
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2023

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

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 November 1, 2023, the registrant had 30,283,816 shares of common stock outstanding, \$0.0001 par value.

Boot Barn Holdings, Inc. and Subsidiaries
Form 10-Q
For the Thirteen and Twenty-Six Weeks Ended September 30, 2023

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Part 1. Financial Information

Item 1. Consolidated Financial Statements (Unaudited)

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)
(Unaudited)

	September 30, 2023	April 1, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,665	\$ 18,193
Accounts receivable, net	9,321	13,145
Inventories	585,573	589,494
Prepaid expenses and other current assets	39,044	48,341
Total current assets	672,603	669,173
Property and equipment, net	293,702	257,143
Right-of-use assets, net	348,788	326,623
Goodwill	197,502	197,502
Intangible assets, net	60,724	60,751
Other assets	4,887	6,189
Total assets	<u>\$ 1,578,206</u>	<u>\$ 1,517,381</u>
Liabilities and stockholders' equity		
Current liabilities:		
Line of credit	\$ —	\$ 66,043
Accounts payable	139,762	134,246
Accrued expenses and other current liabilities	132,860	122,958
Short-term lease liabilities	56,209	51,595
Total current liabilities	328,831	374,842
Deferred taxes	36,253	33,260
Long-term lease liabilities	357,478	330,081
Other liabilities	3,258	2,748
Total liabilities	<u>725,820</u>	<u>740,931</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.0001 par value; September 30, 2023 - 100,000 shares authorized, 30,511 shares issued; April 1, 2023 - 100,000 shares authorized, 30,072 shares issued	3	3
Preferred stock, \$0.0001 par value; 10,000 shares authorized, no shares issued or outstanding	—	—
Additional paid-in capital	226,379	209,964
Retained earnings	637,963	576,030
Less: Common stock held in treasury, at cost, 227 and 192 shares at September 30, 2023 and April 1, 2023, respectively	(11,959)	(9,547)
Total stockholders' equity	<u>852,386</u>	<u>776,450</u>
Total liabilities and stockholders' equity	<u>\$ 1,578,206</u>	<u>\$ 1,517,381</u>

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

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

(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net sales	\$ 374,456	\$ 351,545	\$ 758,151	\$ 717,401
Cost of goods sold	240,540	222,449	482,272	450,475
Gross profit	133,916	129,096	275,879	266,926
Selling, general and administrative expenses	95,338	84,946	191,056	170,351
Income from operations	38,578	44,150	84,823	96,575
Interest expense	463	1,362	1,486	2,087
Other (loss)/income, net	(50)	—	174	(273)
Income before income taxes	38,065	42,788	83,511	94,215
Income tax expense	10,385	10,734	21,578	22,843
Net income	<u>\$ 27,680</u>	<u>\$ 32,054</u>	<u>\$ 61,933</u>	<u>\$ 71,372</u>
Earnings per share:				
Basic	\$ 0.92	\$ 1.08	\$ 2.06	\$ 2.40
Diluted	\$ 0.90	\$ 1.06	\$ 2.03	\$ 2.35
Weighted average shares outstanding:				
Basic	30,137	29,808	30,029	29,778
Diluted	30,627	30,313	30,540	30,351

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

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

(In thousands)

(Unaudited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Treasury Shares</u>		
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Shares</u>	<u>Amount</u>	<u>Total</u>
Balance at April 1, 2023	30,072	\$ 3	\$ 209,964	\$ 576,030	(192)	\$ (9,547)	\$ 776,450
Net income	—	—	—	34,253	—	—	34,253
Issuance of common stock related to stock-based compensation	123	—	345	—	—	—	345
Tax withholding for net share settlement	—	—	—	—	(34)	(2,305)	(2,305)
Stock-based compensation expense	—	—	4,953	—	—	—	4,953
Balance at July 1, 2023	30,195	\$ 3	\$ 215,262	\$ 610,283	(226)	\$ (11,852)	\$ 813,696
Net income	—	—	—	27,680	—	—	27,680
Issuance of common stock related to stock-based compensation	316	—	8,237	—	—	—	8,237
Tax withholding for net share settlement	—	—	—	—	(1)	(107)	(107)
Stock-based compensation expense	—	—	2,880	—	—	—	2,880
Balance at September 30, 2023	30,511	\$ 3	\$ 226,379	\$ 637,963	(227)	\$ (11,959)	\$ 852,386

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Treasury Shares</u>		
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Shares</u>	<u>Amount</u>	<u>Total</u>
Balance at March 26, 2022	29,820	\$ 3	\$ 199,054	\$ 405,477	(135)	\$ (4,858)	\$ 599,676
Net income	—	—	—	39,318	—	—	39,318
Issuance of common stock related to stock-based compensation	175	—	247	—	—	—	247
Tax withholding for net share settlement	—	—	—	—	(53)	(4,408)	(4,408)
Stock-based compensation expense	—	—	4,701	—	—	—	4,701
Balance at June 25, 2022	29,995	\$ 3	\$ 204,002	\$ 444,795	(188)	\$ (9,266)	\$ 639,534
Net income	—	—	—	32,054	—	—	32,054
Issuance of common stock related to stock-based compensation	6	—	—	—	—	—	—
Tax withholding for net share settlement	—	—	—	—	(2)	(93)	(93)
Stock-based compensation expense	—	—	2,442	—	—	—	2,442
Balance at September 24, 2022	30,001	\$ 3	\$ 206,444	\$ 476,849	(190)	\$ (9,359)	\$ 673,937

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

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

(In thousands)
(Unaudited)

	Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022
Cash flows from operating activities		
Net income	\$ 61,933	\$ 71,372
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	22,597	16,792
Stock-based compensation	7,833	7,143
Amortization of intangible assets	27	32
Noncash lease expense	26,487	22,951
Amortization and write-off of debt issuance fees and debt discount	54	74
Loss on disposal of assets	298	250
Deferred taxes	2,993	1,479
Changes in operating assets and liabilities:		
Accounts receivable, net	3,046	(972)
Inventories	3,921	(166,721)
Prepaid expenses and other current assets	9,243	(5,857)
Other assets	1,302	(3,329)
Accounts payable	7,051	36,472
Accrued expenses and other current liabilities	13,600	(27,199)
Other liabilities	510	244
Operating leases	(15,435)	(14,868)
Net cash provided by/(used in) operating activities	\$ 145,460	\$ (62,137)
Cash flows from investing activities		
Purchases of property and equipment	\$ (64,687)	\$ (52,459)
Net cash used in investing activities	\$ (64,687)	\$ (52,459)
Cash flows from financing activities		
(Payments)/Borrowings on line of credit, net	\$ (66,043)	\$ 118,281
Repayments on debt and finance lease obligations	(428)	(419)
Tax withholding payments for net share settlement	(2,412)	(4,501)
Proceeds from the exercise of stock options	8,582	247
Net cash (used in)/provided by financing activities	\$ (60,301)	\$ 113,608
Net increase/(decrease) in cash and cash equivalents	20,472	(988)
Cash and cash equivalents, beginning of period	18,193	20,674
Cash and cash equivalents, end of period	\$ 38,665	\$ 19,686
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 2,822	\$ 45,519
Cash paid for interest	\$ 1,399	\$ 1,642
Supplemental disclosure of non-cash activities:		
Unpaid purchases of property and equipment	\$ 14,103	\$ 21,551

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

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

1. Business Operations

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 30,511,186 issued and 30,283,816 outstanding shares of common stock as of September 30, 2023. 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 United States and sells its merchandise via the internet. The Company operated a total of 371 stores in 44 states as of September 30, 2023 and 345 stores in 43 states as of April 1, 2023. As of September 30, 2023, all stores operate under the Boot Barn name.

Recent Developments

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. Inflation and other challenges affecting the global economy could impact our operations and will depend on future developments, which are uncertain. 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. For further discussion of the uncertainties and business risks affecting the Company, see Item 1A, Risk Factors, of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”), on May 18, 2023 (the “Fiscal 2023 10-K”).

Basis of Presentation

The Company’s consolidated financial statements as of September 30, 2023 and April 1, 2023 and for the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022 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”). 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 consolidated financial statements reflect all adjustments that are of a normal and recurring nature necessary to fairly present the Company’s financial position, 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 consolidated financial statements are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2024.

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. The current fiscal year ending on March 30, 2024 (“fiscal 2024”) will consist of 52 weeks; whereas the fiscal year ended on April 1, 2023 (“fiscal 2023”) consisted of 53 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 Fiscal 2023 10-K. Presented below and 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 consolidated financial statements and, therefore, does not separately present a statement of comprehensive income in its 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 websites, 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 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

Inventories consist primarily of purchased merchandise and are valued at the lower of cost or net realizable value. Cost is determined using the weighted-average cost 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 cost of goods sold and selling, general and administrative expenses on the consolidated statements of operations. The majority of total lease costs is recorded as part of cost of

goods sold, with the balance recorded in selling, general and administrative expenses on the consolidated statements of operations. The interest expense amortization component of the finance lease liabilities is recorded within interest expense on the 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 arrangement discussed in Note 4, “Revolving Credit Facility” is 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 September 30, 2023.

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.

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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.

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 or 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 \$4.5 million as of September 30, 2023, and \$4.0 million as of September 24, 2022. The following table provides a reconciliation of the activity related to the Company's customer loyalty program:

Customer Loyalty Program (in thousands)		September 30, 2023	September 24, 2022
Beginning balance as of April 1, 2023 and March 26, 2022, respectively	\$	4,145	\$ 3,504
Year-to-date provisions		7,223	8,089
Year-to-date award redemptions		(6,880)	(7,559)
Ending balance	\$	4,488	\$ 4,034

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)		September 30, 2023	September 24, 2022
Beginning balance as of April 1, 2023 and March 26, 2022, respectively	\$	19,855	\$ 15,392
Year-to-date issued		13,154	11,300
Year-to-date redemptions		(14,081)	(12,006)
Ending balance	\$	18,928	\$ 14,686

Disaggregated Revenue

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

% of Net Sales	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Footwear	49%	48%	49%	48%
Apparel	35%	35%	34%	35%
Hats, accessories and other	16%	17%	17%	17%
Total	100%	100%	100%	100%

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

% of Net Sales	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Stores	90%	88%	90%	88%
E-commerce	10%	12%	10%	12%
Total	100%	100%	100%	100%

3. Goodwill and Intangible Assets, Net

The Company performs its annual goodwill impairment assessment on the first day of its 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 September 30, 2023 and April 1, 2023. As of September 30, 2023, the Company had identified no indicators of impairment with respect to its goodwill and intangible asset balances.

During both the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022, the Company did not record any long-lived asset impairment charges.

Net intangible assets as of September 30, 2023 and April 1, 2023 consisted of the following (in thousands, except for weighted average useful life):

	September 30, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life
Customer lists—definite lived	\$ 345	\$ (298)	\$ 47	5.0
Trademarks—indefinite lived	60,677	—	60,677	
Total intangible assets	<u>\$ 61,022</u>	<u>\$ (298)</u>	<u>\$ 60,724</u>	

	April 1, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life
Customer lists—definite lived	\$ 345	\$ (271)	\$ 74	5.0
Trademarks—indefinite lived	60,677	—	60,677	
Total intangible assets	<u>\$ 61,022</u>	<u>\$ (271)</u>	<u>\$ 60,751</u>	

Amortization expense for intangible assets totaled less than \$0.1 million for both the thirteen weeks ended September 30, 2023 and September 24, 2022, and is included in selling, general and administrative expenses.

Amortization expense for intangible assets totaled less than \$0.1 million for both the twenty-six weeks ended September 30, 2023 and September 24, 2022, and is included in selling, general and administrative expenses.

As of September 30, 2023, estimated future amortization of intangible assets was as follows:

Fiscal Year	(in thousands)
2024	\$ 27
2025	20
Thereafter	-
Total	<u>\$ 47</u>

4. Revolving Credit Facility

The Company currently has a \$250.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association is agent (“Wells Fargo Revolver”). Under the Wells Fargo Revolver, the sublimit for letters of credit is \$10.0 million and the current maturity date is July 11, 2027.

Revolving credit loans under the Wells Fargo Revolver bear interest at per annum rates equal to, at the Company’s option, either (i) Adjusted Term Secured Overnight Financing Rate (defined as “Term SOFR” for the applicable interest period plus a fixed credit spread adjustment of 0.10%) plus an applicable margin for Term SOFR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated at the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) Term SOFR for a one-month tenor in effect on such day 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 Term SOFR 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 interest on base rate loans under the Wells Fargo Revolver is payable in quarterly installments ending on the maturity date and for Term SOFR loans is payable on the earlier of the last day of each interest period applicable thereto, or on each three-month interval of such interest period. The Company also pays a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans.

The borrowing base of the 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.

The amounts outstanding under the Wells Fargo Revolver and letter of credit commitments as of September 30, 2023 were zero and \$0.8 million, respectively. The amounts outstanding under the Wells Fargo Revolver and letter of credit commitments as of April 1, 2023 were \$66.0 million and \$0.8 million, respectively. Total interest expense incurred in the thirteen and twenty-six weeks ended September 30, 2023 on the Wells Fargo Revolver was \$0.3 million and \$1.2 million, respectively, and the weighted average interest rate for the thirteen weeks ended September 30, 2023 was 8.2%. Total interest expense incurred in the thirteen and twenty-six weeks ended September 24, 2022 on the Wells Fargo Revolver was \$1.2 million and \$1.7 million, respectively, and the weighted average interest rate for the thirteen weeks ended September 24, 2022 was 3.3%.

All obligations under the 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 Wells Fargo Revolver.

The Wells Fargo Revolver contains customary provisions relating to mandatory prepayments, restricted payments, voluntary payments, affirmative and negative covenants, and events of default. In addition, the terms of the Wells Fargo Revolver require the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio (as defined in the Wells Fargo Revolver) of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The 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 September 30, 2023, the fair value of this embedded derivative was estimated and was not significant.

As of September 30, 2023, the Company was in compliance with the Wells Fargo Revolver debt covenants.

Debt Issuance Costs

Debt issuance costs totaling \$1.7 million have been incurred under the Wells Fargo Revolver and are included as assets on the consolidated balance sheets in prepaid expenses and other current assets. Total unamortized debt issuance costs were \$0.4 million and \$0.5 million as of September 30, 2023 and April 1, 2023, respectively. These amounts are being amortized to interest expense over the term of the Wells Fargo Revolver.

Total amortization expense of less than \$0.1 million related to the Wells Fargo Revolver is included as a component of interest expense in both the thirteen weeks ended September 30, 2023 and September 24, 2022.

Total amortization expense of \$0.1 million related to the Wells Fargo Revolver is included as a component of interest expense in both the twenty-six weeks ended September 30, 2023 and September 24, 2022.

5. Stock-Based Compensation

Equity Incentive Plans

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”). 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, par value \$0.0001 per share. All awards granted by the Company under the 2014 Plan were 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 and as determined by the Compensation Committee of our board of directors. Restricted stock awards granted under the 2014 Plan vested over one or four years, as determined by the Compensation Committee of our board of directors. Restricted stock units granted under the 2014 Plan vest over service periods of one, four or five years, as determined by the Compensation Committee of our board of directors. Performance share units granted under the 2014 Plan are subject to the vesting criteria discussed further below.

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, par value \$0.0001 per share. As of September 30, 2023, all awards granted by the Company under the 2020 Plan to date have been market-based stock options, restricted stock units or performance share units. Market-based stock options granted under the 2020 Plan are subject to the vesting criteria discussed further below. Restricted stock units granted under the 2020 Plan vest over service periods of one, three or four years, as determined by the Compensation Committee of our board of directors. Performance share units granted under the 2020 Plan are subject to the vesting criteria discussed further below.

Stock Options

During both the thirteen and twenty-six weeks ended September 30, 2023, the Company did not grant options to purchase shares.

During the thirteen weeks ended September 24, 2022, the Company did not grant options to purchase shares.

During the twenty-six weeks ended September 24, 2022, the Company granted its Chief Executive Officer (“CEO”) an option to purchase 86,189 shares of common stock under the 2020 Plan. This option contains both service and market vesting conditions. Vesting of this option is contingent upon the market price of the Company's common stock achieving three stated price targets for 30 consecutive trading days through the third anniversary of the date of grant. If the first market price target is met, 33% of the option granted will cliff vest on the third anniversary of the date of grant, with an additional 33% of the option vesting on the third anniversary of the date of grant if the second market price target is met, and the last 34% of the option vesting on the third anniversary of the date of grant if the final market price target is met. The total grant date fair value of this option was \$4.0 million, with a grant date fair value of \$46.41 per share. The Company is recognizing the expense relating to this stock option on a straight-line basis over the three-year service period. The exercise price of this award is \$86.96 per share. The fair value of the option was estimated using a Monte Carlo simulation model. The following significant assumptions were used as of May 12, 2022, the date of grant:

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Stock price	\$	86.96
Exercise price	\$	86.96
Expected option term ⁽¹⁾		6.5 years
Expected volatility ⁽²⁾		65.9 %
Risk-free interest rate ⁽³⁾		2.8 %
Expected annual dividend yield		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 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 twenty-six weeks ended September 30, 2023:

	Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at April 1, 2023	739,480	\$ 31.60		
Granted	—	\$ —		
Exercised	(340,386)	\$ 25.21		\$ 22,876
Cancelled, forfeited or expired	—	\$ —		
Outstanding at September 30, 2023	399,094	\$ 37.04	5.7	\$ 18,118
Vested and expected to vest after September 30, 2023	399,094	\$ 37.04	5.7	\$ 18,118
Exercisable at September 30, 2023	242,107	\$ 23.54	4.6	\$ 13,957

A summary of the status of non-vested stock options as of September 30, 2023 including changes during the twenty-six weeks ended September 30, 2023 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested at April 1, 2023	480,252	\$ 16.26
Granted	—	\$ —
Vested	(323,265)	\$ 9.39
Nonvested shares forfeited	—	\$ —
Nonvested at September 30, 2023	156,987	\$ 30.25

Restricted Stock Units

During the thirteen weeks ended September 30, 2023, the Company did not grant restricted stock units.

During the twenty-six weeks ended September 30, 2023, the Company granted 132,713 restricted stock units to various directors and employees under the 2020 Plan. The shares granted to employees vest in three 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 day following the first anniversary of the date of the grant. The grant date fair value of these awards for the

twenty-six weeks ended September 30, 2023 totaled \$8.6 million. The Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award (subject to certain exceptions), commencing on the date of the grant.

During the thirteen weeks ended September 24, 2022, the Company did not grant restricted stock units.

During the twenty-six weeks ended September 24, 2022, the Company granted 94,262 restricted stock units to various employees under the 2020 Plan. The shares granted to employees vest in three 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 the grant. The grant date fair value of these awards for the twenty-six weeks ended September 24, 2022 totaled \$8.2 million. The Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award (subject to certain exceptions), commencing on the date of the grant.

Performance Share Units

During both the thirteen weeks ended September 30, 2023 and September 24, 2022, the Company did not grant performance share units.

During the twenty-six weeks ended September 30, 2023 and September 24, 2022, the Company granted 112,740 and 57,843 performance share units, respectively, to various employees under the 2020 Plan with grant date fair values of \$7.3 million and \$5.0 million, respectively. Performance share units 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. The performance period for the awards granted during the twenty-six weeks ended September 30, 2023 began April 2, 2023 and ends March 28, 2026, and the performance period for the awards granted during the twenty-six weeks ended September 24, 2022 began March 27, 2022 and ends March 29, 2025.

The performance metrics for these awards were established by the Company at the beginning of the performance periods. At the end of the performance periods, the number of performance share units 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 share units to vest will be 0%, if the performance goals are at the threshold level, the number of performance share units to vest will be 50% of the target amounts, if the performance goals are at the target level, the number of performance share units to vest will be 100% of the target amounts, and if the performance goals are at the maximum level, the number of performance share units to vest will be 200% of the target amounts, each subject to continued service by the applicable award recipients through the last day of the performance periods (subject to certain exceptions). If performance is between threshold and target goals or between target and maximum goals, the number of performance share 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 both the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively, was initially measured using the Company's closing stock price on the dates of grant with the resulting stock compensation expense recognized on a straight-line basis over the three-year vesting periods (subject to certain exceptions). The expense recognized over the vesting periods is adjusted up or down on a quarterly basis based on the anticipated performance level during the performance periods. If the performance metrics are not probable of achievement during the performance periods, any previously recognized stock compensation expense is reversed. The awards are forfeited if the threshold performance goals are not achieved as of the end of the performance periods.

Stock-Based Compensation Expense

Stock-based compensation expense was \$2.9 million and \$2.4 million for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively. Stock-based compensation expense was \$7.8 million and \$7.1 million for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. Stock-based compensation expense of \$0.4 million and \$0.3 million was recorded in cost of goods sold in the consolidated statements of operations

for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively. Stock-based compensation expense of \$1.8 million and \$1.2 million was recorded in cost of goods sold in the consolidated statements of operations for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. All other stock-based compensation expense is included in selling, general and administrative expenses in the consolidated statements of operations.

As of September 30, 2023, there was \$2.5 million of total unrecognized stock-based compensation expense related to unvested stock options, with a weighted-average remaining recognition period of 1.49 years. As of September 30, 2023, there was \$11.0 million of total unrecognized stock-based compensation expense related to restricted stock units, with a weighted-average remaining recognition period of 2.06 years. As of September 30, 2023, there was \$6.3 million of total unrecognized stock-based compensation expense related to performance share units, with a weighted-average remaining recognition period of 2.44 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 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 Company reached a settlement for an amount that is not material to the consolidated financial statements, and all settlement amounts have been paid as of September 30, 2023.

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 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.

ROU assets are tested for impairment in the same manner as long-lived assets. During both the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022, the Company did not record ROU asset impairment charges related to its stores.

ROU assets and lease liabilities as of September 30, 2023 and April 1, 2023 consist of the following:

	Balance Sheet Classification	September 30, 2023 (in thousands)	April 1, 2023 (in thousands)
Assets			
Finance lease assets	Right-of-use assets, net	\$ 8,944	\$ 9,357
Operating lease assets	Right-of-use assets, net	339,844	317,266
Total lease assets		<u>\$ 348,788</u>	<u>\$ 326,623</u>
Liabilities			
Current			
Finance	Short-term lease liabilities	\$ 858	\$ 863
Operating	Short-term lease liabilities	55,351	50,732
Total short-term lease liabilities		<u>\$ 56,209</u>	<u>\$ 51,595</u>
Non-Current			
Finance	Long-term lease liabilities	\$ 14,878	\$ 15,301
Operating	Long-term lease liabilities	342,600	314,780
Total long-term lease liabilities		<u>\$ 357,478</u>	<u>\$ 330,081</u>
Total lease liabilities		<u>\$ 413,687</u>	<u>\$ 381,676</u>

Total lease costs for the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022 were:

(in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Finance lease cost				
Amortization of right-of-use assets	\$ 207	\$ 214	\$ 413	\$ 469
Interest on lease liabilities	169	180	341	362
Total finance lease cost	<u>\$ 376</u>	<u>\$ 394</u>	<u>\$ 754</u>	<u>\$ 831</u>
Operating lease cost				
Operating lease cost	\$ 17,777	\$ 15,193	\$ 35,079	\$ 29,216
Short-term lease cost	1,034	1,013	1,840	1,910
Variable lease cost	6,192	5,281	12,134	10,750
Total lease cost	<u>\$ 25,379</u>	<u>\$ 21,881</u>	<u>\$ 49,807</u>	<u>\$ 42,707</u>

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The following table summarizes future lease payments as of September 30, 2023:

Fiscal Year	Operating Leases (in thousands)	Finance Leases (in thousands)
2024	\$ 27,049	\$ 766
2025	75,253	1,515
2026	68,651	1,552
2027	59,780	1,590
2028	53,514	1,629
Thereafter	202,678	12,896
Total	486,925	19,948
Less: Imputed interest	(88,974)	(4,212)
Present value of net lease payments	\$ 397,951	\$ 15,736

As of September 30, 2023, the Company's minimum lease commitment for operating leases signed but not yet commenced was \$79.1 million.

The following table includes supplemental lease information:

Supplemental Cash Flow Information (dollars in thousands)	Twenty-Six Weeks Ended September 30, 2023	Twenty-Six Weeks Ended September 24, 2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	\$ 37,590	\$ 28,871
Operating cash flows used for finance leases	337	—
Financing cash flows used for finance leases	441	426
	\$ 38,368	\$ 29,297
Lease liabilities arising from new right-of-use assets		
Operating leases	\$ 48,652	\$ 83,811
Finance leases	\$ —	\$ —
Weighted average remaining lease term (in years)		
Operating leases	8.0	8.0
Finance leases	11.9	12.9
Weighted average discount rate		
Operating leases	4.8 %	4.6 %
Finance leases	10.9 %	10.9 %

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 27.3% and 25.1% for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively, and 25.8% and 24.2% for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. The tax rate for the thirteen and twenty-six weeks ended September 30, 2023 was higher than the tax rate

for the thirteen and twenty-six weeks ended September 24, 2022, primarily due to changes to state enacted tax rates, partially offset by a higher tax benefit due to income tax accounting for share-based compensation compared to the thirteen and twenty-six weeks ended September 24, 2022. 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 September 30, 2023. 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 September 30, 2023 and April 1, 2023, 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. As of September 30, 2023, the Company is not aware of tax examinations (current or potential) in any tax jurisdictions.

9. Related Party Transactions

During the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022, the Company had capital expenditures with Floor & Decor Holdings, Inc., a specialty retail vendor in the flooring market. These capital expenditures amounted to less than \$0.1 million and zero in the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively, and were recorded as property and equipment, net on the consolidated balance sheets. These capital expenditures amounted to less than \$0.1 million and \$0.1 million in the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively, and were recorded as property and equipment, net on the consolidated balance sheets. One member of the Company's board of directors currently serves on the board of directors at Floor & Decor Holdings, Inc. Additionally, one member of the Company's board of directors served as an executive officer at Floor & Decor Holdings, Inc. through April 2022.

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 stock-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 are included in the calculation of diluted earnings per share to the extent that the shares would be issuable if the end of the reporting period were the end of the contingency period. Market-based stock option awards are excluded from the calculation of diluted earnings per share until their respective market criteria has been achieved.

The components of basic and diluted earnings per share of common stock, in aggregate, for the thirteen and twenty-six weeks ended September 30, 2023 and September 24, 2022 are as follows:

(in thousands, except per share data)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income	\$ 27,680	\$ 32,054	\$ 61,933	\$ 71,372
Weighted average basic shares outstanding	30,137	29,808	30,029	29,778
Dilutive effect of options and restricted stock	490	505	511	573
Weighted average diluted shares outstanding	30,627	30,313	30,540	30,351
Basic earnings per share	\$ 0.92	\$ 1.08	\$ 2.06	\$ 2.40
Diluted earnings per share	\$ 0.90	\$ 1.06	\$ 2.03	\$ 2.35

During the thirteen weeks ended September 30, 2023 and September 24, 2022, securities outstanding totaling approximately 86,189 and 227,182 shares, respectively, comprised of options and restricted stock, were excluded from the computation of weighted average diluted common shares outstanding, as the effect of doing so would have been anti-dilutive.

During the twenty-six weeks ended September 30, 2023 and September 24, 2022, securities outstanding totaling approximately 87,229 and 198,107 shares, respectively, comprised of options and restricted stock, were excluded from the computation of weighted average diluted common shares 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 18, 2023 (the “Fiscal 2023 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 2023 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.

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. Inflation and other challenges affecting the global economy could impact our operations and will depend on future developments, which are uncertain. For further discussion of the uncertainties and business risks affecting the Company, see Item 1A, Risk Factors, of our Fiscal 2023 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 September 30, 2023, we operated 371 stores in 44 states, as well as our e-commerce websites consisting primarily of bootbarn.com, sheplers.com, countryoutfitter.com, idyllwind.com and third-party marketplaces. Additionally, during fiscal 2023, we launched a Boot Barn app, which has become an additional sales channel for the business. 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 ("SG&A") expenses, and operating 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 and app. 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 and app. Net sales also include shipping and handling fees for e-commerce shipments that have been delivered to our customers. Net sales are net of estimated and actual sales returns and deductions for estimated future award redemptions. 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;

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- 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;
- 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 distribution center occupancy costs (including rent, depreciation and utilities), inbound and outbound freight, supplier allowances, occupancy-related taxes, compensation costs for merchandise purchasing, exclusive brand design and development, distribution center 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, certain 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 stock-based compensation, legal, and accounting-related expenses and increases resulting from growth in the number of our stores.

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 2023 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 2023 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 2023 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. The current fiscal year ending on March 30, 2024 (“fiscal 2024”) will consist of 52 weeks; whereas the fiscal year ended on April 1, 2023 (“fiscal 2023”) consisted of 53 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		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
(dollars in thousands)				
Consolidated Statements of Operations Data:				
Net sales	\$ 374,456	\$ 351,545	\$ 758,151	\$ 717,401
Cost of goods sold	240,540	222,449	482,272	450,475
Gross profit	133,916	129,096	275,879	266,926
Selling, general and administrative expenses	95,338	84,946	191,056	170,351
Income from operations	38,578	44,150	84,823	96,575
Interest expense	463	1,362	1,486	2,087
Other (loss)/income, net	(50)	—	174	(273)
Income before income taxes	38,065	42,788	83,511	94,215
Income tax expense	10,385	10,734	21,578	22,843
Net income	<u>\$ 27,680</u>	<u>\$ 32,054</u>	<u>\$ 61,933</u>	<u>\$ 71,372</u>
Percentage of Net Sales ⁽¹⁾:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	64.2 %	63.3 %	63.6 %	62.8 %
Gross profit	35.8 %	36.7 %	36.4 %	37.2 %
Selling, general and administrative expenses	25.5 %	24.2 %	25.2 %	23.7 %
Income from operations	10.3 %	12.6 %	11.2 %	13.5 %
Interest expense	0.1 %	0.4 %	0.2 %	0.3 %
Other income/(loss), net	— %	— %	— %	— %
Income before income taxes	10.2 %	12.2 %	11.0 %	13.1 %
Income tax expense	2.8 %	3.1 %	2.8 %	3.2 %
Net income	<u>7.4 %</u>	<u>9.1 %</u>	<u>8.2 %</u>	<u>9.9 %</u>

(1) Percentages may not recalculate due to rounding.

Thirteen Weeks Ended September 30, 2023 Compared to Thirteen Weeks Ended September 24, 2022

Net sales. Net sales increased \$23.0 million, or 6.5%, to \$374.5 million for the thirteen weeks ended September 30, 2023 from \$351.5 million for the thirteen weeks ended September 24, 2022. Consolidated same store sales decreased 4.8%. Excluding the impact of the 11.7% decrease in e-commerce same store sales, same store sales decreased by 3.8%. The increase in net sales was the result of the incremental sales from new stores opened over the past twelve months, partially offset by the decrease in consolidated same store sales.

Gross profit. Gross profit increased \$4.8 million, or 3.7%, to \$133.9 million for the thirteen weeks ended September 30, 2023 from \$129.1 million for the thirteen weeks ended September 24, 2022. As a percentage of net sales, gross profit was 35.8% and 36.7% for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively. Gross profit increased primarily due to higher sales. The decrease in gross profit rate of 90 basis points was driven primarily by 140 basis points of deleverage in buying, occupancy and distribution center costs driven primarily by occupancy costs of 50 new stores and operating costs related to the new Kansas City distribution center, partially offset by a 50 basis-point increase in merchandise margin rate. The increase in merchandise margin rate was driven by 35 basis points of product margin expansion resulting primarily from growth in exclusive brand penetration and a 15 basis-point tailwind from lower freight expense as a percentage of net sales.

Selling, general and administrative expenses. SG&A expenses increased \$10.4 million, or 12.2%, to \$95.3 million for the thirteen weeks ended September 30, 2023 from \$84.9 million for the thirteen weeks ended September 24, 2022. The increase in SG&A expenses as compared to the prior-year period was primarily a result of higher store payroll and store-related expenses associated with operating 50 new stores and general and administrative expenses in the current year. As a percentage of net sales, SG&A increased by 130 basis points to 25.5% for the thirteen weeks ended September 30, 2023 from 24.2% for the thirteen weeks ended September 24, 2022 primarily as a result of higher store payroll and store-related expenses.

Income from operations. Income from operations decreased \$5.6 million, or 12.6%, to \$38.6 million for the thirteen weeks ended September 30, 2023 from \$44.2 million for the thirteen weeks ended September 24, 2022. The decrease in income from operations was attributable to the factors noted above. As a percentage of net sales, income from operations was 10.3% and 12.6% for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively.

Interest expense. Interest expense was \$0.5 million and \$1.4 million for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively. The decrease in interest expense in the current-year period was primarily the result of a lower debt balance in the current year, partially offset by a higher weighted average interest rate compared to the prior-year period.

Income tax expense. Income tax expense was \$10.4 million for the thirteen weeks ended September 30, 2023, compared to \$10.7 million for the thirteen weeks ended September 24, 2022. Our effective tax rate was 27.3% and 25.1% for the thirteen weeks ended September 30, 2023 and September 24, 2022, respectively. The tax rate for the thirteen weeks ended September 30, 2023 was higher than the tax rate for the thirteen weeks ended September 24, 2022, primarily due to changes to state enacted tax rates, partially offset by a higher tax benefit due to income tax accounting for share-based compensation compared to the thirteen weeks ended September 24, 2022.

Net income. Net income was \$27.7 million for the thirteen weeks ended September 30, 2023 compared to \$32.1 million for the thirteen weeks ended September 24, 2022. The decrease in net income was primarily attributable to the factors noted above.

Twenty-Six Weeks Ended September 30, 2023 Compared to Twenty-Six Weeks Ended September 24, 2022

Net sales. Net sales increased \$40.8 million, or 5.7%, to \$758.2 million for the twenty-six weeks ended September 30, 2023 from \$717.4 million for the twenty-six weeks ended September 24, 2022. Consolidated same store sales decreased 3.8%. Excluding the impact of the 11.3% decrease in e-commerce same store sales, same store sales decreased by 2.8%. The increase in net sales was the result of the incremental sales from new stores opened over the past twelve months, partially offset by the decrease in consolidated same store sales.

Gross profit. Gross profit increased \$9.0 million, or 3.4%, to \$275.9 million for the twenty-six weeks ended September 30, 2023 from \$266.9 million for the twenty-six weeks ended September 24, 2022. As a percentage of net sales, gross profit was 36.4% and 37.2% for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. Gross profit increased primarily due to higher sales. The decrease in gross profit rate of 80 basis points was driven primarily by 150 basis points of deleverage in buying, occupancy and distribution center costs driven primarily by occupancy costs of 50 new stores and operating costs related to the new Kansas City distribution center, partially offset

by a 70 basis-point increase in merchandise margin rate. The increase in merchandise margin rate was driven by 60 basis points of product margin expansion resulting primarily from growth in exclusive brand penetration and a 10 basis-point tailwind from lower freight expense as a percentage of net sales.

Selling, general and administrative expenses. SG&A expenses increased \$20.7 million, or 12.2%, to \$191.1 million for the twenty-six weeks ended September 30, 2023 from \$170.4 million for the twenty-six weeks ended September 24, 2022. The increase in SG&A expenses as compared to the prior-year period was primarily a result of higher store payroll and store-related expenses associated with operating 50 new stores and general and administrative expenses in the current year. As a percentage of net sales, SG&A increased by 150 basis points to 25.2% for the twenty-six weeks ended September 30, 2023 from 23.7% for the twenty-six weeks ended September 24, 2022 primarily as a result of higher store payroll, store-related expenses and general and administrative expenses.

Income from operations. Income from operations decreased \$11.8 million, or 12.2%, to \$84.8 million for the twenty-six weeks ended September 30, 2023 from \$96.6 million for the twenty-six weeks ended September 24, 2022. The decrease in income from operations was attributable to the factors noted above. As a percentage of net sales, income from operations was 11.2% and 13.5% for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively.

Interest expense. Interest expense was \$1.5 million and \$2.1 million for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. The decrease in interest expense in the current-year period was primarily the result of a lower debt balance, partially offset by a higher weighted average interest rate compared to the prior-year period.

Income tax expense. Income tax expense was \$21.6 million for the twenty-six weeks ended September 30, 2023, compared to \$22.8 million for the twenty-six weeks ended September 24, 2022. Our effective tax rate was 25.8% and 24.2% for the twenty-six weeks ended September 30, 2023 and September 24, 2022, respectively. The tax rate for the twenty-six weeks ended September 30, 2023 was higher than the tax rate for the twenty-six weeks ended September 24, 2022, primarily due to changes to state enacted tax rates, partially offset by a higher tax benefit due to income tax accounting for share-based compensation compared to the twenty-six weeks ended September 24, 2022.

Net income. Net income was \$61.9 million for the twenty-six weeks ended September 30, 2023 compared to \$71.4 million for the twenty-six weeks ended September 24, 2022. The decrease in net income was primarily attributable to the factors noted above.

Store Operating Data:

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Selected Store Data:				
Same Store Sales (decline)/growth	(4.8)%	2.3 %	(3.8)%	6.1 %
Stores operating at end of period	371	321	371	321
Total retail store square footage, end of period (in thousands)	4,027	3,451	4,027	3,451
Average store square footage, end of period	10,855	10,751	10,855	10,751
Average net sales per store (in thousands) ⁽¹⁾	\$ 909	\$ 966	\$ 1,841	\$ 1,965

(1) Average net sales per store is calculated by dividing store net sales for the applicable period by the number of stores operating at the end of the period.

Liquidity and Capital Resources

We rely on cash flows from operating activities and our credit facility as our primary sources of liquidity. Our primary cash needs are for inventories, operating expenses, occupancy 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 historically used cash for acquisitions and the subsequent rebranding and integration of the stores acquired in those acquisitions. 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 facility 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. Included in our fiscal 2024 capital expenditures are continued investments in our new distribution center in Kansas City, Missouri. We estimate that our total capital expenditures in fiscal 2024 will be between \$95.0 million and \$105.0 million (including the capital expenditures made during the twenty-six weeks ended September 30, 2023), which is net of estimated landlord tenant allowances of \$21.0 million. We anticipate that we will use cash flows from operations to fund these expenditures.

Wells Fargo Revolver

The Company currently has a \$250.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association is agent (“Wells Fargo Revolver”). Under the Wells Fargo Revolver, the sublimit for letters of credit is \$10.0 million and the current maturity date is July 11, 2027.

Revolving credit loans under the Wells Fargo Revolver bear interest at per annum rates equal to, at the Company’s option, either (i) Adjusted Term Secured Overnight Financing Rate (defined as “Term SOFR” for the applicable interest period plus a fixed credit spread adjustment of 0.10%) plus an applicable margin for Term SOFR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated at the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) Term SOFR for a one-month tenor in effect on such day 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 Term SOFR 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 interest on base rate loans under the Wells Fargo Revolver is payable in quarterly installments ending on the maturity date and for Term SOFR loans is payable on the earlier of the last day of each interest period applicable thereto, or on each three-month interval of such interest period. The Company also pays a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans.

The borrowing base of the 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.

The amounts outstanding under the Wells Fargo Revolver and letter of credit commitments as of September 30, 2023 were zero and \$0.8 million, respectively. The amounts outstanding under the Wells Fargo Revolver and letter of credit commitments as of April 1, 2023 were \$66.0 million and \$0.8 million, respectively. Total interest expense incurred in the thirteen and twenty-six weeks ended September 30, 2023 on the Wells Fargo Revolver was \$0.3 million and \$1.2 million, respectively, and the weighted average interest rate for the thirteen weeks ended September 30, 2023 was 8.2%. Total interest expense incurred in the thirteen and twenty-six weeks ended September 24, 2022 on the Wells Fargo Revolver was \$1.2 million and \$1.7 million, respectively, and the weighted average interest rate for the thirteen weeks ended September 24, 2022 was 3.3%.

All obligations under the 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 Wells Fargo Revolver.

The Wells Fargo Revolver contains customary provisions relating to mandatory prepayments, restricted payments, voluntary payments, affirmative and negative covenants, and events of default. In addition, the terms of the Wells Fargo Revolver require the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio (as defined in the Wells Fargo Revolver) of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The 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 September 30, 2023, the fair value of this embedded derivative was estimated and was not significant.

As of September 30, 2023, the Company was in compliance with the Wells Fargo Revolver debt covenants.

Cash Position and Cash Flow

Cash and cash equivalents were \$38.7 million as of September 30, 2023 compared to \$18.2 million as of April 1, 2023.

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

(in thousands)	Twenty-Six Weeks Ended	
	September 30, 2023	September 24, 2022
Net cash provided by/(used in):		
Operating activities	\$ 145,460	\$ (62,137)
Investing activities	(64,687)	(52,459)
Financing activities	(60,301)	113,608
Net increase/(decrease) in cash	<u>\$ 20,472</u>	<u>\$ (988)</u>

Operating Activities

Net cash provided by operating activities was \$145.5 million for the twenty-six weeks ended September 30, 2023. The significant components of cash flows provided by operating activities were net income of \$61.9 million, the add-back of non-cash depreciation and intangible asset amortization expense of \$22.6 million, and stock-based compensation expense of \$7.8 million. Accounts payable and accrued expenses and other current liabilities increased by \$20.7 million due to the timing of payments. Inventory decreased by \$3.9 million as a result of a decrease in purchases.

Net cash used in operating activities was \$62.1 million for the twenty-six weeks ended September 24, 2022. The significant components of cash flows used in operating activities were net income of \$71.4 million, the add-back of non-cash depreciation and intangible asset amortization expense of \$16.8 million, and stock-based compensation expense of \$7.1 million. Accrued expenses and other current liabilities decreased by \$27.2 million and accounts payable increased by \$36.5 million due to the timing of payments. Inventory increased by \$166.7 million as a result of an increase in purchases.

Investing Activities

Net cash used in investing activities was \$64.7 million for the twenty-six weeks ended September 30, 2023, which was attributable to capital expenditures related to store construction, investments in our Kansas City, Missouri distribution center, improvements to our e-commerce information technology infrastructure, and improvements to our distribution facilities.

Net cash used in investing activities was \$52.5 million for the twenty-six weeks ended September 24, 2022, which was attributable to 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 \$60.3 million for the twenty-six weeks ended September 30, 2023. We paid \$66.0 million on our revolving line of credit and paid \$2.4 million in taxes related to the vesting of restricted stock. We also received \$8.6 million from the exercise of stock options.

Net cash provided by financing activities was \$113.6 million for the twenty-six weeks ended September 24, 2022. We borrowed \$118.3 million on our revolving line of credit and paid \$4.5 million in taxes related to the vesting of restricted stock.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

We are subject to interest rate risk in connection with borrowings under our credit facility which bears interest at variable rates. As of September 30, 2023, we did not have an amount outstanding under the Wells Fargo Revolver.

As of September 30, 2023, there were no other material changes in the market risks described in the “Quantitative and Qualitative Disclosure of Market Risks” section of the Fiscal 2023 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 September 30, 2023. 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 September 30, 2023, 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 September 30, 2023, 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 2023 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

Rule 10b5-1 Trading Arrangements

During the quarter ended September 30, 2023, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our common stock intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act, or any “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	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.
32.2*	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.
101	Interactive data files from Boot Barn Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statement of Stockholders' Equity; (iv) the Consolidated Statements of Cash Flows and (v) Notes to the Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, 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: November 2, 2023

/s/ James G. Conroy

James G. Conroy

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 2, 2023

/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 September 30, 2023;
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: November 2, 2023

/s/ James G. Conroy

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

**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 September 30, 2023;
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: November 2, 2023

/s/ James M. Watkins

James M. Watkins
Chief Financial Officer and Secretary (Principal
Financial Officer and Principal Accounting Officer)

**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 September 30, 2023 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: November 2, 2023

/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.

**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 September 30, 2023 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: November 2, 2023

/s/ James M. Watkins

James M. Watkins

*Chief Financial Officer and Secretary (Principal
Financial Officer and Principal Accounting 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.
