 million, a decrease of \$0.7 million compared to the twenty-six weeks ended July 30, 2016. The decrease was primarily the result of a decrease in excess tax benefits related to exercises of stock options and the vesting of restricted stock units and performance-based restricted stock units driven by the impact of the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," with respect to excess income tax benefits and deficiencies being classified as an operating activity rather than a financing activity.

#### Line of Credit

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

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

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

The Amended Loan and Security Agreement removes restrictions related to our ability to pay or make dividends and distributions or repurchase our stock, but the Amended Loan and Security Agreement continues to include other customary

negative and affirmative covenants including, among other things, limitations on our ability to (i) incur additional debt; (ii) create liens; (iii) make certain investments, loans and advances; (iv) sell assets; (v) engage in mergers or consolidations; or (vi) change our business.

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

Under the Amended Loan and Security Agreement, all obligations under the Amended Revolving Credit Facility continue to be guaranteed by our subsidiary and are secured by substantially all of our and our subsidiary's assets. As of July 29, 2017, we had approximately \$20.0 million available on the line of credit.

All obligations under the Amended Revolving Credit Facility are secured by substantially all of our assets and are guaranteed by our subsidiary. As of July 29, 2017 and July 30, 2016, we were in compliance with the covenants applicable to us under the Amended Revolving Credit Facility.

#### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Our critical accounting policies and estimates are discussed in the Annual Report. We believe that there have been no significant changes to our critical accounting policies during the twenty-six weeks ended July 29, 2017.

#### 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 29, 2017 to July 29, 2017, we have entered into 63 new fully executed retail leases with terms of 10 to 15 years and other lease modifications that have future minimum lease payments of approximately \$115.3 million.

In September 2016, we signed a fifteen-year lease for a new corporate headquarters location in Philadelphia, Pennsylvania to accommodate our current and anticipated future growth. We expect to initially occupy approximately 115,000 square feet of office space in early 2018 and expect to expand into approximately 20,000 square feet of additional office space by no later than 2023. The lease agreement has future minimum lease payments of approximately \$50 million and expires in early 2033 with three successive options to renew for additional term up to approximately fifteen years.

#### Off-Balance Sheet Arrangements

For the quarterly period ended July 29, 2017, except for operating leases entered into in the normal course of business, 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

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 clarifies the principles for recognizing revenue from contracts with customers. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contract with Customers: Deferral of the Effective Date." ASU 2015-14 deferred the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods. In the first six months of fiscal 2016, the FASB issued guidance clarifying the interpretation of certain principles of ASU 2014-09. We may use either a full retrospective approach or a modified retrospective approach to adopt ASU 2014-09. We are currently evaluating the impact of the updated guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The standard requires use of the modified retrospective transition approach. While we are currently evaluating this standard, given the significant amount of leases that we are party to, we expect this standard will have a significant impact on our consolidated financial statements from the recognition of right to use assets and related liabilities. We plan to adopt this standard in the first quarter of fiscal 2019, coinciding with the standard's effective date.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 affects all entities that issue share-based payment awards to their employees. This accounting standards update makes several modifications to the accounting for employee share-based payment transactions, including the requirement that the excess income tax benefits or deficiencies that arise when the tax consequences of share-based compensation differ from amounts previously recognized in the consolidated statement of operations be recognized as income tax benefit or expense in the consolidated statement of operations rather than as additional paid-in capital in the consolidated balance sheet. The guidance also clarifies the classification of components of share-based awards on the consolidated statement of cash flows such that excess income tax benefits should not be presented separately from other income taxes in the consolidated statement of cash flows and, thus, should be classified as an operating activity rather than a financing activity as they are under the current guidance. ASU 2016-09 is effective for financial statements issued for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We adopted this standard prospectively in the first quarter of fiscal 2017. This standard will result in a decrease or increase to our effective tax rate, net income, and earnings per share based upon the requirement to recognize the excess income tax benefits or deficiencies in the consolidated statements of operations and change our earnings per share calculation to exclude excess tax benefits previously assumed under the treasury stock method. No changes were required related to the classification of employee taxes paid for withheld shares in our consolidated statements of cash flows since we have historically classified these within financing cash flows.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Interest Rate Risk

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

We also have an Amended Revolving Credit Facility which includes a revolving line of credit, which bears interest at a variable rate. Because our Amended Revolving Credit Facility bears interest at a variable rate, we will be exposed to market risks relating to changes in interest rates.

As of July 29, 2017, we had approximately \$20 million available on the line of credit. The Amended Revolving Credit Facility reduces the interest rate payable on borrowings to be, at the our option, a per annum rate equal to (a) a prime

rate or (b) a LIBOR-based rate plus a margin of 1.00%. Letter of credit fees are equal to the interest rate payable on LIBOR-based loans. The interest rate and letter of credit fees under the Amended Revolving Credit Facility are subject to an increase of 2.00% per annum upon an event of default. We do not use derivative financial instruments for speculative or trading purposes, but this does not preclude our adoption of specific hedging strategies in the future.

#### Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. We cannot assure you, however, that our results of operations and financial condition will not be materially impacted by inflation in the future.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q are effective at a reasonable assurance level in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all errors and all fraud. While our disclosure controls and procedures are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

##### Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the thirteen weeks ended July 29, 2017 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

10.1 Compensation Policy for Non-Employee Directors.

10.2 Fourth Amended and Restated Loan and Security Agreement, dated May 10, 2017, among the Company, Five Below Merchandising, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2017).

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 July 29, 2017, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of July 29, 2017, January 28, 2017 and July 30, 2016; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen Weeks Ended and Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016; (iii) the Unaudited Consolidated Statement of Shareholders' Equity for the Twenty-Six Weeks Ended July 29, 2017; (iv) the Unaudited Consolidated Statements of Cash Flows for the Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016 and (v) the Notes to Unaudited Consolidated Financial Statements, tagged in detail.

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: August 31,  
2017

/s/ Joel D. Anderson

Joel D. Anderson  
President and Chief Executive Officer (Principal Executive Officer)

Date: August 31,  
2017

/s/ Kenneth R. Bull

Kenneth R. Bull  
Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

No. Description

10.1 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 July 29, 2017, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Consolidated Balance Sheets as of July 29, 2017, January 28, 2017 and July 30, 2016; (ii) the Unaudited Consolidated Statements of Operations for the Thirteen Weeks Ended and Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016; (iii) the Unaudited Consolidated Statement of Shareholders' Equity for the Twenty-Six Weeks Ended July 29, 2017; (iv) the Unaudited Consolidated Statements of Cash Flows for the Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016 and (v) the Notes to Unaudited Consolidated Financial Statements, tagged in detail.

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.