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

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**FORM 10-Q**

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

For the Quarterly Period Ended December 25, 2021

or

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

For the Transition Period from to  
Commission File Number: 001-36711

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**Boot Barn Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**90-0776290**  
(I.R.S. employer  
identification no.)

**15345 Barranca Pkwy**  
**Irvine, California**  
(Address of principal executive offices)

**92618**  
(Zip code)

**(949) 453-4400**

Registrant's telephone number, including area code

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

| Title of each class              | Trading Symbol | Name of each exchange on which registered |
|----------------------------------|----------------|-------------------------------------------|
| Common Stock, \$0.0001 par value | BOOT           | New York Stock Exchange                   |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Emerging growth company ☐

Non-accelerated filer ☐

Smaller reporting 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 ☒

As of January 26, 2022, the registrant had 29,670,122 shares of common stock outstanding, \$0.0001 par value.

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**Boot Barn Holdings, Inc. and Subsidiaries**  
**Form 10-Q**  
**For the Thirteen and Thirty-Nine Weeks Ended December 25, 2021**

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## Part 1. Financial Information

### Item 1. Condensed Consolidated Financial Statements (Unaudited)

#### BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except per share data) (Unaudited)

|                                                                                                                                                                         | December 25,<br>2021 | March 27,<br>2021 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|
| <b>Assets</b>                                                                                                                                                           |                      |                   |
| Current assets:                                                                                                                                                         |                      |                   |
| Cash and cash equivalents                                                                                                                                               | \$ 114,714           | \$ 73,148         |
| Accounts receivable, net                                                                                                                                                | 7,891                | 12,771            |
| Inventories                                                                                                                                                             | 385,642              | 275,760           |
| Prepaid expenses and other current assets                                                                                                                               | 54,258               | 12,777            |
| Total current assets                                                                                                                                                    | 562,505              | 374,456           |
| Property and equipment, net                                                                                                                                             | 136,716              | 110,444           |
| Right-of-use assets, net                                                                                                                                                | 226,898              | 186,827           |
| Goodwill                                                                                                                                                                | 197,502              | 197,502           |
| Intangible assets, net                                                                                                                                                  | 60,831               | 60,885            |
| Other assets                                                                                                                                                            | 3,525                | 3,467             |
| Total assets                                                                                                                                                            | <u>\$ 1,187,977</u>  | <u>\$ 933,581</u> |
| <b>Liabilities and stockholders' equity</b>                                                                                                                             |                      |                   |
| Current liabilities:                                                                                                                                                    |                      |                   |
| Accounts payable                                                                                                                                                        | \$ 189,229           | \$ 104,641        |
| Accrued expenses and other current liabilities                                                                                                                          | 157,401              | 77,615            |
| Short-term lease liabilities                                                                                                                                            | 41,741               | 39,400            |
| Total current liabilities                                                                                                                                               | 388,371              | 221,656           |
| Deferred taxes                                                                                                                                                          | 22,682               | 21,993            |
| Long-term portion of notes payable, net                                                                                                                                 | —                    | 109,781           |
| Long-term lease liabilities                                                                                                                                             | 218,915              | 181,836           |
| Other liabilities                                                                                                                                                       | 4,730                | 3,424             |
| Total liabilities                                                                                                                                                       | 634,698              | 538,690           |
| Commitments and contingencies (Note 6)                                                                                                                                  |                      |                   |
| Stockholders' equity:                                                                                                                                                   |                      |                   |
| Common stock, \$0.0001 par value; December 25, 2021 - 100,000 shares authorized, 29,803 shares issued; March 27, 2021 - 100,000 shares authorized, 29,348 shares issued | 3                    | 3                 |
| Preferred stock, \$0.0001 par value; 10,000 shares authorized, no shares issued or outstanding                                                                          | —                    | —                 |
| Additional paid-in capital                                                                                                                                              | 197,176              | 183,815           |
| Retained earnings                                                                                                                                                       | 360,764              | 213,027           |
| Less: Common stock held in treasury, at cost, 133 and 96 shares at December 25, 2021 and March 27, 2021, respectively                                                   | (4,664)              | (1,954)           |
| Total stockholders' equity                                                                                                                                              | 553,279              | 394,891           |
| Total liabilities and stockholders' equity                                                                                                                              | <u>\$ 1,187,977</u>  | <u>\$ 933,581</u> |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

|                                              | <b>Thirteen Weeks Ended</b>  |                              | <b>Thirty-Nine Weeks Ended</b> |                              |
|----------------------------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|
|                                              | <b>December 25,<br/>2021</b> | <b>December 26,<br/>2020</b> | <b>December 25,<br/>2021</b>   | <b>December 26,<br/>2020</b> |
| Net sales                                    | \$ 485,904                   | \$ 302,338                   | \$ 1,104,948                   | \$ 634,619                   |
| Cost of goods sold                           | 294,245                      | 195,529                      | 678,711                        | 432,119                      |
| Gross profit                                 | 191,659                      | 106,809                      | 426,237                        | 202,500                      |
| Selling, general and administrative expenses | 99,467                       | 65,183                       | 230,288                        | 149,034                      |
| Income from operations                       | 92,192                       | 41,626                       | 195,949                        | 53,466                       |
| Interest expense                             | 1,667                        | 2,303                        | 5,392                          | 7,327                        |
| Other income, net                            | 43                           | 152                          | 161                            | 294                          |
| Income before income taxes                   | 90,568                       | 39,475                       | 190,718                        | 46,433                       |
| Income tax expense                           | 21,337                       | 9,909                        | 42,981                         | 11,599                       |
| Net income                                   | <u>\$ 69,231</u>             | <u>\$ 29,566</u>             | <u>\$ 147,737</u>              | <u>\$ 34,834</u>             |
| Earnings per share:                          |                              |                              |                                |                              |
| Basic                                        | \$ 2.34                      | \$ 1.02                      | \$ 5.01                        | \$ 1.21                      |
| Diluted                                      | \$ 2.27                      | \$ 1.00                      | \$ 4.86                        | \$ 1.19                      |
| Weighted average shares outstanding:         |                              |                              |                                |                              |
| Basic                                        | 29,637                       | 28,912                       | 29,518                         | 28,866                       |
| Diluted                                      | 30,443                       | 29,581                       | 30,382                         | 29,275                       |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In thousands)

(Unaudited)

|                                                              | <b>Common Stock</b> |               | <b>Additional</b>      | <b>Retained</b> | <b>Treasury Shares</b> |               |              |
|--------------------------------------------------------------|---------------------|---------------|------------------------|-----------------|------------------------|---------------|--------------|
|                                                              | <b>Shares</b>       | <b>Amount</b> | <b>Paid-In Capital</b> | <b>Earnings</b> | <b>Shares</b>          | <b>Amount</b> | <b>Total</b> |
| Balance at March 27, 2021                                    | 29,348              | \$ 3          | \$ 183,815             | \$ 213,027      | (96)                   | \$ (1,954)    | \$ 394,891   |
| Net income                                                   | —                   | —             | —                      | 40,645          | —                      | —             | 40,645       |
| Issuance of common stock related to stock-based compensation | 313                 | —             | 3,616                  | —               | —                      | —             | 3,616        |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (34)                   | (2,476)       | (2,476)      |
| Stock-based compensation expense                             | —                   | —             | 3,201                  | —               | —                      | —             | 3,201        |
| Balance at June 26, 2021                                     | 29,661              | \$ 3          | \$ 190,632             | \$ 253,672      | (130)                  | \$ (4,430)    | \$ 439,877   |
| Net income                                                   | —                   | —             | —                      | 37,861          | —                      | —             | 37,861       |
| Issuance of common stock related to stock-based compensation | 73                  | —             | 924                    | —               | —                      | —             | 924          |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (2)                    | (172)         | (172)        |
| Stock-based compensation expense                             | —                   | —             | 2,767                  | —               | —                      | —             | 2,767        |
| Balance at September 25, 2021                                | 29,734              | \$ 3          | \$ 194,323             | \$ 291,533      | (132)                  | \$ (4,602)    | \$ 481,257   |
| Net income                                                   | —                   | —             | —                      | 69,231          | —                      | —             | 69,231       |
| Issuance of common stock related to stock-based compensation | 69                  | —             | 1,014                  | —               | —                      | —             | 1,014        |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (1)                    | (62)          | (62)         |
| Stock-based compensation expense                             | —                   | —             | 1,839                  | —               | —                      | —             | 1,839        |
| Balance at December 25, 2021                                 | 29,803              | \$ 3          | \$ 197,176             | \$ 360,764      | (133)                  | \$ (4,664)    | \$ 553,279   |

  

|                                                              | <b>Common Stock</b> |               | <b>Additional</b>      | <b>Retained</b> | <b>Treasury Shares</b> |               |              |
|--------------------------------------------------------------|---------------------|---------------|------------------------|-----------------|------------------------|---------------|--------------|
|                                                              | <b>Shares</b>       | <b>Amount</b> | <b>Paid-In Capital</b> | <b>Earnings</b> | <b>Shares</b>          | <b>Amount</b> | <b>Total</b> |
| Balance at March 28, 2020                                    | 28,880              | \$ 3          | \$ 169,249             | \$ 153,641      | (71)                   | \$ (1,200)    | \$ 321,693   |
| Net loss                                                     | —                   | —             | —                      | (490)           | —                      | —             | (490)        |
| Issuance of common stock related to stock-based compensation | 65                  | —             | 4                      | —               | —                      | —             | 4            |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (20)                   | (485)         | (485)        |
| Stock-based compensation expense                             | —                   | —             | 1,824                  | —               | —                      | —             | 1,824        |
| Balance at June 27, 2020                                     | 28,945              | \$ 3          | \$ 171,077             | \$ 153,151      | (91)                   | \$ (1,685)    | \$ 322,546   |
| Net income                                                   | —                   | —             | —                      | 5,758           | —                      | —             | 5,758        |
| Issuance of common stock related to stock-based compensation | 13                  | —             | 57                     | —               | —                      | —             | 57           |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (1)                    | (32)          | (32)         |
| Stock-based compensation expense                             | —                   | —             | 1,705                  | —               | —                      | —             | 1,705        |
| Balance at September 26, 2020                                | 28,958              | \$ 3          | \$ 172,839             | \$ 158,909      | (92)                   | \$ (1,717)    | \$ 330,034   |
| Net income                                                   | —                   | —             | —                      | 29,566          | —                      | —             | 29,566       |
| Issuance of common stock related to stock-based compensation | 86                  | —             | 1,544                  | —               | —                      | —             | 1,544        |
| Tax withholding for net share settlement                     | —                   | —             | —                      | —               | (1)                    | (18)          | (18)         |
| Stock-based compensation expense                             | —                   | —             | 1,482                  | —               | —                      | —             | 1,482        |
| Balance at December 26, 2020                                 | 29,044              | \$ 3          | \$ 175,865             | \$ 188,475      | (93)                   | \$ (1,735)    | \$ 362,608   |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

|                                                                                   | <b>Thirty-Nine Weeks Ended</b> |                              |
|-----------------------------------------------------------------------------------|--------------------------------|------------------------------|
|                                                                                   | <b>December 25,<br/>2021</b>   | <b>December 26,<br/>2020</b> |
| <b>Cash flows from operating activities</b>                                       |                                |                              |
| Net income                                                                        | \$ 147,737                     | \$ 34,834                    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |                              |
| Depreciation                                                                      | 19,800                         | 17,919                       |
| Stock-based compensation                                                          | 7,807                          | 5,011                        |
| Amortization of intangible assets                                                 | 54                             | 67                           |
| Noncash lease expense                                                             | 28,701                         | 25,342                       |
| Amortization and write-off of debt issuance fees and debt discount                | 1,834                          | 663                          |
| Loss on disposal of assets                                                        | 150                            | 23                           |
| (Gain)/loss on adjustment of right-of-use assets and lease liabilities            | (258)                          | 295                          |
| Store impairment charge                                                           | —                              | 384                          |
| Deferred taxes                                                                    | 689                            | (1,150)                      |
| Changes in operating assets and liabilities:                                      |                                |                              |
| Accounts receivable, net                                                          | 5,797                          | 4,242                        |
| Inventories                                                                       | (109,882)                      | 42,709                       |
| Prepaid expenses and other current assets                                         | (41,596)                       | (818)                        |
| Other assets                                                                      | (608)                          | (687)                        |
| Accounts payable                                                                  | 84,411                         | 9,753                        |
| Accrued expenses and other current liabilities                                    | 73,490                         | 42,219                       |
| Other liabilities                                                                 | 1,306                          | 789                          |
| Operating leases                                                                  | (28,876)                       | (24,991)                     |
| Net cash provided by operating activities                                         | \$ 190,556                     | \$ 156,604                   |
| <b>Cash flows from investing activities</b>                                       |                                |                              |
| Purchases of property and equipment                                               | \$ (39,749)                    | \$ (20,508)                  |
| Net cash used in investing activities                                             | \$ (39,749)                    | \$ (20,508)                  |
| <b>Cash flows from financing activities</b>                                       |                                |                              |
| Payments on line of credit - net                                                  | \$ —                           | \$ (129,900)                 |
| Repayments on debt and finance lease obligations                                  | (112,085)                      | (487)                        |
| Tax withholding payments for net share settlement                                 | (2,710)                        | (535)                        |
| Proceeds from the exercise of stock options                                       | 5,554                          | 1,605                        |
| Net cash used in financing activities                                             | \$ (109,241)                   | \$ (129,317)                 |
| Net increase in cash and cash equivalents                                         | 41,566                         | 6,779                        |
| Cash and cash equivalents, beginning of period                                    | 73,148                         | 69,563                       |
| Cash and cash equivalents, end of period                                          | \$ 114,714                     | \$ 76,342                    |
| <b>Supplemental disclosures of cash flow information:</b>                         |                                |                              |
| Cash paid for income taxes                                                        | \$ 41,694                      | \$ 3,684                     |
| Cash paid for interest                                                            | \$ 3,497                       | \$ 6,731                     |
| <b>Supplemental disclosure of non-cash activities:</b>                            |                                |                              |
| Unpaid purchases of property and equipment                                        | \$ 9,620                       | \$ 3,703                     |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. Description of the Company, Recent Developments and Basis of Presentation**

Boot Barn Holdings, Inc. (the “Company”), the parent holding company of the group of operating subsidiaries that conduct the Boot Barn business, was formed on November 17, 2011, and is incorporated in the State of Delaware. The equity of the Company consists of 100,000,000 authorized shares and 29,802,847 issued and 29,669,954 outstanding shares of common stock as of December 25, 2021. The shares of common stock have voting rights of one vote per share.

The Company operates specialty retail stores and e-commerce websites that sell western and work boots and related apparel and accessories. The Company operates retail locations throughout the U.S. and sells its merchandise via the internet. The Company operated a total of 289 stores in 37 states as of December 25, 2021 and 273 stores in 36 states as of March 27, 2021. As of December 25, 2021, all stores operate under the Boot Barn name, with the exception of two stores that operate under the “American Worker” name.

***Recent Developments***

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China. Since first being reported, COVID-19 spread to numerous countries around the world, including the U.S., resulting in the World Health Organization declaring the outbreak a global pandemic on March 11, 2020. COVID-19 has had and may continue to have a significant impact on economic conditions and consumer confidence. There remains uncertainty around the duration and impact of the COVID-19 pandemic on the U.S. economy and consumer confidence. These and other effects make it more challenging for us to estimate the future performance of our business, particularly over the near-to-medium term.

***Basis of Presentation***

The Company’s condensed consolidated financial statements as of and for the thirteen and thirty-nine weeks ended December 25, 2021 and December 26, 2020 are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), and include the accounts of the Company and each of its subsidiaries, consisting of Boot Barn, Inc., RCC Western Stores, Inc., Baskins Acquisition Holdings, LLC, Sheplers, LLC and Sheplers Holding LLC (collectively with Sheplers, LLC, “Sheplers”). On September 26, 2021, Sheplers, Inc. and Sheplers Holding Corporation each were converted to limited liability companies, Sheplers, LLC and Sheplers Holding LLC, respectively. All intercompany accounts and transactions among the Company and its subsidiaries have been eliminated in consolidation. The vast majority of the Company’s identifiable assets are in the United States. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted.

In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments that are of a normal and recurring nature necessary to fairly present the Company’s financial position and results of operations and cash flows in all material respects as of the dates and for the periods presented. The results of operations presented in the interim condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the fiscal year ending March 26, 2022.

***Fiscal Periods***

The Company reports its results of operations and cash flows on a 52- or 53-week basis ending on the last Saturday of March unless April 1st is a Saturday, in which case the fiscal year ends on April 1st. In a 52-week year, each quarter includes thirteen weeks of operations; in a 53-week fiscal year, the first, second and third quarters each include thirteen weeks of operations and the fourth quarter includes fourteen weeks of operations. Both the fiscal year ending on March 26, 2022 (“fiscal 2022”) and the fiscal year ended on March 27, 2021 (“fiscal 2021”) consist of 52 weeks.

## **2. Summary of Significant Accounting Policies**

Information regarding the Company's significant accounting policies is contained in Note 2, "Summary of Significant Accounting Policies", to the consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on May 13, 2021. Presented below in the following notes is supplemental information that should be read in conjunction with those consolidated financial statements.

### ***Comprehensive Income***

The Company does not have any components of other comprehensive income recorded within its condensed consolidated financial statements and, therefore, does not separately present a statement of comprehensive income in its condensed consolidated financial statements.

### ***Segment Reporting***

GAAP has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic areas and major customers. The Company's retail stores and e-commerce websites represent two operating segments. Given the similar qualitative and economic characteristics of the two operating segments, the Company's retail stores and e-commerce websites are aggregated into one reporting segment in accordance with guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280, *Segment Reporting* ("ASC 280"). The Company's operations represent two reporting units, retail stores and e-commerce, for the purpose of its goodwill impairment analysis.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Among the significant estimates affecting the Company's condensed consolidated financial statements are those relating to revenue recognition, lease accounting, inventories, goodwill, intangible and long-lived assets, stock-based compensation and income taxes. Management regularly evaluates its estimates and assumptions based upon historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates, the Company's future results of operations may be affected.

### ***Inventories***

Inventory consists primarily of purchased merchandise and is valued at the lower of cost or net realizable value. Cost is determined using the weighted-average cost method (which approximates the first-in, first-out method) and includes the cost of merchandise and import-related costs, including freight, duty and agent commissions. The Company assesses the recoverability of inventory through a periodic review of historical usage and present demand. When the inventory on hand exceeds the foreseeable demand, the value of inventory that, at the time of the review, is not expected to be sold at or above cost is written down to its estimated net realizable value.

### ***Leases***

Operating and finance lease liabilities are recognized at the lease commencement date based on the present value of the fixed lease payments using the Company's incremental borrowing rates for its population of leases. Related operating and finance lease right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments, reduced by cash payments received from landlords as lease incentives, plus any prepaid rent and other direct costs from executing the leases. Amortization of both operating and finance lease right-of-use assets is performed on a straight-line basis and recorded as part of rent expense in selling, general and administrative expenses on the condensed



consolidated statements of operations. The interest expense amortization component of the finance lease liabilities is recorded within interest expense on the condensed consolidated statements of operations.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Variable lease payments are recognized as lease expense as they are incurred.

### ***Fair Value of Certain Financial Assets and Liabilities***

The Company follows FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”), which requires disclosure of the estimated fair value of certain assets and liabilities defined by the guidance as financial instruments. The Company’s financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and debt. ASC 820 defines the fair value of financial instruments as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- Level 2 uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates, incremental borrowing rates, and volatility, can be corroborated by readily observable market data.
- Level 3 uses one or more significant inputs that are unobservable and supported by little or no market activity, and reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation. The Company’s Level 3 assets include certain acquired businesses and the evaluation of store impairment.

Cash and cash equivalents, accounts receivable and accounts payable are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified as Level 2 or Level 3 even though there may be certain significant inputs that are readily observable. The Company believes that the recorded value of its financial instruments approximates their current fair values because of their nature and respective relatively short maturity dates or duration.

Although market quotes for the fair value of the outstanding debt arrangements discussed in Note 4, “Revolving Credit Facilities and Long-Term Debt” are not readily available, the Company believes its carrying value approximates fair value due to the variable interest rates, which are Level 2 inputs. There were no financial assets or liabilities requiring fair value measurements on a recurring basis as of December 25, 2021.

### ***Recent Accounting Pronouncements***

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)*, which clarifies some of its guidance around reference rate reform activities as global market participants undertake efforts to transition from using or referencing the London Interbank Offered Rate (LIBOR) and other interbank offered rates to using or referencing alternative reference rates. The amendments in this ASU if elected by an entity, are effective immediately. Unlike other topics, the provisions of this update are only available until December 31, 2022, by which time the reference rate replacement activity is expected to be completed. The Company does not expect the revised standard to have an impact on its consolidated financial statements.

**Revenue Recognition**

Revenue is recorded for store sales upon the purchase of merchandise by customers. Sales are recorded net of taxes collected from customers. Transfer of control takes place at the point at which the customer receives and pays for the merchandise at the register. E-commerce sales are recorded when control transfers to the customer, which generally occurs upon delivery of the product. Shipping and handling revenues are included in total net sales. Shipping costs incurred by the Company are included in cost of goods sold.

The Company maintains a customer loyalty program. Under the program, customers accumulate points based on purchase activity. For customers to maintain their active point balance, they must make a qualifying purchase of merchandise at least once in a 365-day period. Once a loyalty program member achieves a certain point level, the member earns awards that may be redeemed for credits on merchandise purchases. To redeem awards, the member must make a qualifying purchase of merchandise within 60 days of the date the award was granted. Unredeemed awards and accumulated partial points are accrued as unearned revenue until redemption or expiration and, upon redemption and expiration, as an adjustment to net sales using the relative standalone selling price method. The unearned revenue for this program is recorded in accrued expenses and other current liabilities on the consolidated balance sheets and was \$4.1 million as of December 25, 2021 and \$2.7 million as of December 26, 2020. The following table provides a reconciliation of the activity related to the Company's customer loyalty program:

**Customer Loyalty Program**

(in thousands)

|                                                                         | December 25, 2021 | December 26, 2020 |
|-------------------------------------------------------------------------|-------------------|-------------------|
| Beginning balance as of March 27, 2021 and March 28, 2020, respectively | \$ 2,485          | \$ 2,076          |
| Year-to-date provisions                                                 | 10,971            | 4,967             |
| Year-to-date award redemptions                                          | (9,333)           | (4,346)           |
| Ending balance                                                          | \$ 4,123          | \$ 2,697          |

Revenue is recorded net of estimated and actual sales returns and deductions for coupon redemptions, estimated future award redemption and other promotions. The sales returns reserve reflects an estimate of sales returns based on projected merchandise returns determined through the use of historical average return percentages. The total reserve for returns is recorded in accrued expenses and other current liabilities in the consolidated balance sheets. The Company accounts for the return asset and liability separately on a gross basis.

Proceeds from the sale of gift cards are deferred until the customers use the cards to acquire merchandise. Gift cards, gift certificates and store credits do not have expiration dates, and unredeemed gift cards, gift certificates and store credits are subject to state escheatment laws. Amounts remaining after escheatment are recognized in net sales in the period escheatment occurs and the liability is considered to be extinguished. The Company defers recognition of a layaway sale and its related profit to the accounting period when the customer receives the layaway merchandise. Income from the redemption of gift cards, gift card breakage, and the sale of layaway merchandise is included in net sales. deferred revenue is recorded in accrued expenses and other current liabilities in the consolidated balance sheets. The following table provides a reconciliation of the activity related to the Company's gift card program:

**Gift Card Program**

(in thousands)

|                                                                         | December 25, 2021 | December 26, 2020 |
|-------------------------------------------------------------------------|-------------------|-------------------|
| Beginning balance as of March 27, 2021 and March 28, 2020, respectively | \$ 11,569         | \$ 10,118         |
| Year-to-date issued                                                     | 24,354            | 14,181            |
| Year-to-date redemptions                                                | (14,199)          | (8,893)           |
| Ending balance                                                          | \$ 21,724         | \$ 15,406         |

### Disaggregated Revenue

The Company disaggregates net sales into the following major merchandise categories:

| % of Net Sales              | Thirteen Weeks Ended |                   | Thirty-Nine Weeks Ended |                   |
|-----------------------------|----------------------|-------------------|-------------------------|-------------------|
|                             | December 25, 2021    | December 26, 2020 | December 25, 2021       | December 26, 2020 |
| Footwear                    | 44%                  | 49%               | 48%                     | 53%               |
| Apparel                     | 39%                  | 36%               | 36%                     | 32%               |
| Hats, accessories and other | 17%                  | 15%               | 16%                     | 15%               |
| Total                       | 100%                 | 100%              | 100%                    | 100%              |

The Company further disaggregates net sales between stores and e-commerce:

| % of Net Sales | Thirteen Weeks Ended |                   | Thirty-Nine Weeks Ended |                   |
|----------------|----------------------|-------------------|-------------------------|-------------------|
|                | December 25, 2021    | December 26, 2020 | December 25, 2021       | December 26, 2020 |
| Stores         | 82%                  | 80%               | 84%                     | 80%               |
| E-commerce     | 18%                  | 20%               | 16%                     | 20%               |
| Total          | 100%                 | 100%              | 100%                    | 100%              |

### 3. Intangible Assets, Net and Goodwill

Net intangible assets as of December 25, 2021 and March 27, 2021 consisted of the following (in thousands, except for weighted average useful life):

|                             | December 25, 2021           |                             |           | Weighted<br>Average<br>Useful Life |
|-----------------------------|-----------------------------|-----------------------------|-----------|------------------------------------|
|                             | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net       |                                    |
| Customer lists              | \$ 345                      | \$ (191)                    | \$ 154    | 5.0                                |
| Trademarks—definite lived   | 15                          | (15)                        | —         | 3.0                                |
| Total definite lived        | 360                         | (206)                       | 154       |                                    |
| Trademarks—indefinite lived | 60,677                      | —                           | 60,677    |                                    |
| Total intangible assets     | \$ 61,037                   | \$ (206)                    | \$ 60,831 |                                    |

  

|                             | March 27, 2021              |                             |           | Weighted<br>Average<br>Useful Life |
|-----------------------------|-----------------------------|-----------------------------|-----------|------------------------------------|
|                             | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net       |                                    |
| Customer lists              | \$ 345                      | \$ (137)                    | \$ 208    | 5.0                                |
| Trademarks—definite lived   | 15                          | (15)                        | —         | 3.0                                |
| Total definite lived        | 360                         | (152)                       | 208       |                                    |
| Trademarks—indefinite lived | 60,677                      | —                           | 60,677    |                                    |
| Total intangible assets     | \$ 61,037                   | \$ (152)                    | \$ 60,885 |                                    |

Amortization expense for intangible assets totaled less than \$0.1 million for both the thirteen weeks ended December 25, 2021 and December 26, 2020, and is included in selling, general and administrative expenses.

Amortization expense for intangible assets totaled less than \$0.1 million for both the thirty-nine weeks ended December 25, 2021 and December 26, 2020, and is included in selling, general and administrative expenses.

As of December 25, 2021, estimated future amortization of intangible assets was as follows:

| <b>Fiscal Year</b> | <b>(in thousands)</b> |
|--------------------|-----------------------|
| 2022               | \$ 18                 |
| 2023               | 62                    |
| 2024               | 54                    |
| 2025               | 20                    |
| 2026               | -                     |
| Thereafter         | -                     |
| <b>Total</b>       | <b>\$ 154</b>         |

The Company performs its annual goodwill impairment assessment on the first day of the fourth fiscal quarter, or more frequently if it believes that indicators of impairment exist. The Company's goodwill balance was \$197.5 million as of both December 25, 2021 and March 27, 2021. As of December 25, 2021, the Company had identified no indicators of impairment with respect to its goodwill and intangible asset balances.

During both the thirteen and thirty-nine weeks ended December 25, 2021, the Company did not record any long-lived asset impairment charges. During the thirteen and thirty-nine weeks ended December 26, 2020, the Company recorded long-lived asset impairment charges of zero and \$0.7 million, respectively, related to its stores. These long-lived asset impairment charges related to right-of-use assets and property, plant and equipment associated with our stores.

#### **4. Revolving Credit Facilities and Long-Term Debt**

On June 29, 2015, the Company, as guarantor, and its wholly-owned primary operating subsidiary, Boot Barn, Inc., refinanced a previous Wells Fargo credit facility with the \$125.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association ("June 2015 Wells Fargo Revolver"), is agent, and the \$200.0 million syndicated senior secured term loan for which GCI Capital Markets LLC ("2015 Golub Term Loan") is agent. The borrowing base of the June 2015 Wells Fargo Revolver is calculated on a monthly basis and is based on the amount of eligible credit card receivables, commercial accounts, inventory, and available reserves.

Borrowings under the June 2015 Wells Fargo Revolver bear interest at per annum rates equal to, at the Company's option, either (i) London Interbank Offered Rate ("LIBOR") plus an applicable margin for LIBOR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) one-month LIBOR plus 1.0%. The applicable margin is calculated based on a pricing grid that in each case is linked to quarterly average excess availability. For LIBOR Loans, the applicable margin ranges from 1.00% to 1.25%, and for base rate loans it ranges from 0.00% to 0.25%. The Company also pays a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans. The interest on the June 2015 Wells Fargo Revolver is payable in quarterly installments ending on the maturity date. On May 26, 2017, the Company entered into an amendment to the June 2015 Wells Fargo Revolver (the "2017 Wells Amendment"), increasing the aggregate revolving credit facility to \$135.0 million and extending the maturity date to the earlier of May 26, 2022 or 90 days prior to the previous maturity of the 2015 Golub Term Loan, which was then scheduled to mature on June 29, 2021. On June 6, 2019, the Company entered into Amendment No. 3 to the Credit Agreement (the "2019 Wells Amendment"), further increasing the aggregate revolving credit facility to \$165.0 million and extending the maturity date to the earlier of June 6, 2024 or 90 days prior to the maturity of the 2015 Golub Term Loan, which was then scheduled to mature on June 29, 2023. The 2019 Wells Amendment further made changes to the 2015 Wells Fargo Revolver in connection with the transition away from LIBOR as the benchmark rate. On July 26, 2021, the Company entered into an amendment, increasing the aggregate revolving credit facility to \$180.0 million. The amount outstanding under the June 2015 Wells Fargo Revolver as of both December 25, 2021 and March 27, 2021 was zero. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 25, 2021 on the June 2015 Wells Fargo Revolver was \$0.2 million and \$0.5 million, respectively. Total interest expense incurred in the thirteen weeks and thirty-nine weeks ended December 26, 2020 on the June 2015 Wells Fargo Revolver was \$0.3 million and \$1.3 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 26, 2020 was 1.7%.

During the thirty-nine weeks ended December 25, 2021, the Company repaid the remaining \$111.5 million outstanding principal under the 2015 Golub Term Loan and terminated the agreement. Total interest expense incurred in the thirteen weeks and thirty-nine weeks ended December 25, 2021 on the 2015 Golub Term Loan was \$0.6 million and \$2.5 million and the weighted average interest rate for the thirteen weeks ended December 25, 2021 was 5.5%. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 26, 2020 on the 2015 Golub Term Loan was \$1.6 million and \$4.7 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 26, 2020 was 5.9%.

All obligations under the June 2015 Wells Fargo Revolver are unconditionally guaranteed by the Company and each of its direct and indirect domestic subsidiaries (other than certain immaterial subsidiaries) which are not named as borrowers under the June 2015 Wells Fargo Revolver.

The June 2015 Wells Fargo Revolver contains customary provisions relating to mandatory prepayments, restricted payments, voluntary payments, affirmative and negative covenants, and events of default, and requires the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The June 2015 Wells Fargo Revolver also requires the Company to pay additional interest of 2.0% per annum upon triggering certain specified events of default set forth therein. For financial accounting purposes, the requirement for the Company to pay a higher interest rate upon an event of default is an embedded derivative. As of December 25, 2021, the fair value of this embedded derivative was estimated and was not significant. As of December 25, 2021, the Company was in compliance with the June 2015 Wells Fargo Revolver debt covenants.

#### Debt Issuance Costs and Debt Discount

Debt issuance costs totaling \$1.2 million were incurred under the June 2015 Wells Fargo Revolver, 2017 Wells Amendment and 2019 Wells Amendment and are included as assets on the condensed consolidated balance sheets in prepaid expenses and other current assets. Total unamortized debt issuance costs were \$0.2 million and \$0.3 million as of December 25, 2021 and March 27, 2021, respectively. These amounts are being amortized to interest expense over the term of the June 2015 Wells Fargo Revolver.

Debt issuance costs and debt discount totaling \$7.1 million were incurred under the 2015 Golub Term Loan, 2017 Golub Amendment and 2019 Golub Amendment and are included as a reduction of the current and non-current notes payable on the condensed consolidated balance sheets. During the thirty-nine weeks ended December 25, 2021, the Company made voluntary prepayments on the term loan facility totaling \$111.5 million, reducing the outstanding principal balance to zero. As a result of these prepayments, \$1.4 million of debt issuance costs and debt discount associated with the 2015 Golub Term Loan were written off to interest expense. Total unamortized debt issuance costs and debt discount were zero and \$1.7 million as of December 25, 2021 and March 27, 2021, respectively.

The following sets forth the balance sheet information related to the term loan:

| (in thousands)                                                 | December 25,<br>2021 | March 27,<br>2021 |
|----------------------------------------------------------------|----------------------|-------------------|
| Term Loan                                                      | \$ —                 | \$ 111,500        |
| Unamortized value of the debt issuance costs and debt discount | —                    | (1,719)           |
| Net carrying value                                             | <u>\$ —</u>          | <u>\$ 109,781</u> |

Total amortization expense of \$0.1 million and \$0.2 million related to the June 2015 Wells Fargo Revolver and 2015 Golub Term Loan are included as components of interest expense in the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. Interest expense in the thirteen weeks ended December 25, 2021 also includes the write-off of \$0.5 million of debt issuance costs and debt discount associated with the 2015 Golub Term Loan.

Total amortization expense of \$0.4 million and \$0.7 million related to the June 2015 Wells Fargo Revolver and 2015 Golub Term Loan is included as component of interest expense in the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. Interest expense in the thirty-nine weeks ended December 25, 2021 also includes the write-off of \$1.4 million of debt issuance costs and debt discount associated with the 2015 Golub Term Loan.

## **5. Stock-Based Compensation**

### ***Equity Incentive Plans***

On January 27, 2012, the Company approved the 2011 Equity Incentive Plan (the “2011 Plan”). The 2011 Plan authorized the Company to issue options to employees, consultants and directors exercisable for up to a total of 3,750,000 shares of common stock. As of December 25, 2021, all awards granted by the Company under the 2011 Plan have been nonqualified stock options. Options granted under the 2011 Plan have a life of 10 years and vest over service periods of five years or in connection with certain events as defined by the 2011 Plan.

On October 19, 2014, the Company approved the 2014 Equity Incentive Plan, which was amended as of August 24, 2016 (as amended, the “2014 Plan”). Following the approval of the 2014 Plan, no further grants have been made under the 2011 Plan. The 2014 Plan authorizes the Company to issue awards to employees, consultants and directors for up to a total of 3,600,000 shares of common stock. As of December 25, 2021, all awards granted by the Company under the 2014 Plan to date have been nonqualified stock options, restricted stock awards, restricted stock units or performance share units. Options granted under the 2014 Plan have a life of eight to ten years and vest over service periods of four or five years or in connection with certain events as defined by the 2014 Plan. Restricted stock awards granted under the 2014 Plan vest over one or four years, as determined by the Compensation Committee of our board of directors. Restricted stock units vest over service periods of one, four or five years, as determined by the Compensation Committee of our board of directors. Performance share units are subject to the vesting criteria discussed in Note 9, “Stock-Based Compensation”, to the consolidated financial statements included in the Company’s Annual Report on Form 10-K filed with the SEC on May 13, 2021.

On August 26, 2020, the Company approved the 2020 Equity Incentive Plan (the “2020 Plan”). Following the approval of the 2020 Plan, no further grants have been made under the 2014 Plan. The 2020 Plan authorizes the Company to issue awards to employees and directors for up to a total of 2,000,000 shares of common stock. As of December 25, 2021, all awards granted by the Company under the 2020 Plan to date have been restricted stock units or performance share units. Restricted stock units vest over service periods of one or four years, as determined by the Compensation Committee of our board of directors. Performance share units are subject to the vesting criteria discussed further below.

### ***Non-Qualified Stock Options***

During both the thirteen weeks ended December 25, 2021 and December 26, 2020, the Company did not grant options to purchase shares.

During the thirty-nine weeks ended December 25, 2021, the Company did not grant options to purchase shares.

During the thirty-nine weeks ended December 26, 2020, the Company granted certain members of management options to purchase a total of 287,373 shares under the 2014 Plan. The total grant date fair value of stock options granted during the thirty-nine weeks ended December 26, 2020 was \$3.1 million, with grant date fair values of \$10.40 to \$12.71 per share. Subject to certain exceptions, the Company is recognizing the expense relating to these stock options on a straight-line basis over the four-year service period of the awards. The exercise price of these awards ranges from \$20.94 to \$24.08 per share.

During both the thirteen and thirty-nine weeks ended December 25, 2021, and the thirteen weeks ended December 26, 2020, there were no stock options granted. The fair value of stock options granted during the thirty-nine weeks ended December 26, 2020 were estimated on the grant date using the following assumptions:

|                                           | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|-------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
|                                           | December 25,<br>2021 | December 26,<br>2020 | December 25,<br>2021    | December 26,<br>2020 |
| Expected option term <sup>(1)</sup>       | N/A                  | N/A                  | N/A                     | 6.3 years            |
| Expected volatility factor <sup>(2)</sup> | N/A                  | N/A                  | N/A                     | 57.0 % - 58.4 %      |
| Risk-free interest rate <sup>(3)</sup>    | N/A                  | N/A                  | N/A                     | 0.3 % - 0.4 %        |
| Expected annual dividend yield            | N/A                  | N/A                  | N/A                     | 0 %                  |

- (1) The Company has limited historical information regarding expected option term. Accordingly, the Company determined the expected life of the options using the simplified method.
- (2) Stock volatility for each grant is measured using the weighted average of historical daily price changes of the Company's stock and its competitors' common stock over the most recent period equal to the expected option term of the Company's awards.
- (3) The risk-free interest rate is determined using the rate on treasury securities with the same term.

Intrinsic value for stock options is defined as the difference between the market price of the Company's common stock on the last business day of the fiscal quarter and the weighted average exercise price of in-the-money stock options outstanding at the end of each fiscal period.

The following table summarizes the stock award activity for the thirty-nine weeks ended December 25, 2021:

|                                                     | Stock Options | Grant Date Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value (in thousands) |
|-----------------------------------------------------|---------------|--------------------------------------------|--------------------------------------------------------|------------------------------------------|
| Outstanding at March 27, 2021                       | 1,111,919     | \$ 20.94                                   |                                                        |                                          |
| Granted                                             | —             | \$ —                                       |                                                        |                                          |
| Exercised                                           | (348,155)     | \$ 15.95                                   |                                                        | \$ 24,799                                |
| Cancelled, forfeited or expired                     | (15,236)      | \$ 21.20                                   |                                                        |                                          |
| Outstanding at December 25, 2021                    | 748,528       | \$ 23.25                                   | 6.7                                                    | \$ 70,045                                |
| Vested and expected to vest after December 25, 2021 | 748,528       | \$ 23.25                                   | 6.7                                                    | \$ 70,045                                |
| Exercisable at December 25, 2021                    | 97,353        | \$ 19.69                                   | 5.0                                                    | \$ 9,457                                 |

A summary of the status of non-vested stock options as of December 25, 2021 including changes during the thirty-nine weeks ended December 25, 2021 is presented below:

|                                | Shares    | Weighted-Average Grant Date Fair Value |
|--------------------------------|-----------|----------------------------------------|
| Nonvested at March 27, 2021    | 952,929   | \$ 8.36                                |
| Granted                        | —         | \$ —                                   |
| Vested                         | (286,518) | \$ 6.78                                |
| Nonvested shares forfeited     | (15,236)  | \$ 9.39                                |
| Nonvested at December 25, 2021 | 651,175   | \$ 9.04                                |

### Restricted Stock Units

During the thirteen weeks ended December 25, 2021, the Company granted 1,387 restricted stock units to an employee under the 2020 Plan. The shares granted vest in four equal annual installments beginning on the grant date, provided that the respective award recipient continues to be employed by the Company through each of those dates (subject to certain exceptions). The grant date fair value of these awards for the thirteen weeks ended December 25, 2021

totaled \$0.1 million. Subject to certain exceptions, the Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

During the thirty-nine weeks ended December 25, 2021, the Company granted 65,662 restricted stock units to various directors and employees under the 2020 Plan. The shares granted to employees vest in four equal annual installments beginning on the grant date, provided that the respective award recipient continues to be employed by the Company through each of those dates (subject to certain exceptions). The shares granted to the Company's directors vest on the first anniversary of the date of grant. The grant date fair value of these awards for the thirty-nine weeks ended December 25, 2021 totaled \$5.2 million. Subject to certain exceptions, the Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing the date of grant.

During the thirteen weeks ended December 26, 2020, the Company did not grant any restricted stock units.

During the thirty-nine weeks ended December 26, 2020, the Company granted 175,527 restricted stock units to various directors and employees under the 2014 Plan. The shares granted to employees vest in four equal annual installments beginning on the grant date, provided that the respective award recipient continues to be employed by the Company through each of those dates (subject to certain exceptions). The shares granted to the Company's directors vest on the first anniversary of the grant date. The grant date fair value of these awards for the thirty-nine weeks ended December 26, 2020 totaled \$3.7 million. Subject to certain exceptions, the Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

### ***Performance Share Units***

During the thirteen weeks ended December 25, 2021, the Company did not grant any performance share units.

During the thirty-nine weeks ended December 25, 2021, the company granted 33,571 performance share units to various employees under the 2020 Plan with a grant date fair value of \$2.6 million.

During the thirteen and thirty-nine weeks ended December 26, 2020, the Company did not grant any performance share units.

The performance share units granted during the thirty-nine weeks ended December 25, 2021 are stock-based awards in which the number of shares ultimately received depends on the Company's performance against its cumulative earnings per share target over a three-year performance period beginning March 28, 2021 and ending March 30, 2024. These performance metrics were established by the Company at the beginning of the performance period. At the end of the performance period, the number of performance shares to be issued is fixed based upon the degree of achievement of the performance goals. If the cumulative three-year performance goals are below the threshold level, the number of performance units to vest will be 0%, if the performance goals are at the threshold level, the number of performance units to vest will be 50% of the target amounts, if the performance goals are at the target level, the number of performance units to vest will be 100% of the target amounts, and if the performance goals are at the maximum level, the number of performance units to vest will be 200% of the target amounts, each subject to continued service through the last day of the performance period (subject to certain exceptions). If performance is between threshold and target goals or between target and maximum goals, the number of performance units to vest will be determined by linear interpolation. The number of shares ultimately issued can range from 0% to 200% of the participant's target award.

The grant date fair value of the performance share units granted during the thirty-nine weeks ended December 25, 2021 was initially measured using the Company's closing stock price on the date of grant with the resulting stock compensation expense recognized on a straight-line basis over the three-year vesting period, subject to certain exceptions. The expense recognized over the vesting period is adjusted up or down on a quarterly basis based on the anticipated performance level during the performance period. If the performance metrics are not probable of achievement



during the performance period, stock compensation expense would be reversed. The awards are forfeited if the threshold performance goals are not achieved as of the end of the performance period.

### ***Stock-Based Compensation Expense***

Stock-based compensation expense was \$1.8 million and \$1.5 million for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. Stock-based compensation expense was \$7.8 million and \$5.0 million for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. Stock-based compensation expense of \$0.2 million was recorded in cost of goods sold in the condensed consolidated statements of operations for each of the thirteen weeks ended December 25, 2021 and December 26, 2020. Stock-based compensation expense of \$1.2 million and \$0.9 million was recorded in cost of goods sold in the condensed consolidated statements of operations for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. All other stock-based compensation expense is included in selling, general and administrative expenses in the condensed consolidated statements of operations.

As of December 25, 2021, there was \$2.6 million of total unrecognized stock-based compensation expense related to unvested stock options, with a weighted-average remaining recognition period of 1.75 years. As of December 25, 2021, there was \$5.4 million of total unrecognized stock-based compensation expense related to restricted stock units, with a weighted-average remaining recognition period of 2.64 years. As of December 25, 2021, there was \$2.8 million of total unrecognized stock-based compensation expense related to performance share units, with a weighted-average remaining recognition period of 2.27 years.

## **6. Commitments and Contingencies**

The Company is involved, from time to time, in litigation that is incidental to its business. The Company has reviewed these matters to determine if reserves are required for losses that are probable and reasonable to estimate in accordance with FASB ASC Topic 450, *Contingencies*. The Company evaluates such reserves, if any, based upon several criteria, including the merits of each claim, settlement discussions and advice from outside legal counsel, as well as indemnification of amounts expended by the Company's insurers or others pursuant to indemnification policies or agreements, if any.

On May 8, 2019, Sheplers, LLC (formerly known as Sheplers, Inc. prior to September 26, 2021), a wholly-owned subsidiary of the Company, was named as defendant in a class-action complaint filed in the Superior Court of California, County of Los Angeles. Among other things, the complaint generally alleges deceptive pricing on merchandise sold in Sheplers' e-commerce site. The estimated cost of the matter has been accrued as of December 25, 2021.

On February 27, 2020, one employee, on behalf of themselves and all other similarly situated employees, filed a class action lawsuit against the Company, which includes claims for penalties under California's Private Attorney General Act, in the Sacramento County Superior Court, Case No. 34-2019-00272000-CU-OE-GDS, alleging violations of California's wage and hour, overtime, meal periods and rest breaks, and an alleged violation of the suitable seating requirement as per California Labor Law among other things. The complaint seeks an unspecified amount of damages and penalties. The Company intends to defend this claim vigorously. As of December 25, 2021, the Company has recorded an amount for the estimated probable loss, which is not material to the condensed consolidated financial statements. Depending on the actual outcome of pending litigation, charges in excess of such recorded amount could be recorded in the future, which may have a material adverse effect on the Company's financial position, results of operations or liquidity.

The Company is also subject to certain other pending or threatened litigation matters incidental to its business. In management's opinion, none of these legal matters, individually or in the aggregate, will have a material effect on the Company's financial position, results of operations, or liquidity.

During the normal course of its business, the Company has made certain indemnifications and commitments under which the Company may be required to make payments for certain transactions. These indemnifications include those given to various lessors in connection with facility leases for certain claims arising from such facility leases, and

indemnifications to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware. The majority of these indemnifications and commitments do not provide for any limitation of the maximum potential future payments the Company could be obligated to make, and their duration may be indefinite. The Company has not recorded any liability for these indemnifications and commitments in the condensed consolidated balance sheets as the impact is expected to be immaterial.

## 7. Leases

The Company does not own any real estate. Instead, most of its retail store locations are occupied under operating leases. The store leases generally have a base lease term of five or 10 years, with one or more renewal periods of five years, on average, exercisable at the Company's option. The Company is generally responsible for the payment of property taxes and insurance, utilities and common area maintenance fees. Some leases also require additional payments based on percentage of sales. Lease terms include the non-cancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options.

Operating and finance lease liabilities are recognized at the lease commencement date based on the present value of the fixed lease payments using the Company's incremental borrowing rates for its population of leases. Related operating and finance lease ROU assets are recognized based on the initial present value of the fixed lease payments, reduced by cash payments received from landlords as lease incentives, plus any prepaid rent and other direct costs from executing the leases. Amortization of both operating and finance lease ROU assets is performed on a straight-line basis and recorded as part of rent expense in costs of goods sold and selling, general and administrative expenses on the condensed consolidated statements of operations. The interest expense amortization component of the finance lease liabilities is recorded within interest expense on the condensed consolidated statements of operations. ROU assets are tested for impairment in the same manner as long-lived assets. During both the thirteen and thirty-nine weeks ended December 25, 2021, the Company did not record ROU asset impairment charges related to its stores. During the thirteen and thirty-nine weeks ended December 26, 2020, the Company recorded ROU asset impairment charges of zero and \$0.3 million, respectively, related to its stores.

ROU assets and lease liabilities as of December 25, 2021 and March 27, 2021 consist of the following:

|                                    | Balance Sheet Classification | December 25, 2021<br>(in thousands) | March 27, 2021<br>(in thousands) |
|------------------------------------|------------------------------|-------------------------------------|----------------------------------|
| <b>Assets</b>                      |                              |                                     |                                  |
| Finance lease assets               | Right-of-use assets, net     | \$ 10,510                           | \$ 8,036                         |
| Operating lease assets             | Right-of-use assets, net     | 216,388                             | 178,791                          |
| Total lease assets                 |                              | <u>\$ 226,898</u>                   | <u>\$ 186,827</u>                |
| <b>Liabilities</b>                 |                              |                                     |                                  |
| <b>Current</b>                     |                              |                                     |                                  |
| Finance                            | Short-term lease liabilities | \$ 1,250                            | \$ 1,164                         |
| Operating                          | Short-term lease liabilities | 40,491                              | 38,236                           |
| Total short-term lease liabilities |                              | <u>\$ 41,741</u>                    | <u>\$ 39,400</u>                 |
| <b>Non-Current</b>                 |                              |                                     |                                  |
| Finance                            | Long-term lease liabilities  | \$ 15,969                           | \$ 13,507                        |
| Operating                          | Long-term lease liabilities  | 202,946                             | 168,329                          |
| Total long-term lease liabilities  |                              | <u>\$ 218,915</u>                   | <u>\$ 181,836</u>                |
| Total lease liabilities            |                              | <u>\$ 260,656</u>                   | <u>\$ 221,236</u>                |

Total lease costs for the thirteen and thirty-nine weeks ended December 25, 2021 and December 26, 2020 were:

| (in thousands)                      | Statement of Operations Classification       | Thirteen Weeks Ended |                   | Thirty-Nine Weeks Ended |                   |
|-------------------------------------|----------------------------------------------|----------------------|-------------------|-------------------------|-------------------|
|                                     |                                              | December 25, 2021    | December 26, 2020 | December 25, 2021       | December 26, 2020 |
| Finance lease cost                  |                                              |                      |                   |                         |                   |
| Amortization of right-of-use assets | Cost of goods sold                           | \$ 256               | \$ 200            | \$ 675                  | \$ 648            |
| Interest on lease liabilities       | Interest expense                             | 188                  | 209               | 587                     | 589               |
| Total finance lease cost            |                                              | \$ 444               | \$ 409            | \$ 1,262                | \$ 1,237          |
| Operating lease cost                | Cost of goods sold                           | \$ 12,356            | \$ 10,931         | \$ 35,860               | \$ 32,587         |
| Operating lease cost                | Selling, general and administrative expenses | 347                  | 702               | 1,027                   | 966               |
| Short-term lease cost               | Cost of goods sold                           | 1,468                | 633 *             | 2,617                   | 1,302 **          |
| Short-term lease cost               | Selling, general and administrative expenses | 71                   | 76 *              | 183                     | 271 **            |
| Variable lease cost                 | Cost of goods sold                           | 5,751                | 3,511 *           | 14,486                  | 10,358 **         |
| Variable lease cost                 | Selling, general and administrative expenses | 109                  | 114 *             | 331                     | 332 **            |
| Sublease income                     | Cost of goods sold                           | —                    | (156)             | —                       | (468)             |
| Total lease cost                    |                                              | \$ 20,546            | \$ 16,220         | \$ 55,766               | \$ 46,585         |

\*Amounts disclosed above for short-term lease cost recorded in selling, general, and administrative expenses and in costs of goods sold, as well as amounts for variable lease cost recorded in selling, general, and administrative expenses and in costs of goods sold, for the thirteen weeks ended December 26, 2020 have been corrected from amounts previously reported of \$709, \$0, \$584, and \$0, respectively.

\*\*Amounts disclosed above for short-term lease cost recorded in selling, general, and administrative expenses and in costs of goods sold, as well as amounts for variable lease cost recorded in selling, general, and administrative expenses and in costs of goods sold, for the thirty-nine weeks ended December 26, 2020 have been corrected from amounts previously reported of \$1,573, \$0, \$1,441, and \$0, respectively.

The following table summarizes future lease payments as of December 25, 2021:

| Fiscal Year                         | Operating Leases<br>(in thousands) | Finance Leases<br>(in thousands) |
|-------------------------------------|------------------------------------|----------------------------------|
| 2022                                | \$ 8,661                           | \$ 403                           |
| 2023                                | 51,465                             | 1,560                            |
| 2024                                | 49,679                             | 1,544                            |
| 2025                                | 43,344                             | 1,515                            |
| 2026                                | 36,428                             | 1,552                            |
| Thereafter                          | 95,934                             | 16,114                           |
| Total                               | 285,511                            | 22,688                           |
| Less: Imputed interest              | (42,074)                           | (5,469)                          |
| Present value of net lease payments | \$ 243,437                         | \$ 17,219                        |

The following table includes supplemental lease information:

| <b>Supplemental Cash Flow Information (dollars in thousands)</b>       | <b>Thirty-Nine Weeks Ended<br/>December 25, 2021</b> | <b>Thirty-Nine Weeks Ended<br/>December 26, 2020</b> |
|------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Cash paid for amounts included in the measurement of lease liabilities |                                                      |                                                      |
| Operating cash flows from operating leases                             | \$ 37,753                                            | \$ 33,739                                            |
| Operating cash flows from finance leases                               | —                                                    | 2                                                    |
| Financing cash flows from finance leases                               | 1,192                                                | 1,057                                                |
|                                                                        | \$ 38,945                                            | \$ 34,798                                            |
| Lease liabilities arising from new right-of-use assets                 |                                                      |                                                      |
| Operating leases                                                       | \$ 66,557                                            | \$ 36,481                                            |
| Finance leases                                                         | \$ 3,148                                             | \$ 2,733                                             |
| Weighted average remaining lease term (in years)                       |                                                      |                                                      |
| Operating leases                                                       | 6.5                                                  | 6.3                                                  |
| Finance leases                                                         | 13.5                                                 | 14.4                                                 |
| Weighted average discount rate                                         |                                                      |                                                      |
| Operating leases                                                       | 4.9 %                                                | 6.0 %                                                |
| Finance leases                                                         | 10.9 %                                               | 12.1 %                                               |

## 8. Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”). In accordance with ASC 740, the Company recognizes deferred tax assets and liabilities based on the liability method, which requires an adjustment to the deferred tax asset or liability to reflect income tax rates currently in effect. When income tax rates increase or decrease, a corresponding adjustment to income tax expense is recorded by applying the rate change to the cumulative temporary differences. ASC 740 prescribes the recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. ASC 740 requires the Company to determine whether it is “more likely than not” that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recognized. Additionally, ASC 740 provides guidance on recognition measurement, derecognition, classification, related interest and penalties, accounting in interim periods, disclosure and transition.

The income tax rate was 23.6% and 25.1% for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively, and 22.5% and 25.0% for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. The tax rate for the thirteen and thirty-nine weeks ended December 25, 2021 was lower than the tax rate for the thirteen and thirty-nine weeks ended December 26, 2020, primarily due to a higher tax benefit due to income tax accounting for share-based compensation compared to a lower tax benefit in the thirteen and thirty-nine weeks ended December 26, 2020. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized. To this end, the Company has considered and evaluated its sources of taxable income, including forecasted future taxable income, and has concluded that a valuation allowance is not required as of December 25, 2021. The Company will continue to evaluate the need for a valuation allowance at each period end.

The Company’s policy is to accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense. At December 25, 2021 and March 27, 2021, the Company had no accrued liability for penalties and interest.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. At December 25, 2021, the Company is not aware of tax examinations (current or potential) in any tax jurisdictions.

## 9. Related Party Transactions

During the thirteen and thirty-nine weeks ended December 25, 2021 and December 26, 2020, the Company had capital expenditures with Floor & Decor Holdings, Inc., a specialty retail vendor in the flooring market. These capital

expenditures amounted to \$0.2 million and \$0.1 million in the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. These capital expenditures amounted to \$0.6 million and \$0.2 million in the thirty-nine weeks ended December 25, 2021 and September 25, 2020, respectively, and were recorded as property and equipment, net on the condensed consolidated balance sheets. Certain members of the Company's board of directors either currently serve on the board of directors or as an executive officer at Floor & Decor Holdings, Inc.

## 10. Earnings Per Share

Earnings per share is computed under the provisions of FASB ASC Topic 260, *Earnings Per Share*. Basic earnings per share is computed based on the weighted average number of outstanding shares of common stock during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential shares of common stock outstanding during the period using the treasury stock method, whereby proceeds from such exercise and unamortized compensation, if any, on share-based awards, are assumed to be used by the Company to purchase the shares of common stock at the average market price during the period. The dilutive effect of stock options and restricted stock is applicable only in periods of net income. Performance share units and market-based stock option awards are excluded from the calculation of diluted earnings per share until their respective performance or market criteria has been achieved.

The components of basic and diluted earnings per share of common stock, in aggregate, for the thirteen and thirty-nine weeks ended December 25, 2021 and December 26, 2020 are as follows:

| (in thousands, except per share data)           | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|-------------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
|                                                 | December 25,<br>2021 | December 26,<br>2020 | December 25,<br>2021    | December 26,<br>2020 |
| Net income                                      | \$ 69,231            | \$ 29,566            | \$ 147,737              | \$ 34,834            |
| Weighted average basic shares outstanding       | 29,637               | 28,912               | 29,518                  | 28,866               |
| Dilutive effect of options and restricted stock | 806                  | 669                  | 864                     | 409                  |
| Weighted average diluted shares outstanding     | 30,443               | 29,581               | 30,382                  | 29,275               |
| Basic earnings per share                        | \$ 2.34              | \$ 1.02              | \$ 5.01                 | \$ 1.21              |
| Diluted earnings per share                      | \$ 2.27              | \$ 1.00              | \$ 4.86                 | \$ 1.19              |

Options to purchase zero shares and 2,336 shares of common stock were outstanding during the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively, but were not included in the computation of weighted average diluted shares of common stock outstanding as the effect of doing so would have been anti-dilutive.

Options to purchase zero shares and 932,823 shares of common stock were outstanding during the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively, but were not included in the computation of weighted average diluted shares of common stock outstanding as the effect of doing so would have been anti-dilutive.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of the financial condition and results of our operations should be read together with the unaudited financial statements and related notes of Boot Barn Holdings, Inc. and Subsidiaries included in Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), on May 13, 2021 (the "Fiscal 2021 10-K"). As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "company", "Boot Barn", "we", "our" and "us" refer to Boot Barn Holdings, Inc. and its subsidiaries.*

### Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on

Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “seek”, “should”, “target”, “will”, “would” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. These forward-looking statements are subject to numerous risks and uncertainties, including the risks and uncertainties described under the section titled “Risk Factors” in our Fiscal 2021 10-K, and those identified in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statement. We qualify all of our forward-looking statements by these cautionary statements.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

The major global health pandemic caused by COVID-19 and resulting economic impacts have had and may continue to have an impact on our operations, future growth strategies and outlook. Our business and opportunities for growth depend on consumer discretionary spending, and as such, our results are particularly sensitive to economic conditions and consumer confidence. The extent to which COVID-19 impacts our operations will depend on future developments, which remain uncertain. For further discussion of the uncertainties and business risks associated with COVID-19, see Item 1A, Risk Factors, of our Fiscal 2021 10-K.

## **Overview**

We believe that Boot Barn is the largest lifestyle retail chain devoted to western and work-related footwear, apparel and accessories in the U.S. As of December 25, 2021, we operated 289 stores in 37 states, as well as our e-commerce websites consisting primarily of bootbarn.com, sheplers.com and countryoutfitter.com. Our product offering is anchored by an extensive selection of western and work boots and is complemented by a wide assortment of coordinating apparel and accessories. Our stores feature a comprehensive assortment of brands and styles, coupled with attentive, knowledgeable store associates. Many of the items that we offer are basics or necessities for our customers’ daily lives and typically represent enduring styles that are not meaningfully impacted by changing fashion trends.

We strive to offer an authentic, one-stop shopping experience that fulfills the everyday lifestyle needs of our customers, and as a result, many of our customers make purchases in both the western and work wear sections of our stores. We target a broad and growing demographic, ranging from passionate western and country enthusiasts, to workers seeking dependable, high-quality footwear and apparel. Our broad geographic footprint, which comprises more than three times as many stores as our nearest direct competitor that sells primarily western and work wear, provides us with significant economies of scale, enhanced supplier relationships, the ability to recruit and retain high quality store associates and the ability to reinvest in our business at levels that we believe exceed those of our competition.

## **How We Assess the Performance of Our Business**

In assessing the performance of our business, we consider a variety of performance and financial measures. The key indicators we use to evaluate the financial condition and operating performance of our business are net sales and gross profit. In addition, we also review other important metrics, such as same store sales, new store openings, and selling, general and administrative expenses (“SG&A”), as well as the non-GAAP financial measures, earnings before interest, taxes, depreciation and amortization (“EBITDA”), EBITDA adjusted to exclude certain items (“Adjusted EBITDA”), and earnings before interest and taxes, adjusted to exclude certain items (“Adjusted EBIT”). See “—EBITDA, Adjusted

EBITDA and Adjusted EBIT” below for more information and “—Results of Operations” for a reconciliation of these measures to net income.

### ***Net sales***

Net sales reflect revenue from the sale of our merchandise at retail locations, as well as sales of merchandise through our e-commerce websites. We recognize revenue upon the purchase of merchandise by customers at our stores and upon delivery of the product in the case of our e-commerce websites. Net sales also include shipping and handling fees for e-commerce shipments that have been delivered to our customers. Net sales are net of returns on sales during the period as well as an estimate of returns and award redemptions expected in the future stemming from current period sales. Revenue from the sale of gift cards is deferred until the gift cards are used to purchase merchandise.

Our business is moderately seasonal and as a result our revenues fluctuate from quarter to quarter. In addition, our revenues in any given quarter can be affected by a number of factors including the timing of holidays, weather patterns, rodeos and country concerts. The third quarter of our fiscal year, which includes the Christmas shopping season, has historically produced higher sales and disproportionately larger operating income than the other quarters of our fiscal year. However, neither the western nor the work component of our business has been meaningfully impacted by fashion trends or seasonality historically. We believe that many of our customers are driven primarily by utility and brand, and our best-selling styles.

### ***Same store sales***

The term “same store sales” refers to net sales from stores that have been open at least 13 full fiscal months as of the end of the current reporting period, although we include or exclude stores from our calculation of same store sales in accordance with the following additional criteria:

- stores that are closed for five or fewer consecutive days in any fiscal month are included in same store sales;
- stores that are closed temporarily, but for more than five consecutive days in any fiscal month, are excluded from same store sales beginning in the fiscal month in which the temporary closure begins (and for the comparable periods of the prior or subsequent fiscal periods for comparative purposes) until the first full month of operation once the store re-opens;
- stores that are closed temporarily and relocated within their respective trade areas are included in same store sales;
- stores that are permanently closed are excluded from same store sales beginning in the month preceding closure (and for the comparable periods of the prior or subsequent fiscal periods for comparative purposes); and
- acquired stores are added to same store sales beginning on the later of (a) the applicable acquisition date and (b) the first day of the first fiscal month after the store has been open for at least 13 full fiscal months regardless of whether the store has been operated under our management or predecessor management.

If the criteria described with respect to acquired stores above are met, then all net sales of such acquired store, excluding those net sales before our acquisition of that store, are included for the period presented. However, when an acquired store is included for the period presented, the net sales of such acquired store for periods before its acquisition are included (to the extent relevant) for purposes of calculating “same store sales growth” and illustrating the comparison between the applicable periods. Pre-acquisition net sales numbers are derived from the books and records of the acquired company, as prepared prior to the acquisition, and have not been independently verified by us.

In addition to retail store sales, same store sales also includes e-commerce sales, e-commerce shipping and handling revenue and actual retail store or e-commerce sales returns. Sales as a result of an e-commerce asset acquisition are excluded from same store sales until the 13th full fiscal month subsequent to the Company’s acquisition of such assets.

We exclude gift card escheatment, provision for sales returns and estimated future loyalty award redemptions from sales in our calculation of net sales per store.



Measuring the change in year-over-year same store sales allows us to evaluate how our store base is performing. Numerous factors affect our same store sales, including:

- national and regional economic trends, including those resulting from the COVID-19 pandemic;
- our ability to identify and respond effectively to regional consumer preferences;
- changes in our product mix;
- changes in pricing;
- competition;
- changes in the timing of promotional and advertising efforts;
- holidays or seasonal periods; and
- weather.

Opening new stores is an important part of our growth strategy and we anticipate that a percentage of our net sales in the near future will come from stores not included in our same store sales calculation. Accordingly, same store sales are only one measure we use to assess the success of our business and growth strategy. Some of our competitors and other retailers may calculate “same” or “comparable” store sales differently than we do. As a result, data in this Quarterly Report on Form 10-Q regarding our same store sales may not be comparable to similar data made available by other retailers.

#### ***New store openings***

New store openings reflect the number of stores, excluding acquired stores, that are opened during a particular reporting period. In connection with opening new stores, we incur pre-opening costs. Pre-opening costs consist of costs incurred prior to opening a new store and primarily consist of manager and other employee payroll, travel and training costs, marketing expenses, initial opening supplies and costs of transporting initial inventory and certain fixtures to store locations, as well as occupancy costs incurred from the time that we take possession of a store site to the opening of that store. Occupancy costs are included in cost of goods sold and the other pre-opening costs are included in SG&A expenses. All of these costs are expensed as incurred.

New stores often open with a period of high sales levels, which subsequently decrease to normalized sales volumes. In addition, we experience typical inefficiencies in the form of higher labor, advertising and other direct operating expenses, and as a result, store-level profit margins at our new stores are generally lower during the start-up period of operation. The number and timing of store openings has had, and is expected to continue to have, a significant impact on our results of operations. In assessing the performance of a new store, we review its actual sales against the sales that we projected that store to achieve at the time we initially approved its opening. We also review the actual number of stores opened in a fiscal year against the number of store openings that we included in our budget at the beginning of that fiscal year.

#### ***Gross profit***

Gross profit is equal to our net sales less our cost of goods sold. Cost of goods sold includes the cost of merchandise, obsolescence and shrinkage provisions, store and warehouse occupancy costs (including rent, depreciation and utilities), inbound and outbound freight, supplier allowances, occupancy-related taxes, compensation costs for merchandise purchasing and warehouse personnel, and other inventory acquisition-related costs. These costs are significant and can be expected to continue to increase as we grow. The components of our reported cost of goods sold may not be comparable to those of other retail companies, including our competitors.

Our gross profit generally follows changes in net sales. We regularly analyze the components of gross profit, as well as gross profit as a percentage of net sales. Specifically, we examine the initial markup on purchases, markdowns and reserves, shrinkage, buying costs, distribution costs and occupancy costs. Any inability to obtain acceptable levels of initial markups, a significant increase in our use of markdowns or in inventory shrinkage, or a significant increase in freight and other inventory acquisition costs, could have an adverse impact on our gross profit and results of operations.



Gross profit is also impacted by shifts in the proportion of sales of our exclusive brand products compared to third-party brand products, as well as by sales mix changes within and between brands and major product categories such as footwear, apparel or accessories.

#### ***Selling, general and administrative expenses***

Our SG&A expenses are composed of labor and related expenses, other operating expenses and general and administrative expenses not included in cost of goods sold. Specifically, our SG&A expenses include the following:

- *Labor and related expenses* - Labor and related expenses include all store-level salaries and hourly labor costs, including salaries, wages, benefits and performance incentives, labor taxes and other indirect labor costs.
- *Other operating expenses* - Other operating expenses include all operating costs, including those for advertising, pay-per-click, marketing campaigns, operating supplies, utilities, and repairs and maintenance, as well as credit card fees and costs of third-party services.
- *General and administrative expenses* - General and administrative expenses include expenses associated with corporate and administrative functions that support the development and operations of our stores, including compensation and benefits, travel expenses, corporate occupancy costs, stock compensation costs, legal and professional fees, insurance, long-lived asset impairment charges and other related corporate costs.

The components of our SG&A expenses may not be comparable to those of our competitors and other retailers. We expect our selling, general and administrative expenses will increase in future periods as a result of incremental share-based compensation, legal, and accounting-related expenses and increases resulting from growth in the number of our stores.

#### ***EBITDA, Adjusted EBITDA and Adjusted EBIT***

EBITDA, Adjusted EBITDA and Adjusted EBIT are important non-GAAP financial measures used by our management, board of directors and lenders to assess our operating performance. We use EBITDA, Adjusted EBITDA and Adjusted EBIT as key performance measures because we believe that they facilitate operating performance comparisons from period to period by excluding potential differences primarily caused by the impact of variations from period to period in tax positions, interest expense and depreciation and amortization, as well as, in the case of Adjusted EBITDA, excluding non-cash expenses, such as stock-based compensation and the non-cash accrual for future award redemptions, and other costs and expenses that are not directly related to our operations, including loss on disposal of assets and gain/loss on adjustment of ROU assets and lease liabilities. Similar to Adjusted EBITDA, Adjusted EBIT excludes the aforementioned adjustments while maintaining the impact of depreciation and amortization on our financial results. See “Results of Operations” below for a reconciliation of our EBITDA, Adjusted EBITDA and Adjusted EBIT to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP. Because EBITDA, Adjusted EBITDA and Adjusted EBIT facilitate internal comparisons of our historical operating performance on a more consistent basis, we also use EBITDA, Adjusted EBITDA and Adjusted EBIT for business planning purposes, in determining incentive compensation for members of our management and in evaluating acquisition opportunities. Our credit facilities also require us to use EBITDA, Adjusted EBITDA and Adjusted EBIT in calculating covenant compliance. In addition, we believe that EBITDA, Adjusted EBITDA and Adjusted EBIT and similar measures are widely used by investors, securities analysts, ratings agencies and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities. Given that EBITDA, Adjusted EBITDA and Adjusted EBIT are measures not deemed to be in accordance with GAAP and are susceptible to varying calculations, our EBITDA, Adjusted EBITDA and Adjusted EBIT may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate EBITDA, Adjusted EBITDA and Adjusted EBIT in a different manner than we calculate these measures.

#### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial

statements. A summary of our significant accounting policies is included in Note 2 to our consolidated financial statements included in the Fiscal 2021 10-K.

Certain of our accounting policies and estimates are considered critical, as these policies and estimates are the most important to the depiction of our consolidated financial statements and require significant, difficult or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Fiscal 2021 10-K. As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in the Fiscal 2021 10-K.

### Results of Operations

We operate on a fiscal calendar that results in a 52- or 53-week fiscal year ending on the last Saturday of March unless April 1st is a Saturday, in which case the fiscal year ends on April 1st. In a 52-week fiscal year, each quarter includes thirteen weeks of operations; in a 53-week fiscal year, the first, second and third quarters each include thirteen weeks of operations and the fourth quarter includes fourteen weeks of operations. Both the fiscal year ending on March 26, 2022 (“fiscal 2022”) and the fiscal year ended on March 27, 2021 (“fiscal 2021”) consist of 52 weeks. We identify our fiscal years by reference to the calendar year in which the fiscal year ends.

The following table summarizes key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales:

|                                                        | Thirteen Weeks Ended |                  | Thirty-Nine Weeks Ended |                  |
|--------------------------------------------------------|----------------------|------------------|-------------------------|------------------|
|                                                        | December 25,         | December 26,     | December 25,            | December 26,     |
|                                                        | 2021                 | 2020             | 2021                    | 2020             |
| <b>(dollars in thousands)</b>                          |                      |                  |                         |                  |
| <b>Condensed Consolidated Statements of Operations</b> |                      |                  |                         |                  |
| <b>Data:</b>                                           |                      |                  |                         |                  |
| Net sales                                              | \$ 485,904           | \$ 302,338       | \$ 1,104,948            | \$ 634,619       |
| Cost of goods sold                                     | 294,245              | 195,529          | 678,711                 | 432,119          |
| Gross profit                                           | 191,659              | 106,809          | 426,237                 | 202,500          |
| Selling, general and administrative expenses           | 99,467               | 65,183           | 230,288                 | 149,034          |
| Income from operations                                 | 92,192               | 41,626           | 195,949                 | 53,466           |
| Interest expense                                       | 1,667                | 2,303            | 5,392                   | 7,327            |
| Other income, net                                      | 43                   | 152              | 161                     | 294              |
| Income before income taxes                             | 90,568               | 39,475           | 190,718                 | 46,433           |
| Income tax expense                                     | 21,337               | 9,909            | 42,981                  | 11,599           |
| Net income                                             | <u>\$ 69,231</u>     | <u>\$ 29,566</u> | <u>\$ 147,737</u>       | <u>\$ 34,834</u> |
| <b>Percentage of Net Sales <sup>(1)</sup>:</b>         |                      |                  |                         |                  |
| Net sales                                              | 100.0 %              | 100.0 %          | 100.0 %                 | 100.0 %          |
| Cost of goods sold                                     | 60.6 %               | 64.7 %           | 61.4 %                  | 68.1 %           |
| Gross profit                                           | 39.4 %               | 35.3 %           | 38.6 %                  | 31.9 %           |
| Selling, general and administrative expenses           | 20.5 %               | 21.6 %           | 20.8 %                  | 23.5 %           |
| Income from operations                                 | 19.0 %               | 13.8 %           | 17.7 %                  | 8.4 %            |
| Interest expense                                       | 0.3 %                | 0.8 %            | 0.5 %                   | 1.2 %            |
| Other income, net                                      | — %                  | 0.1 %            | — %                     | — %              |
| Income before income taxes                             | 18.6 %               | 13.1 %           | 17.3 %                  | 7.3 %            |
| Income tax expense                                     | 4.4 %                | 3.3 %            | 3.9 %                   | 1.8 %            |
| Net income                                             | <u>14.2 %</u>        | <u>9.8 %</u>     | <u>13.4 %</u>           | <u>5.5 %</u>     |

(1) Percentages may not recalculate due to rounding.

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The following table presents a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBIT to our net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for each of the periods indicated:

| (in thousands)                                                                        | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|---------------------------------------------------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
|                                                                                       | December 25,<br>2021 | December 26,<br>2020 | December 25,<br>2021    | December 26,<br>2020 |
| <b>EBITDA, Adjusted EBITDA and Adjusted EBIT Reconciliations:</b>                     |                      |                      |                         |                      |
| Net income                                                                            | \$ 69,231            | \$ 29,566            | \$ 147,737              | \$ 34,834            |
| Income tax expense                                                                    | 21,337               | 9,909                | 42,981                  | 11,599               |
| Interest expense                                                                      | 1,667                | 2,303                | 5,392                   | 7,327                |
| Depreciation and intangible asset amortization                                        | 6,947                | 5,994                | 19,854                  | 17,986               |
| EBITDA                                                                                | 99,182               | 47,772               | 215,964                 | 71,746               |
| Non-cash stock-based compensation <sup>(a)</sup>                                      | 1,839                | 1,482                | 7,807                   | 5,011                |
| Non-cash accrual for future award redemptions <sup>(b)</sup>                          | 828                  | 697                  | 1,470                   | 767                  |
| Loss/(Gain) on disposal of assets <sup>(c)</sup>                                      | 61                   | (19)                 | 151                     | 23                   |
| (Gain)/Loss on adjustment of right-of-use assets and lease liabilities <sup>(d)</sup> | (12)                 | —                    | (259)                   | 295                  |
| Store impairment charge <sup>(e)</sup>                                                | —                    | —                    | —                       | 384                  |
| Adjusted EBITDA                                                                       | \$ 101,898           | \$ 49,932            | \$ 225,133              | \$ 78,226            |
| Depreciation and intangible asset amortization                                        | (6,947)              | (5,994)              | (19,854)                | (17,986)             |
| Adjusted EBIT                                                                         | \$ 94,951            | \$ 43,938            | \$ 205,279              | \$ 60,240            |

- (a) Represents non-cash compensation expenses related to stock options, restricted stock units and performance share units granted to certain of our employees and directors.
- (b) Represents the non-cash accrual for future award redemptions in connection with our customer loyalty program.
- (c) Represents loss/(gain) on disposal of assets.
- (d) Represents (gain)/loss on adjustment of right-of-use assets and lease liabilities.
- (e) Represents store impairment charges recorded in order to reduce the carrying amount of the assets to their estimated fair values.

The following table presents store operating data for the periods indicated:

|                                                                 | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|-----------------------------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
|                                                                 | December 25,<br>2021 | December 26,<br>2020 | December 25,<br>2021    | December 26,<br>2020 |
| <b>Selected Store Data:</b>                                     |                      |                      |                         |                      |
| Same Store Sales growth/(decline)                               | 54.2 %               | 4.6 %                | 61.8 %                  | (3.2)%               |
| Stores operating at end of period                               | 289                  | 266                  | 289                     | 266                  |
| Total retail store square footage, end of period (in thousands) | 3,063                | 2,787                | 3,063                   | 2,787                |
| Average store square footage, end of period                     | 10,597               | 10,477               | 10,597                  | 10,477               |
| Average net sales per store (in thousands)                      | \$ 1,372             | \$ 889               | \$ 3,218                | \$ 1,858             |

**Thirteen Weeks Ended December 25, 2021 Compared to Thirteen Weeks Ended December 26, 2020**

**Net sales.** Net sales increased \$183.6 million, or 60.7%, to \$485.9 million for the thirteen weeks ended December 25, 2021 from \$302.3 million for the thirteen weeks ended December 26, 2020. Consolidated same store sales increased 54.2%. Excluding the impact of the 48.4% increase in e-commerce same store sales, same store sales increased by 55.7%. The increase in net sales was the result of an increase of 54.2% in same store sales, and the incremental sales from new stores opened over the past twelve months.

**Gross profit.** Gross profit increased \$84.9 million, or 79.4%, to \$191.7 million for the thirteen weeks ended December 25, 2021 from \$106.8 million for the thirteen weeks ended December 26, 2020. As a percentage of net sales, gross profit was 39.4% and 35.3% for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. Gross profit increased primarily due to higher sales. The increase in gross profit rate of 410 basis points was driven by 140 basis points of leverage in buying and occupancy costs as a result of expense leverage on higher sales, and a 270-basis point increase in merchandise margin rate. Merchandise margin rate increased 270 basis points primarily as a result of better full-price selling and growth in exclusive brand penetration.

**Selling, general and administrative expenses.** SG&A expenses increased \$34.3 million, or 52.6%, to \$99.5 million for the thirteen weeks ended December 25, 2021 from \$65.2 million for the thirteen weeks ended December 26, 2020. The increase in SG&A expenses was primarily a result of higher store payroll, higher store overhead and increased marketing expenses in the current-year period compared to the prior-year period. As a percentage of net sales, SG&A decreased by 110 basis points to 20.5% for the thirteen weeks ended December 25, 2021 from 21.6% for the thirteen weeks ended December 26, 2020. SG&A expenses as a percentage of net sales decreased by 110 basis points primarily as a result of expense leverage on higher sales.

**Income from operations.** Income from operations increased \$50.6 million, or 121.5%, to \$92.2 million for the thirteen weeks ended December 25, 2021 from \$41.6 million for the thirteen weeks ended December 26, 2020. The increase in income from operations was attributable to the factors noted above. As a percentage of net sales, income from operations was 19.0% and 13.8% for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively.

**Interest expense.** Interest expense was \$1.7 million and \$2.3 million for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. The decrease in interest expense was primarily the result of a lower debt balance in the current-year period compared to the prior-year period. Interest expense for the thirteen weeks ended December 25, 2021 includes the write off of \$0.6 million in debt issuance costs and debt discount associated with the \$50.0 million prepayment on the 2015 Golub Term Loan.

**Income tax expense.** Income tax expense was \$21.3 million for the thirteen weeks ended December 25, 2021, compared to \$9.9 million for the thirteen weeks ended December 26, 2020. Our effective tax rate was 23.6% and 25.1% for the thirteen weeks ended December 25, 2021 and December 26, 2020, respectively. The tax rate for the thirteen weeks ended December 25, 2021 was lower than the tax rate for the thirteen weeks ended December 26, 2020, primarily due to a higher tax benefit due to income tax accounting for share-based compensation compared to a lower tax benefit in the thirteen weeks ended December 26, 2020.

**Net income.** Net income was \$69.2 million for the thirteen weeks ended December 25, 2021 compared to \$29.6 million for the thirteen weeks ended December 26, 2020. The increase in net income was primarily attributable to the factors noted above.

**Adjusted EBITDA and Adjusted EBIT.** Adjusted EBITDA increased \$52.0 million, or 104.1%, to \$101.9 million for the thirteen weeks ended December 25, 2021 from \$49.9 million for the thirteen weeks ended December 26, 2020. Adjusted EBIT increased \$51.0 million, or 116.1%, to \$95.0 million for the thirteen weeks ended December 25, 2021 from \$43.9 million for the thirteen weeks ended December 26, 2020. The increase in Adjusted EBITDA and Adjusted EBIT was primarily a result of the year-over-year increase in income from operations driven by an increase in net sales and gross profit and a decrease in SG&A as a percentage of net sales.

#### **Thirty-Nine Weeks Ended December 25, 2021 Compared to Thirty-Nine Weeks Ended December 26, 2020**

Note: Comparisons to the thirty-nine weeks ended December 26, 2020 reflect the effect the COVID-19 crisis had on our results during such time period.

**Net sales.** Net sales increased \$470.3 million, or 74.1%, to \$1.1 billion for the thirty-nine weeks ended December 25, 2021 from 634.6 million for the thirty-nine weeks ended December 26, 2020. Consolidated same store sales increased 61.8%. Excluding the impact of the 35.8% increase in e-commerce same store sales, same store sales increased by 68.7%. The increase in net sales was the result of an increase of 61.8% in same store sales, the sales contribution from

temporarily closed stores that were excluded from the comp base, and the incremental sales from new stores opened over the past twelve months. Net sales in the thirty-nine weeks ended December 26, 2020 were adversely impacted by decreases in retail store sales resulting from decreased traffic in our stores from customers staying at home in response to the COVID-19 crisis and temporary store closures.

**Gross profit.** Gross profit increased \$223.7 million, or 110.5%, to \$426.2 million for the thirty-nine weeks ended December 25, 2021 from \$202.5 million for the thirty-nine weeks ended December 26, 2020. As a percentage of net sales, gross profit was 38.6% and 31.9% for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. Gross profit increased primarily due to higher sales. The increase in gross profit rate of 670 basis points was driven by 340 basis points of leverage in buying and occupancy costs as a result of expense leverage on higher sales, and a 330 basis point increase in merchandise margin rate. Merchandise margin rate increased 330 basis points primarily as a result of better full-price selling, the increased penetration of store sales when compared to the prior year, and growth in exclusive brand penetration.

**Selling, general and administrative expenses.** SG&A expenses increased \$81.3 million, or 54.5%, to \$230.3 million for the thirty-nine weeks ended December 25, 2021 from \$149.0 million for the thirty-nine weeks ended December 26, 2020. The increase in SG&A expenses was primarily a result of higher store payroll, higher store overhead and increased marketing expenses in the current-year period compared to the prior-year period which was impacted by COVID-19. As a percentage of net sales, SG&A decreased by 260 basis points to 20.8% for the thirty-nine weeks ended December 25, 2021 from 23.5% for the thirty-nine weeks ended December 26, 2020. SG&A expenses as a percentage of net sales decreased by 260 basis points primarily as a result of expense leverage on higher sales.

**Income from operations.** Income from operations increased \$142.5 million, or 266.5%, to \$195.9 million for the thirty-nine weeks ended December 25, 2021 from \$53.5 million for the thirty-nine weeks ended December 26, 2020. The increase in income from operations was attributable to the factors noted above. As a percentage of net sales, income from operations was 17.7% and 8.4% for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively.

**Interest expense.** Interest expense was \$5.4 million and \$7.3 million for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. Interest expense in the thirty-nine weeks ended December 25, 2021 includes the write off of \$1.4 million in debt issuance costs and debt discount associated with the \$111.5 million prepayment on the 2015 Golub Term Loan. Excluding the write off, interest expense was \$4.0 million for the thirty-nine weeks ended December 25, 2021 compared to \$7.3 million for the thirty-nine weeks ended December 26, 2020. The decrease in interest expense was primarily the result of a lower debt balance in the current-year period compared to the prior-year period.

**Income tax expense.** Income tax expense was \$43.0 million for the thirty-nine weeks ended December 25, 2021, compared to \$11.6 million for the thirty-nine weeks ended December 26, 2020. Our effective tax rate was 22.5% and 25.0% for the thirty-nine weeks ended December 25, 2021 and December 26, 2020, respectively. The tax rate for the thirty-nine weeks ended December 25, 2021 was lower than the tax rate for the thirty-nine weeks ended December 26, 2020, primarily due to a higher tax benefit due to income tax accounting for share-based compensation compared to a lower tax benefit in the thirty-nine weeks ended December 26, 2020.

**Net income.** Net income was \$147.7 million for the thirty-nine weeks ended December 25, 2021 compared to \$34.8 million for the thirty-nine weeks ended December 26, 2020. The increase was primarily attributable to the factors noted above.

**Adjusted EBITDA and Adjusted EBIT.** Adjusted EBITDA increased \$146.9 million, or 187.8%, to \$225.1 million for the thirty-nine weeks ended December 25, 2021 from \$78.2 million for the thirty-nine weeks ended December 26, 2020. Adjusted EBIT increased \$145.0 million, or 240.8%, to \$205.3 million for the thirty-nine weeks ended December 25, 2021 from \$60.2 million for the thirty-nine weeks ended December 26, 2020. The increase in Adjusted EBITDA and Adjusted EBIT was primarily a result of the year-over-year increase in income from operations driven by an increase in net sales and gross profit and a decrease in SG&A as a percentage of net sales.

## Liquidity and Capital Resources

We rely on cash flows from operating activities and our credit facilities as our primary sources of liquidity. Our primary cash needs are for inventories, operating expenses, capital expenditures associated with opening new stores and remodeling or refurbishing existing stores, improvements to our distribution facilities, marketing and information technology expenditures, debt service and taxes. We have also used cash for acquisitions, the subsequent rebranding and integration of the stores acquired in those acquisitions and costs to consolidate the corporate offices. In addition to cash and cash equivalents, the most significant components of our working capital are accounts receivable, inventories, accounts payable and accrued expenses and other current liabilities. We believe that cash flows from operating activities and the availability of cash under our credit facilities or other financing arrangements will be sufficient to cover working capital requirements, anticipated capital expenditures and other anticipated cash needs for at least the next 12 months.

Our liquidity is moderately seasonal. Our cash requirements generally increase in our third fiscal quarter as we increase our inventory in advance of the Christmas shopping season.

We are planning to continue to open new stores, remodel and refurbish our existing stores, and make improvements to our e-commerce and information technology infrastructure, which will result in increased capital expenditures. We estimate that our total capital expenditures in fiscal 2022 will be between \$41.0 million and \$43.0 million (including the capital expenditures made during the thirty-nine weeks ended December 25, 2021), net of landlord tenant allowances, and we anticipate that we will use cash flows from operations to fund these expenditures.

### *June 2015 Wells Fargo Revolver and 2015 Golub Term Loan*

On June 29, 2015, we, as guarantor, and our wholly-owned primary operating subsidiary, Boot Barn, Inc., refinanced a previous Wells Fargo credit facility with the \$125.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association (“June 2015 Wells Fargo Revolver”), is agent, and the \$200.0 million syndicated senior secured term loan for which GCI Capital Markets LLC (“2015 Golub Term Loan”) was agent. During the thirty-nine weeks ended December 25, 2021, we repaid the remaining \$111.5 million outstanding principal under the 2015 Golub Term Loan and terminated the agreement.

The borrowing base of the June 2015 Wells Fargo Revolver is calculated on a monthly basis and is based on the amount of eligible credit card receivables, commercial accounts, inventory, and available reserves.

Borrowings under the June 2015 Wells Fargo Revolver bear interest at per annum rates equal to, at our option, either (i) London Interbank Offered Rate (“LIBOR”) plus an applicable margin for LIBOR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) one-month LIBOR plus 1.0%. The applicable margin is calculated based on a pricing grid that in each case is linked to quarterly average excess availability. For LIBOR Loans, the applicable margin ranges from 1.00% to 1.25%, and for base rate loans it ranges from 0.00% to 0.25%. We also pay a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans. The interest on the June 2015 Wells Fargo Revolver is payable in quarterly installments ending on the maturity date. On May 26, 2017, the Company entered into an amendment to the June 2015 Wells Fargo Revolver (the “2017 Wells Amendment”), increasing the aggregate revolving credit facility to \$135.0 million and extending the maturity date to the earlier of May 26, 2022 or 90 days prior to the previous maturity of the 2015 Golub Term Loan, which was then scheduled to mature on June 29, 2021. On June 6, 2019, we entered into Amendment No. 3 to the Credit Agreement (the “2019 Wells Amendment”), further increasing the aggregate revolving credit facility to \$165.0 million and extending the maturity date to the earlier of June 6, 2024 or 90 days prior to the maturity of the 2015 Golub Term Loan, which was then currently scheduled to mature on June 29, 2023. The 2019 Wells Amendment further made changes to the 2015 Wells Fargo Revolver in connection with the transition away from LIBOR as the benchmark rate. On July 26, 2021, the Company entered in an amendment, increasing the aggregate revolving credit facility to \$180.0 million. The amount outstanding under the June 2015 Wells Fargo Revolver as of both December 25, 2021 and March 27, 2021 was zero. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 25, 2021 on the June 2015 Wells Fargo Revolver was \$0.2 million and \$0.5 million, respectively. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 26, 2020

on the June 2015 Wells Fargo Revolver was \$0.3 million and \$1.3 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 26, 2020 was 1.7%.

Total interest expense incurred in the thirteen and thirty-nine weeks ended December 25, 2021 on the 2015 Golub Term Loan was \$0.6 million and \$2.5 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 25, 2021 was 5.5%. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 26, 2020 on the 2015 Golub Term Loan was \$1.6 million and \$4.7 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 26, 2020 was 5.9%.

All obligations under the June 2015 Wells Fargo Revolver are unconditionally guaranteed by us and each of our direct and indirect domestic subsidiaries (other than certain immaterial subsidiaries) which are not named as borrowers under the June 2015 Wells Fargo Revolver.

The June 2015 Wells Fargo Revolver contains customary provisions relating to mandatory prepayments, restricted payments, voluntary payments, affirmative and negative covenants, and events of default, and requires the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The June 2015 Wells Fargo Revolver also requires us to pay additional interest of 2.0% per annum upon triggering certain specified events of default as set forth therein. For financial accounting purposes, the requirement for us to pay a higher interest rate upon an event of default is an embedded derivative. As of December 25, 2021, the fair value of this embedded derivative was estimated and was not significant.

As of December 25, 2021, we were in compliance with the June 2015 Wells Fargo Revolver covenants.

### Cash Position and Cash Flow

Cash and cash equivalents were \$114.7 million as of December 25, 2021 compared to \$73.1 million as of March 27, 2021.

The following table presents summary cash flow information for the periods indicated:

| (in thousands)                  | Thirty-Nine Weeks Ended |                      |
|---------------------------------|-------------------------|----------------------|
|                                 | December 25,<br>2021    | December 26,<br>2020 |
| Net cash provided by/(used in): |                         |                      |
| Operating activities            | \$ 190,556              | \$ 156,604           |
| Investing activities            | (39,749)                | (20,508)             |
| Financing activities            | (109,241)               | (129,317)            |
| Net increase in cash            | <u>\$ 41,566</u>        | <u>\$ 6,779</u>      |

### *Operating Activities*

Net cash provided by operating activities was \$190.6 million for the thirty-nine weeks ended December 25, 2021. The significant components of cash flows provided by operating activities were net income of \$147.7 million, the add-back of non-cash depreciation and intangible asset amortization expense of \$19.9 million, and stock-based compensation expense of \$7.8 million. Accounts payable and accrued expenses and other current liabilities increased by \$157.9 million due to the timing of payments. Inventory increased by \$109.9 million as a result of an increase in purchases.

Net cash provided by operating activities was \$156.6 million for the thirty-nine weeks ended December 26, 2020. The significant components of cash flows provided by operating activities were net income of \$34.8 million, the add-back of non-cash depreciation and intangible asset amortization expense of \$18.0 million, and stock-based compensation expense of \$5.0 million. Accounts payable and accrued expenses and other current liabilities increased by \$52.0 million due to the timing of payments, particularly with elevated December sales when compared to sales in March. Inventory decreased by \$42.7 million as a result of a reduction in purchases due to the COVID-19 crisis combined with elevated December sales.



### ***Investing Activities***

Net cash used in investing activities was \$39.7 million for the thirty-nine weeks ended December 25, 2021, which was attributable to \$39.7 million in capital expenditures related to store construction, improvements to our e-commerce information technology infrastructure, and improvements to our distribution facilities.

Net cash used in investing activities was \$20.5 million for the thirty-nine weeks ended December 26, 2020, which was primarily attributable to \$20.5 million in capital expenditures related to store construction, improvements to our e-commerce information technology infrastructure, and improvements to our distribution facilities.

### ***Financing Activities***

Net cash used in financing activities was \$109.2 million for the thirty-nine weeks ended December 25, 2021. We repaid \$112.1 million on our debt and finance lease obligations during the period and paid \$2.7 million in taxes related to the vesting of restricted stock. We also received \$5.6 million from the exercise of stock options.

Net cash used in financing activities was \$129.3 million for the thirty-nine weeks ended December 26, 2020. We repaid \$130.4 million on our debt and finance lease obligations during the period. We also paid \$0.5 million in taxes related to the vesting restricted stock. We also received \$1.6 million from the exercise of stock options.

### **Contractual Obligations**

During the thirteen and thirty-nine weeks ended December 25, 2021, there were no significant changes to our contractual obligations described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Fiscal 2021 10-K, other than those which occur in the normal course of business.

### **Off-Balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosure of Market Risk**

We are subject to interest rate risk in connection with borrowings under our credit facilities, which bear interest at variable rates. As of December 25, 2021, we had zero outstanding under the June 2015 Wells Fargo Revolver and zero outstanding under the 2015 Golub Term Loan.

As of December 25, 2021, there were no other material changes in the market risks described in the “Quantitative and Qualitative Disclosure of Market Risks” section of the Fiscal 2021 10-K.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 25, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of December 25, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.



### **Changes in Internal Control Over Financial Reporting**

During the quarter ended December 25, 2021, no changes occurred with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Part II. Other Information**

### **Item 1. Legal Proceedings**

For information on legal proceedings, see Note 6, “Commitments and Contingencies”, to our unaudited financial statements included in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

### **Item 1A. Risk Factors**

We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, prospects, operating results or cash flows, including the risks contained in “Item 1A—Risk Factors” in our Fiscal 2021 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not Applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1               | <a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>                                                                                                                                                                                                                                                                                                                                                               |
| 31.2               | <a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>                                                                                                                                                                                                                                                                                                                                                               |
| 32.1*              | <a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                        |
| 32.2*              | <a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                        |
| 101                | Interactive data files from Boot Barn Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 25, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statement of Stockholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to the Condensed Consolidated Financial Statements. |
| 104                | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 25, 2021, formatted in Inline XBRL.                                                                                                                                                                                                                                                                                                                                                                        |

\* These certifications are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

## 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.

Boot Barn Holdings, Inc.

Date: January 27, 2022

/s/ James G. Conroy

James G. Conroy

*President and Chief Executive Officer*

*(Principal Executive Officer)*

Date: January 27, 2022

/s/ James M. Watkins

James M. Watkins

*Chief Financial Officer and Secretary*

*(Principal Financial Officer and Principal Accounting Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, James G. Conroy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Boot Barn Holdings, Inc. for the quarter ended December 25, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 27, 2022

/s/ James G. Conroy

James G. Conroy  
President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, James M. Watkins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Boot Barn Holdings, Inc. for the quarter ended December 25, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 27, 2022

\_\_\_\_\_  
/s/ James M. Watkins  
James M. Watkins  
Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Boot Barn Holdings, Inc., (the “Company”) on Form 10-Q for the quarter ended December 25, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James G. Conroy, President and Chief Executive Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 27, 2022

\_\_\_\_\_  
/s/ James G. Conroy

James G. Conroy  
President and Chief Executive Officer  
(Principal Executive Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Boot Barn Holdings, Inc., (the “Company”) on Form 10-Q for the quarter ended December 25, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James M. Watkins, Chief Financial Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 27, 2022

\_\_\_\_\_  
/s/ James M. Watkins

James M. Watkins  
*Chief Financial Officer*

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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