

Boot Barn Holdings, Inc.
Form 10-Q
February 01, 2017
Table of Contents

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 December 24, 2016

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 90-0776290
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification no.)

15345 Barranca Pkwy
Irvine, California 92618
(Address of principal executive offices) (Zip code)

(949) 453-4400

Registrant's telephone number, including area code

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Edgar Filing: Boot Barn Holdings, Inc. - Form 10-Q

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

As of January 31, 2017, the registrant had 26,544,712 shares of common stock outstanding, \$0.0001 par value.

Table of Contents

Boot Barn Holdings, Inc. and Subsidiaries

Form 10-Q

For the Thirteen and Thirty-Nine Weeks Ended December 24, 2016

	Page
<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Condensed Consolidated Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of December 24, 2016 and March 26, 2016</u>	3
<u>Condensed Consolidated Statements of Operations for the Thirteen and Thirty-Nine Weeks Ended December 24, 2016 and December 26, 2015</u>	4
<u>Condensed Consolidated Statements of Stockholders' Equity for the Thirty-Nine Weeks Ended December 24, 2016 and December 26, 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended December 24, 2016 and December 26, 2015</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	34
<u>Item 4. Controls and Procedures</u>	34
<u>PART II. OTHER INFORMATION</u>	35
<u>Item 1. Legal Proceedings</u>	35
<u>Item 1A. Risk Factors</u>	35
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
<u>Item 3. Defaults Upon Senior Securities</u>	35
<u>Item 4. Mine Safety Disclosures</u>	35
<u>Item 5. Other Information</u>	35
<u>Item 6. Exhibits</u>	36
<u>Signatures</u>	37

Table of Contents

Part 1. Financial Information

Item 1. Condensed Consolidated Financial Statements (Unaudited)

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

(Unaudited)

	December 24, 2016	March 26, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,209	\$ 7,195
Accounts receivable, net	6,553	4,131
Inventories	180,032	176,335
Prepaid expenses and other current assets	16,733	15,558
Total current assets	234,527	203,219
Property and equipment, net	82,353	76,076
Goodwill	193,095	193,095
Intangible assets, net	63,246	64,861
Other assets	925	2,075
Total assets	\$ 574,146	\$ 539,326
Liabilities and stockholders' equity		
Current liabilities:		
Line of credit	\$ 23,020	\$ 48,815
Accounts payable	89,496	66,553
Accrued expenses and other current liabilities	48,701	35,896
Current portion of notes payable, net of unamortized debt issuance costs	1,042	1,035
Total current liabilities	162,259	152,299
Deferred taxes	19,067	12,255
Long-term portion of notes payable, net of unamortized debt issuance costs	191,783	192,579
Capital lease obligations	7,941	8,272
Other liabilities	16,605	12,431
Total liabilities	397,655	377,836
Commitments and contingencies (Note 7)		
Stockholders' equity:	3	3

Edgar Filing: Boot Barn Holdings, Inc. - Form 10-Q

Common stock, \$0.0001 par value; December 24, 2016 - 100,000 shares authorized, 26,557 shares issued; March 26, 2016 - 100,000 shares authorized, 26,354 shares issued		
Preferred stock, \$0.0001 par value; 10,000 shares authorized, no shares issued or outstanding	—	—
Additional paid-in capital	141,340	137,893
Retained earnings	35,203	23,594
Less: Common stock held in treasury, at cost, 12 and 4 shares at December 24, 2016 and March 26, 2016, respectively	(55)	—
Total stockholders' equity	176,491	161,490
Total liabilities and stockholders' equity	\$ 574,146	\$ 539,326

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended December 24, December 26, 2016 2015		Thirty-Nine Weeks Ended December 24, December 26, 2016 2015	
Net sales	\$ 199,431	\$ 193,842	\$ 466,813	\$ 419,554
Cost of goods sold	136,068	129,891	326,255	289,176
Amortization of inventory fair value adjustment	—	(228)	—	(453)
Total cost of goods sold	136,068	129,663	326,255	288,723
Gross profit	63,363	64,179	140,558	130,831
Operating expenses:				
Selling, general and administrative expenses	42,500	43,986	110,803	105,323
Acquisition-related expenses	—	—	—	891
Total operating expenses	42,500	43,986	110,803	106,214
Income from operations	20,863	20,193	29,755	24,617
Interest expense, net	3,637	3,553	10,848	9,347
Income before income taxes	17,226	16,640	18,907	15,270
Income tax expense	6,719	6,712	7,298	6,414
Net income	\$ 10,507	\$ 9,928	\$ 11,609	\$ 8,856
Earnings per share:				
Basic shares	\$ 0.40	\$ 0.38	\$ 0.44	\$ 0.34
Diluted shares	\$ 0.39	\$ 0.37	\$ 0.43	\$ 0.33
Weighted average shares outstanding:				
Basic shares	26,495	26,326	26,432	26,116
Diluted shares	27,165	26,871	26,891	27,003

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Total
Balance at March 26, 2016	26,354	\$ 3	\$ 137,893	\$ 23,594	(4)	\$ —	\$ 161,490
Net income	—	—	—	11,609	—	—	11,609
Issuance of common stock related to stock-based compensation	203	—	1,180	—	(3)	—	1,180
Tax withholding for net share settlement	—	—	—	—	(5)	(55)	(55)
Excess tax benefit related to stock-based compensation	—	—	7	—	—	—	7
Stock-based compensation expense	—	—	2,260	—	—	—	2,260
Balance at December 24, 2016	26,557	\$ 3	\$ 141,340	\$ 35,203	(12)	\$ (55)	\$ 176,491

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Total
Balance at March 28, 2015	25,824	\$ 3	\$ 128,693	\$ 13,726	—	\$ —	\$ 142,422
Net income	—	—	—	8,856	—	—	8,856
Stock options exercised	529	—	2,698	—	—	—	2,698
Shares forfeited, held in treasury	—	—	—	—	(3)	—	—
Excess tax benefit related to stock-based compensation	—	—	3,701	—	—	—	3,701
Stock-based compensation expense	—	—	2,143	—	—	—	2,143
Balance at December 26, 2015	26,353	\$ 3	\$ 137,235	\$ 22,582	(3)	\$ —	\$ 159,820

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Thirty-Nine Weeks Ended December 24, December 26, 2016 2015	
Cash flows from operating activities		
Net income	\$ 11,609	\$ 8,856
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,688	7,670
Stock-based compensation	2,260	2,143
Excess tax benefit	(7)	(3,701)
Amortization of intangible assets	1,615	1,852
Amortization and write-off of debt issuance fees and debt discount	843	1,991
Loss on disposal of property and equipment	163	237
Accretion of above market leases	(33)	54
Deferred taxes	3,256	(1,060)
Amortization of inventory fair value adjustment	—	(453)
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,422)	(77)
Inventories	(3,697)	(13,859)
Prepaid expenses and other current assets	2,256	9,057
Other assets	1,150	(1,550)
Accounts payable	23,513	23,053
Accrued expenses and other current liabilities	12,762	17,068
Other liabilities	4,207	4,387
Net cash provided by operating activities	\$ 68,163	\$ 55,668
Cash flows from investing activities		
Purchases of property and equipment	(17,698)	(30,094)
Acquisition of business, net of cash acquired	—	(146,541)
Net cash used in investing activities	\$ (17,698)	\$ (176,635)
Cash flows from financing activities		
Borrowings/(payments) on line of credit - net	\$ (25,795)	\$ 13,807
Proceeds from loan borrowings	—	200,938
Repayments on debt and capital lease obligations	(1,788)	(77,298)
Debt issuance fees	—	(6,487)
Tax withholding payments for net share settlement	(55)	—
Excess tax benefit from stock options	7	3,701
Proceeds from the exercise of stock options	1,180	2,698
Net cash (used in)/provided by financing activities	\$ (26,451)	\$ 137,359

Edgar Filing: Boot Barn Holdings, Inc. - Form 10-Q

Net increase in cash and cash equivalents	24,014	16,392
Cash and cash equivalents, beginning of period	7,195	1,448
Cash and cash equivalents, end of period	\$ 31,209	\$ 17,840
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,389	\$ 2,901
Cash paid for interest	\$ 10,014	\$ 7,044
Supplemental disclosure of non-cash activities:		
Unpaid purchases of property and equipment	\$ 1,422	\$ 2,416

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of the Company and Basis of Presentation

Boot Barn Holdings, Inc., formerly known as WW Top Investment Corporation (the “Company”), was formed on November 17, 2011, and is incorporated in the State of Delaware. As of June 8, 2014, the Company held all of the outstanding shares of common stock of WW Holding Corporation, which held 95.0% of the outstanding shares of common stock of Boot Barn Holding Corporation. On June 9, 2014, WW Holding Corporation was merged with and into the Company and then Boot Barn Holding Corporation was merged with and into the Company (“Reorganization”). As a result of this Reorganization, Boot Barn, Inc. became a direct wholly owned subsidiary of the Company. On June 10, 2014, the legal name of the Company was changed from WW Top Investment Corporation to Boot Barn Holdings, Inc. The equity of the Company consists of 100,000,000 authorized shares and 26,556,712 issued and 26,544,712 outstanding shares of common stock as of December 24, 2016. The shares of common stock have voting rights of one vote per share.

The Company operates specialty retail stores that sell western and work boots and related apparel and accessories. The Company operates retail locations throughout the U.S. and sells its merchandise via the internet. The Company operated a total of 219 stores in 31 states as of December 24, 2016 and 208 stores in 29 states as of March 26, 2016. As of December 24, 2016, all stores operate under the Boot Barn name, with the exception of two stores which operate under the “American Worker” name.

Basis of Presentation

The Company’s condensed consolidated financial statements as of and for the thirteen and thirty-nine weeks ended December 24, 2016 and December 26, 2015 are prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”), and include the accounts of the Company and each of its subsidiaries, including Boot Barn, Inc., RCC Western Stores, Inc. (“RCC”), Baskins Acquisition Holdings, LLC (“Baskins”), Sheplers Inc. and Sheplers Holding Corporation (collectively with Sheplers, Inc., “Sheplers”) and Boot Barn International (Hong Kong) Limited (“Hong Kong”). All intercompany accounts and transactions among the Company and its subsidiaries have been eliminated in consolidation. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted.

In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments that are of a normal and recurring nature necessary to fairly present the Company's financial position and results of operations and cash flows in all material respects as of the dates and for the periods presented. The results of operations presented in the interim condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the fiscal year ending April 1, 2017.

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 fiscal year ending on April 1, 2017 ("fiscal 2017") will consist of 53 weeks; whereas, the fiscal year ended on March 26, 2016 ("fiscal 2016") consisted of 52 weeks.

2. Summary of Significant Accounting Policies

Information regarding the Company's significant accounting policies is contained in Note 2, "Summary of Significant Accounting Policies", to the consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on June 3, 2016. Presented below in the

Table of Contents

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 operates in a single operating segment, which includes net sales generated from its retail stores and e-commerce websites. The vast majority of the Company's identifiable assets are in the U.S.

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, inventories, goodwill, intangible and long-lived assets, stock-based compensation and income taxes. Management regularly evaluates its estimates and assumptions based upon historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates, the Company's future results of operations may be affected.

Inventories

Inventory consists primarily of purchased merchandise and is valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis 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 is written down to its estimated net realizable value.

The Company recorded a fair value adjustment of \$0.2 million and \$0.5 million in the thirteen and thirty-nine weeks ended December 26, 2015, respectively, to reflect the acquired cost of inventory related to its acquisition of Sheplers. The amount was amortized over the period that the related inventory was sold. The amortization of inventory costs was zero for the thirteen and thirty-nine weeks ended December 24, 2016.

Fair Value of Certain Financial Assets and Liabilities

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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.

Table of Contents

- 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 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.

Cash and cash equivalents, accounts receivable and accounts payable are valued at fair value and 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 approximate their current fair values because of their nature and respective relatively short maturity dates or duration.

Although market quotes for the fair value of the outstanding debt arrangements discussed in Note 5, "Revolving Credit Facilities and Long-Term Debt" are not readily available, the Company believes its carrying value approximates fair value due to the variable interest rates, which are Level 2 inputs. There were no financial assets or liabilities requiring fair value measurements on a recurring basis as of December 24, 2016.

Recent Accounting Pronouncements

In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued a new revenue recognition standard, Accounting Standards Update ("ASU") No. 2014-09, Revenue From Contracts with Customers, that will supersede nearly all existing revenue recognition guidance under GAAP. The revenue recognition standard will allow for the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. On August 8, 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 by one year, and permits early adoption as long as the adoption date is not before the original public entity effective date. The standard is effective for public entities for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. This update requires inventory within the scope of the standard to be measured at the lower of cost and net realizable value. Previous guidance required inventory to be measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). This update is

effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company adopted this new standard beginning in the thirteen weeks ended December 24, 2016. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes. ASU No. 2015-17 eliminates the requirement to bifurcate deferred taxes between current and non-current on the balance sheet and requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. ASU No. 2015-17 is effective for public entities in annual periods beginning after December 15, 2016, and for interim periods within those annual periods. The amendments for ASU No. 2015-17 can be applied retrospectively or prospectively and early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its consolidated financial statements.

Table of Contents

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB issued this ASU to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU No. 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its consolidated financial statements.

3. Business Combinations

On June 29, 2015, the Company completed the acquisition of Sheplers, a western lifestyle company with 25 retail locations across the United States and an e-commerce business, for a purchase price of \$147.0 million (which included assumption of certain indebtedness), subject to customary adjustments (the “Sheplers Acquisition”). The primary reason for the Sheplers Acquisition was to expand the Company’s retail operations into new and existing markets and grow the Company’s e-commerce business.

The Company funded the Sheplers Acquisition by refinancing approximately \$172.0 million of its and Sheplers’ existing indebtedness in part with an initial borrowing of \$57.0 million under a \$125.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association (“June 2015 Wells Fargo Revolver”), is agent, and a \$200.0 million syndicated senior secured term loan for which GCI Capital Markets LLC (“2015 Golub Term Loan”) is agent. Borrowings under the credit agreements were initially used to pay costs and expenses related to the Sheplers Acquisition and the closing of the credit agreements, and may be used for working capital and other general corporate purposes.

The acquisition-date fair value of the consideration transferred totaled \$149.3 million, which consisted of \$147.0 million in cash and \$2.3 million of a working capital adjustment, cash acquired and other adjustments. The total fair value of consideration transferred for the acquisition was allocated to the net tangible and intangible assets based upon their estimated fair values as of the date of the acquisition. The excess of the purchase price over the net tangible and intangible assets was recorded as goodwill. The goodwill and intangible assets are not deductible for income tax purposes. Such estimated fair values require management to make estimates and judgments, especially with respect to intangible assets.

The fair value of each intangible and fixed asset acquired through the Sheplers Acquisition was measured in accordance with ASC 820. Customer lists, furniture, fixtures, office equipment, leasehold improvements, computer equipment and warehouse equipment were all valued using the cost approach. The trade name was valued under the royalty savings income approach method and inventory was valued under the comparative sales method. All operating leases, below-market leases, capital leases and financing obligations were valued under either the cost or income approach. Such fair values were determined using Level 3 inputs.

Table of Contents

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date based on the purchase price allocation:

	At June 29, 2015 (in thousands)
Assets acquired:	
Cash	\$ 2,762
Accounts receivable	1,792
Inventory	30,436
Prepaid expenses and other current assets	17,711
Property and equipment	10,744
Properties under capital lease and financing transactions	10,528
Intangible - below-market leases	500
Intangible - trade name	9,200
Intangible - customer lists	488
Goodwill	99,998
Other assets	128
Total assets acquired	\$ 184,287
Liabilities assumed:	
Accounts payable	\$ 14,554
Accrued liabilities and other payables	5,065
Accrued customer liabilities	1,318
Deferred tax liability	1,226
Capital lease and financing transactions	8,853
Other liabilities	3,968
Total liabilities assumed	34,984
Net Assets acquired	\$ 149,303

Definite-lived intangible assets are recorded at their fair value as of the acquisition date with amortization computed utilizing the straight-line method over the assets' estimated useful lives. The period of amortization for these below-market leases is 8 to 12 years and for customer lists is three years. The trade name is an indefinite-lived intangible asset and is not amortized but instead is measured for impairment at least annually, or when events indicate that impairment may exist.

The Company incurred \$0.9 million of acquisition-related costs in fiscal 2016 related to the acquisition of Sheplers, which are recorded in "Acquisition-related expenses" in the condensed consolidated statements of operations for the thirty-nine weeks ended December 26, 2015.

Table of Contents

Supplemental Pro Forma Data

The as adjusted net sales and net income below give effect to the Sheplers Acquisition as if it had been consummated on March 30, 2014, the first day of the Company's 2015 fiscal year. These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Sheplers to reflect the effects of amortization of purchased intangible assets and acquired inventory valuation step-down, refinanced debt and capital lease and financing transactions as of March 30, 2014 in order to complete the acquisition, and income tax expense. The adjustments are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances. Pre-acquisition net sales and net income numbers for Sheplers are derived from their books and records prepared prior to the acquisition and are not verified by the Company. This as adjusted data is presented for informational purposes only and does not purport to be indicative of the results of future operations or of the results that would have occurred had the acquisition taken place as of the date noted above.

	Thirty-Nine Weeks Ended December 26, 2015
(in thousands)	
As adjusted net sales	\$ 452,486
As adjusted net income	\$ 5,414

4. Intangible Assets, Net

Net intangible assets as of December 24, 2016 and March 26, 2016 consisted of the following:

	December 24, 2016	
	Gross	Weighted
	Carrying	Average
	Accumulated	

Edgar Filing: Boot Barn Holdings, Inc. - Form 10-Q

	Amount	Amortization	Net	Useful Life
	(in thousands, except for weighted average useful life)			
Customer lists	\$ 7,788	\$ (7,180)	\$ 608	4.9
Non-compete agreements	1,290	(1,163)	127	4.9
Below-market leases	5,248	(2,114)	3,134	9.0
Total definite lived	14,326	(10,457)	3,869	
Trademarks—indefinite lived	59,377	—	59,377	
Total intangible assets	\$ 73,703	\$ (10,457)	\$ 63,246	

	March 26, 2016			
	Gross			Weighted
	Carrying	Accumulated	Net	Average
	Amount	Amortization	Net	Useful Life
	(in thousands, except for weighted average useful life)			
Customer lists	\$ 7,788	\$ (6,172)	\$ 1,616	4.9
Non-compete agreements	1,290	(968)	322	4.9
Below-market leases	5,248	(1,702)	3,546	9.4
Total definite lived	14,326	(8,842)	5,484	
Trademarks—indefinite lived	59,377	—	59,377	
Total intangible assets	\$ 73,703	\$ (8,842)	\$ 64,861	

Amortization expense for intangible assets totaled \$0.5 million for the thirteen weeks ended December 24, 2016 and \$0.6 million for the thirteen weeks ended December 26, 2015, and is included in selling, general and administrative expenses.

Table of Contents

Amortization expense for intangible assets totaled \$1.6 million for the thirty-nine weeks ended December 24, 2016 and \$1.9 million for the thirty-nine weeks ended December 26, 2015, and is included in selling, general and administrative expenses.

As of December 24, 2016, estimated future amortization of intangible assets was as follows:

Fiscal Year	(in thousands)
2017	\$ 409
2018	966
2019	500
2020	388
2021	314
Thereafter	1,292
Total	\$ 3,869

The Company performs its annual goodwill impairment assessment on the first day of the fourth fiscal quarter, or more frequently if it believes that indicators of impairment exist. As of December 24, 2016, the Company had identified no indicators of impairment with respect to its goodwill, intangible and long-lived asset balances.

5. Revolving Credit Facilities and Long-Term Debt

On June 29, 2015, the Company, as guarantor, and its wholly-owned primary operating subsidiary, Boot Barn, Inc., refinanced the \$150.0 million credit facility with Wells Fargo Bank, N.A. (“February 2015 Wells Fargo Credit Facility”) with the \$125.0 million June 2015 Wells Fargo Revolver and the \$200.0 million 2015 Golub Term Loan. The borrowing base of the June 2015 Wells Fargo Revolver is calculated on a monthly basis and is based on the amount of eligible credit card receivables, commercial accounts, inventory, and available reserves. Borrowings under the credit agreements were initially used to pay costs and expenses related to the Sheplers Acquisition and the closing of such credit agreements, and may be used for working capital and other general corporate purposes.

Borrowings under the June 2015 Wells Fargo Revolver bear interest at per annum rates equal to, at the Company’s option, either (i) London Interbank Offered Rate (“LIBOR”) plus an applicable margin for LIBOR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) one-month LIBOR plus 1.0%. The applicable margin is calculated based on a pricing grid that in each case is linked to quarterly average excess availability. For LIBOR Loans, the applicable margin ranges from 1.00% to 1.25%, and for base rate loans it ranges from 0.00% to 0.25%. The Company also pays a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving

loans. The interest on the June 2015 Wells Fargo Revolver is payable in quarterly installments ending on June 29, 2020, the maturity date. The amount outstanding under the June 2015 Wells Fargo Revolver as of December 24, 2016 and March 26, 2016 was \$23.0 million and \$48.8 million, respectively. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 24, 2016 on the June 2015 Wells Fargo Revolver was \$0.4 million and \$1.1 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 24, 2016 was 2.0%.

Borrowings under the 2015 Golub Term Loan bear interest at per annum rates equal to, at the Company's option, either (a) LIBOR plus an applicable margin for LIBOR loans with a LIBOR floor of 1.0%, or (b) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the greater of (i) the higher of (x) the prime rate and (y) the federal funds rate plus 0.5% and (ii) the sum of one-month LIBOR plus 1.0%. The applicable margin is 4.5% for LIBOR Loans and 3.5% for base rate loans. The principal and interest on the 2015 Golub Term Loan is payable in quarterly installments ending on June 29, 2021, the maturity date. Quarterly principal payments of \$500,000 are due each quarter. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 24, 2016 on the 2015 Golub Term Loan was \$2.7 million and \$8.2 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 24, 2016 was 5.5%.

All obligations under each of the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver are unconditionally guaranteed by the Company and each of its direct and indirect domestic subsidiaries (other than certain

Table of Contents

immaterial subsidiaries) which are not named as borrowers under the 2015 Golub Term Loan or the June 2015 Wells Fargo Revolver, as applicable.

The priority with respect to collateral under each of the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver is subject to the terms of an intercreditor agreement among the lenders under the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver.

Each of the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan 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 June 2015 Wells Fargo Revolver require the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The terms of the 2015 Golub Term Loan require the Company to maintain, on a consolidated basis, a maximum Consolidated Total Net Leverage Ratio as of December 24, 2016 of 4.50:1.00. As provided for in the 2015 Golub Term Loan, this ratio steps down to 4.25:1.00 as of April 1, 2017 and 4.00:1.00 as of September 30, 2017 and for all subsequent periods. As of December 24, 2016, the Company was in compliance with the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan debt covenants. The June 2015 Wells Fargo Revolver and 2015 Golub Term Loan also require the Company to pay additional interest of 2.0% per annum upon triggering certain specified events of default set forth therein. For financial accounting purposes, the requirement for the Company to pay a higher interest rate upon an event of default is an embedded derivative. As of December 24, 2016, the fair value of these embedded derivatives was estimated and was not significant.

\$150 Million Credit Facility (Wells Fargo Bank, N.A.)

On February 23, 2015, the Company and Boot Barn, Inc., the Company's wholly-owned primary operating subsidiary, entered into the February 2015 Wells Fargo Credit Facility, which consisted of a \$75.0 million revolving credit facility, including a \$5.0 million sub-limit for letters of credit, and a \$75.0 million term loan, and also provided the Company with the ability to incur additional incremental term loans of up to \$50.0 million, provided that certain conditions were met, including compliance with certain covenants. On June 29, 2015, the Company repaid all outstanding borrowings under the February 2015 Wells Fargo Credit Facility and terminated such facility in connection with the refinancing discussed above.

Total interest expense incurred in the thirty-nine weeks ended December 26, 2015 on the February 2015 Wells Fargo Credit Facility was \$0.8 million.

Debt Issuance Costs and Debt Discount

The Company paid \$1.4 million of transaction fees in connection with the February 2015 Wells Fargo Credit Facility. These transaction fees were paid to both Wells Fargo and other advisors via a reduction in the proceeds from the February 2015 Wells Fargo Credit Facility and were accounted for as debt issuance costs and a debt discount at March 28, 2015. On June 29, 2015, the February 2015 Wells Fargo Credit Facility was repaid when the new financing was obtained, and the \$1.4 million remaining debt issuance costs and debt discounts were written off to interest expense.

Debt issuance costs totaling \$0.9 million were incurred under the June 2015 Wells Fargo Revolver and are included as assets on the condensed consolidated balance sheets in prepaid expenses and other current assets. Total debt issuance costs were \$0.6 million and \$0.8 million as of December 24, 2016 and March 26, 2016, respectively. These amounts are being amortized to interest expense over the term of the June 2015 Wells Fargo Revolver.

Debt issuance costs and debt discount totaling \$5.6 million were incurred under the 2015 Golub Term Loan and are included as a reduction of the current and non-current note payable on the condensed consolidated balance sheets. Total debt issuance costs and debt discount were \$4.2 million and \$4.9 million as of December 24, 2016 and March 26, 2016, respectively. These amounts are being amortized to interest expense over the term of the 2015 Golub Term Loan.

Table of Contents

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

(in thousands)	December 24, 2016	March 26, 2016
Term Loan	\$ 197,000	\$ 198,500
Unamortized value of the debt issuance costs and debt discount	(4,175)	(4,886)
Net carrying value	\$ 192,825	\$ 193,614

Total amortization expense of \$0.3 million and \$0.8 million related to the June 2015 Wells Fargo Revolver and 2015 Golub Term Loan is included as a component of interest expense in the thirteen and thirty-nine weeks ended December 24, 2016, respectively.

Total amortization expense of \$0.3 million and \$0.6 million related to the June 2015 Wells Fargo Revolver and 2015 Golub Term Loan is included as a component of interest expense in the thirteen and thirty-nine weeks ended December 26, 2015, respectively.

Aggregate Contractual Maturities

Aggregate contractual maturities for the Company's long-term debt as of December 24, 2016 are as follows:

Fiscal Year	(in thousands)
2017	\$ 500
2018	2,000
2019	2,000
2020	2,000
2021	2,000
Thereafter	188,500
Total	\$ 197,000

6. Stock-Based Compensation

Equity Incentive Plans

On January 27, 2012, the Company approved the 2011 Equity Incentive Plan (the “2011 Plan”). The 2011 Plan authorized the Company to issue options to employees, consultants and directors exercisable for up to a total of 3,750,000 shares of common stock. As of December 24, 2016, all awards granted by the Company under the 2011 Plan have been nonqualified stock options. Options granted under the 2011 Plan have a life of 10 years and vest over service periods of five years or in connection with certain events as defined by the 2011 Plan.

On October 19, 2014, the Company approved the 2014 Equity Incentive Plan, which was amended as of August 24, 2016 (as amended, the “2014 Plan”). The 2014 Plan authorizes the Company to issue awards to employees, consultants and directors for up to a total of 3,600,000 shares of common stock. As of December 24, 2016, all awards granted by the Company under the 2014 Plan to date have been nonqualified stock options, restricted stock awards or restricted stock units. Options granted under the 2014 Plan have a life of eight years and vest over service periods of five years or in connection with certain events as defined by the 2014 Plan. Restricted stock awards granted vest over one or four years, as determined by the Compensation Committee of the Board of Directors. Restricted stock units vest over service periods of one or five years, as determined by the Compensation Committee of the Board of Directors.

Non-Qualified Stock Options

During the thirteen weeks ended December 24, 2016, the Company did not grant options to purchase shares under the 2014 Plan.

Table of Contents

During the thirty-nine weeks ended December 24, 2016, the Company granted certain members of management options to purchase a total of 560,892 shares under the 2014 Plan. The total grant date fair value of stock options granted during the thirty-nine weeks ended December 24, 2016 was \$1.5 million, with grant date fair values ranging from \$2.50 to \$2.95 per share. The Company is recognizing the expense relating to these stock options on a straight-line basis over the five-year service period of the awards. The exercise prices of these awards range between \$7.11 and \$8.38 per share.

During the thirteen weeks ended December 26, 2015, the Company did not grant options to purchase shares under the 2014 Plan.

During the thirty-nine weeks ended December 26, 2015, the Company granted certain members of management options to purchase a total of 294,153 shares under the 2014 Plan. The total grant date fair value of stock options granted during the thirty-nine weeks ended December 26, 2015 was \$2.7 million, with grant date fair values ranging from \$7.48 to \$11.52 per share. The Company is recognizing the expense relating to these stock options on a straight-line basis over the five-year service period of the awards. The exercise prices of these awards range between \$22.31 and \$32.02 per share.

On October 29, 2014, the Company granted its Chief Executive Officer (“CEO”) options to purchase 99,650 shares of common stock under the 2014 Plan. These options contain both service and market conditions. Vesting of the options occurs if the market price of the Company’s stock achieves stated targets through the third anniversary of the date of grant. As of March 26, 2016, the market price targets were achieved, and the options will vest in equal amounts on the third, fourth and fifth anniversaries of the grant date. The fair value of the options was estimated using a Monte Carlo simulation model. The following significant assumptions were used as of October 29, 2014:

Stock price	\$ 16.00
Exercise price	\$ 16.00
Expected option term	6.0 years
Expected volatility	55.0 %
Risk-free interest rate	1.8 %
Expected annual dividend yield	0 %

The stock option awards discussed above, with the exception of options awarded to the Company’s CEO on October 29, 2014, were measured at fair value on the grant date using the Black-Scholes option valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, expected volatility of the Company’s stock price over the option’s expected term, the risk-free interest rate over the option’s expected term and the Company’s expected annual dividend yield, if any. The Company’s estimate of pre-vesting forfeitures, or forfeiture rate, was based on its internal analysis, which included the award recipients’

positions within the Company and the vesting period of the awards. The Company will issue shares of common stock when the options are exercised.

The fair values of stock options granted during the thirteen and thirty-nine weeks ended December 24, 2016 and December 26, 2015 were estimated on the grant dates using the following assumptions:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 24, 2016	December 26, 2015	December 24, 2016	December 26, 2015
Expected option term(1)	N/A	N/A	5.5 years	5.5 years
Expected volatility factor(2)	N/A	N/A	35.8% - 36.0%	33.3% - 37.1%
Risk-free interest rate(3)	N/A	N/A	1.38% - 1.43%	1.6% - 2.0%
Expected annual dividend yield	N/A	N/A	0%	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.

Table of Contents

- (2) Stock volatility for each grant is measured using the weighted average of historical daily price changes of the Company's competitors' common stock over the most recent period equal to the expected option term of the Company's awards.
- (3) The risk-free interest rate is determined using the rate on treasury securities with the same term.

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

The following table summarizes the stock award activity for the thirty-nine weeks ended December 24, 2016:

	Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at March 26, 2016	2,447,133	\$ 9.87		
Granted	560,892	\$ 7.38		
Exercised	(194,677)	\$ 6.06		\$ 1,133
Cancelled, forfeited or expired	(252,994)	\$ 13.23		
Outstanding at December 24, 2016	2,560,354	\$ 9.28	6.2	\$ 12,288
Vested and expected to vest after December 24, 2016	2,560,354	\$ 9.28	6.2	\$ 12,288
Exercisable at December 24, 2016	1,206,524	\$ 7.85	5.7	\$ 6,483

A summary of the status of non-vested stock options as of December 24, 2016 including changes during the thirty-nine weeks ended December 24, 2016 is presented below:

	Shares	Weighted- Average Grant Date Fair Value
Nonvested at March 26, 2016	1,335,103	\$ 5.82
Granted	560,892	\$ 2.60
Vested	(330,369)	\$ 5.46
Nonvested shares forfeited	(211,796)	\$ 6.17
Nonvested at December 24, 2016	1,353,830	\$ 4.52

Restricted Stock

During the thirteen weeks ended December 24, 2016, the Company did not grant any restricted stock units. During the thirty-nine weeks ended December 24, 2016, the Company granted 136,732 restricted stock units to various directors and employees under the 2014 Plan. The shares granted to employees vest in five 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. The shares granted to the Company's directors vest on the first anniversary of the date of grant. The grant date fair value of these awards for the thirty-nine weeks ended December 24, 2016 totaled \$1.1 million. The Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

During the thirteen and thirty-nine weeks ended December 26, 2015, the Company granted 25,329 and 71,530 restricted stock units, respectively, to various employees under the 2014 Plan. The shares granted to employees vest in five 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. The grant date fair value of these awards for the thirteen and thirty-nine weeks ended December 26, 2015 totaled \$0.3 million and \$1.6 million, respectively. The Company is

Table of Contents

recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

Stock-Based Compensation Expense

Stock-based compensation expense was \$0.8 million for both the thirteen weeks ended December 24, 2016 and December 26, 2015. Stock-based compensation expense was \$2.3 million and \$2.1 million for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. Stock-based compensation expense of \$0.1 million was recorded in cost of goods sold in the condensed consolidated statements of operations for each of the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively. Stock-based compensation expense of \$0.4 million and \$0.3 million was recorded in cost of goods sold in the condensed consolidated statements of operations for each of the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. All other stock-based compensation expense is included in selling, general and administrative expenses in the condensed consolidated statements of operations.

As of December 24, 2016, there was \$4.7 million of total unrecognized stock-based compensation expense related to unvested stock options, with a weighted-average remaining recognition period of 2.93 years. As of December 24, 2016, there was \$2.0 million of total unrecognized stock-based compensation expense related to restricted stock, with a weighted-average remaining recognition period of 3.73 years.

7. 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 April 28, 2016, two employees, on behalf of themselves and all other similarly situated employees, filed a wage-and-hour class action, which includes claims for penalties under California's Private Attorney General Act, in the Fresno County Superior Court, Case No. 16 CE CG 01330, alleging violations of California's wage and hour, overtime, meal break and statement of wages rules and regulations among other things. The complaint seeks an unspecified amount of damages and penalties. The Company intends to defend this claim vigorously. At present, the Company cannot reasonably estimate the loss that may arise from this matter, but has recorded as of December 24, 2016 an amount for the estimated probable loss, which is not material to the condensed consolidated financial statements. Depending on the actual outcome of pending litigation, charges in excess of such recorded amount could

be recorded in the future, which may have a material adverse effect on the Company's financial position, results of operations or liquidity.

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

During the normal course of its business, the Company has made certain indemnifications and commitments under which the Company may be required to make payments for certain transactions. These indemnifications include those given to various lessors in connection with facility leases for certain claims arising from such facility leases, and indemnifications to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware. The majority of these indemnifications and commitments do not provide for any limitation of the maximum potential future payments the Company could be obligated to make, and their duration may be indefinite. The Company has not recorded any liability for these indemnifications and commitments in the condensed consolidated balance sheets as the impact is expected to be immaterial.

Table of Contents

8. Capital Leases and Financing Transactions

As of December 24, 2016, the Company had non-cancelable capital leases for property and equipment rentals with principal and interest payments due monthly. The liability under capital lease arrangements as of December 24, 2016 totals \$0.9 million.

During fiscal 2016, the Company acquired leases related to two retail stores, two office buildings, one distribution center facility and land as part of the Sheplers Acquisition. On July 30, 2007, Sheplers sold these properties to an unrelated third-party real estate company and simultaneously entered into an arrangement with the third-party real estate company to lease back these properties. Sheplers maintained continuing involvement in these properties such that this sale did not qualify for sale-leaseback accounting treatment. This transaction is recorded as a financing transaction with the assets and related financing obligation recorded on the balance sheet. The lease has a 20-year term expiring in 2027 and includes renewal options and certain default provisions requiring the Company to perform repairs and maintenance, make timely rent payments and insure the buildings and equipment. The liability under the financing transaction as of December 24, 2016 totals \$7.5 million.

The total liability under capital lease and financing transactions as of December 24, 2016 is \$8.4 million and is included as capital lease obligations in the condensed consolidated balance sheet. The current portion of the capital lease arrangements is included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. The interest rates range from 6.1% to 11.1%.

The net property and equipment involved in the Company's capital leases and financing transaction are included in property and equipment as follows:

(in thousands)	December 24, 2016	March 26, 2016
Buildings	\$ 7,588	\$ 7,588
Land	2,530	2,530
Site improvements	410	410
Equipment	63	63
Property and equipment, gross	10,591	10,591
Less: accumulated depreciation	(1,088)	(551)
Property and equipment, net	\$ 9,503	\$ 10,040

As of December 24, 2016, future minimum capital lease and financing transaction payments are as follows:

Fiscal Year	(in thousands)
2017	319
2018	1,273
2019	1,296
2020	1,307
2021	1,331
Thereafter	8,213
Total	13,739
Less: Imputed interest	(5,378)
Present value of capital leases and financing transaction	8,361
Less: Current capital leases and financing transaction	(420)
Noncurrent capital leases and financing transaction	\$ 7,941

9. 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

Table of Contents

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 provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The income tax rate was 39.0% and 40.3% for the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively, and 38.6% and 42.0% for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. The effective tax rate for the thirteen and thirty-nine weeks ended December 24, 2016 is lower than the comparable periods in fiscal 2016 due to discrete items recognized during the periods presented. Because management believes that it is more likely than not that the Company will realize the full amount of the net deferred tax assets, the Company has not recorded any valuation allowance for the deferred tax assets.

The Company’s policy is to accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense. At December 24, 2016 and March 26, 2016, the Company had no accrued liability for penalties and interest.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. At December 24, 2016, the Company is not aware of tax examinations (current or potential) in any tax jurisdictions.

10. Related Party Transactions

During the thirteen and thirty-nine weeks ended December 24, 2016, the Company had capital expenditures with a specialty retail vendor in the flooring market that as of December 24, 2016 is 30.3% owned by Freeman Spogli, our majority stockholder. These capital expenditures amounted to less than \$0.1 million and \$0.2 million in the thirteen and thirty-nine weeks ended December 24, 2016, respectively, and were recorded as property and equipment, net on the condensed consolidated balance sheet. There were no costs incurred with this vendor in the prior year period.

11. 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, unamortized compensation and hypothetical excess tax benefits, if any, on share-based awards, are assumed to be used by the Company to purchase the shares of common stock at the average market price during the period. The dilutive effect of stock options and restricted stock is applicable only in periods of net income.

Table of Contents

The components of basic and diluted earnings per share of common stock, in aggregate, for the thirteen and thirty-nine weeks ended December 24, 2016 and December 26, 2015 are as follows:

(in thousands, except per share data)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 24, 2016	December 26, 2015	December 24, 2016	December 26, 2015
Net income	\$ 10,507	\$ 9,928	\$ 11,609	8,856
Weighted average basic shares outstanding	26,495	26,326	26,432	26,116
Dilutive effect of options and restricted stock	670	545	459	887
Weighted average diluted shares outstanding	27,165	26,871	26,891	27,003
Basic earnings per share	\$ 0.40	\$ 0.38	\$ 0.44	\$ 0.34
Diluted earnings per share	\$ 0.39	\$ 0.37	\$ 0.43	\$ 0.33

Options to purchase 390,087 shares and 592,303 shares of common stock were outstanding during the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively, but were not included in the computation of weighted average diluted shares of common stock outstanding as the effect of doing so would have been anti-dilutive.

Options to purchase 694,972 shares and 355,153 shares of common stock were outstanding during the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively, but were not included in the computation of weighted average diluted shares of common stock outstanding as the effect of doing so would have been anti-dilutive.

Table of Contents

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 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, or SEC, on June 3, 2016 (the “Fiscal 2016 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”, “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 2016 10-K, 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.

Overview

We believe that Boot Barn is the largest lifestyle retail chain devoted to western and work-related footwear, apparel and accessories in the U.S. As of December 24, 2016, we operated 219 stores in 31 states, as well as an e-commerce channel, consisting of www.bootbarn.com and www.sheplers.com. Our product offering is anchored by an extensive selection of western and work boots and is complemented by a wide assortment of coordinating apparel and accessories. Our stores feature a comprehensive assortment of brands and styles, coupled with attentive, knowledgeable store associates. Many of the items that we offer are basics or necessities for our customers' daily lives and typically represent enduring styles that are not meaningfully impacted by changing fashion trends.

We strive to offer an authentic, one-stop shopping experience that fulfills the everyday lifestyle needs of our customers, and as a result, many of our customers make purchases in both the western and work wear sections of our stores. We target a broad and growing demographic, ranging from passionate western and country enthusiasts, to workers seeking dependable, high-quality footwear and apparel. Our broad geographic footprint, which comprises more than twice 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.

Table of Contents

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, selling, general and administrative expenses, earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA.

Net sales

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

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

Same store sales

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

- stores that are closed for five or fewer days in any fiscal month are included in same store sales;
- stores that are closed temporarily, but for more than five days in any fiscal month, are excluded from same store sales beginning in the fiscal month in which the temporary closure begins until the first full month of operation once the store re-opens;

- stores that are closed temporarily and relocated within their respective trade areas are included in same store sales;
- stores that are permanently closed are excluded from same store sales beginning in the month preceding closure; and
- 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 above are met, then all net sales of an 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. 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.

Table of Contents

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 significant 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 selling, general and administrative (“SG&A”) expenses. All of these costs are expensed as incurred.

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

Gross profit

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

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

Table of Contents

Gross profit is also impacted by shifts in the proportion of sales of our private 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, marketing campaigns, operating supplies, utilities, and repairs and maintenance, as well as credit card fees and costs of third-party services.

General and administrative expenses—General and administrative expenses comprise 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 and other related corporate costs.

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

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are important financial measures used by our management, board of directors and lenders to assess our operating performance. We use EBITDA and Adjusted EBITDA as key performance measures because we believe that they facilitate operating performance comparisons from period to period by excluding potential differences primarily caused by the impact of variations from period to period in tax positions, interest expense and depreciation and amortization, as well as, in the case of Adjusted EBITDA, excluding non-cash expenses, such as stock-based compensation and the non-cash accrual for future award redemptions, and unusual or non-recurring costs and expenses that are not directly related to our operations, including acquisition-related expenses, acquisition-related integration costs, amortization of inventory fair value adjustment, loss/(gain) on disposal of assets and contract termination costs and SEC filing costs. See “Results of Operations” below for a reconciliation of our

EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA facilitate internal comparisons of our historical operating performance on a more consistent basis, we also use EBITDA and Adjusted EBITDA (or some variations thereof) for business planning purposes, in calculating covenant compliance for our credit facilities, in determining incentive compensation for members of our management and in evaluating acquisition opportunities. In addition, we believe that EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities. Given that EBITDA and Adjusted EBITDA are measures not deemed to be in accordance with GAAP and are susceptible to varying calculations, our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate EBITDA and Adjusted EBITDA in a different manner than we calculate these measures.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of our significant accounting policies is included in Note 2 to our consolidated financial statements included in the Fiscal 2016 10-K.

Table of Contents

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 2016 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 2016 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 fiscal year ending on April 1, 2017 (“fiscal 2017”) will consist of 53 weeks; whereas, the fiscal year ended on March 26, 2016 (“fiscal 2016”) consisted of 52 weeks. We identify our fiscal years by reference to the calendar year in which the fiscal year ends.

Table of Contents

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:

(dollars in thousands)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended					
	December 24, 2016	December 26, 2015	December 24, 2016	December 26, 2015				
Condensed Consolidated Statements of Operations Data (Unaudited):								
Net sales	\$ 199,431	\$ 193,842	\$ 466,813	\$ 419,554				
Cost of goods sold	136,068	129,891	326,255	289,176				
Amortization of inventory fair value adjustment	—	(228)	—	(453)				
Total cost of goods sold	136,068	129,663	326,255	288,723				
Gross profit	63,363	64,179	140,558	130,831				
Operating expenses:								
Selling, general and administrative expenses	42,500	43,986	110,803	105,323				
Acquisition-related expenses	—	—	—	891				
Total operating expenses	42,500	43,986	110,803	106,214				
Income from operations	20,863	20,193	29,755	24,617				
Interest expense, net	3,637	3,553	10,848	9,347				
Income before income taxes	17,226	16,640	18,907	15,270				
Income tax expense	6,719	6,712	7,298	6,414				
Net income	\$ 10,507	\$ 9,928	\$ 11,609	\$ 8,856				
Percentage of Net Sales (Unaudited):								
Net sales	100.0	%	100.0	%	100.0	%	100.0	%
Cost of goods sold	68.2	%	67.0	%	69.9	%	68.9	%
Amortization of inventory fair value adjustment	—	%	(0.1)	%	—	%	(0.1)	%
Total cost of goods sold	68.2	%	66.9	%	69.9	%	68.8	%
Gross profit	31.8	%	33.1	%	30.1	%	31.2	%
Operating expenses:								
Selling, general and administrative expenses	21.3	%	22.7	%	23.7	%	25.1	%
Acquisition-related expenses	—	%	—	%	—	%	0.2	%
Total operating expenses	21.3	%	22.7	%	23.7	%	25.3	%
Income from operations	10.5	%	10.4	%	6.4	%	5.9	%
Interest expense, net	1.8	%	1.8	%	2.3	%	2.2	%
Income before income taxes	8.7	%	8.6	%	4.1	%	3.7	%
Income tax expense	3.4	%	3.5	%	1.6	%	1.5	%
Net income	5.3	%	5.1	%	2.5	%	2.2	%

Table of Contents

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

(in thousands)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 24, 2016	December 26, 2015	December 24, 2016	December 26, 2015
EBITDA Reconciliation (Unaudited):				
Net income	\$ 10,507	\$ 9,928	\$ 11,609	\$ 8,856
Income tax expense	6,719	6,712	7,298	6,414
Interest expense, net	3,637	3,553	10,848	9,347
Depreciation and intangible asset amortization	4,207	3,593	12,303	9,522
EBITDA	25,070	23,786	42,058	34,139
Non-cash stock-based compensation(a)	754	761	2,260	2,143
Non-cash accrual for future award redemptions(b)	399	961	574	801
Acquisition-related expenses(c)	—	—	—	891
Acquisition-related integration costs (d)	—	3,153	—	8,521
Amortization of inventory fair value adjustment (e)	—	(228)	—	(453)
(Gain)/Loss on disposal of assets and contract termination costs(f)	(22)	53	163	1,106
SEC filing costs(g)	—	317	—	317
Adjusted EBITDA	\$ 26,201	\$ 28,803	\$ 45,055	\$ 47,465

- (a) Represents non-cash compensation expenses related to stock options, restricted stock awards and restricted stock units granted to certain of our employees and directors.
- (b) Represents the non-cash accrual for future award redemptions in connection with our customer loyalty program.
- (c) Includes direct costs and fees related to the Sheplers Acquisition.
- (d) Represents certain store integration, remerchandising, inventory obsolescence and corporate consolidation costs incurred in connection with the integration of Sheplers, which we acquired in June 2015. Includes an adjustment to normalize the gross margin impact of sales of discontinued inventory from Sheplers, which was sold at a discount or written off. The adjustment assumes such inventory was sold at Sheplers' normalized margin rate.
- (e) Represents the amortization of purchase-accounting adjustments that decreased the value of inventory acquired to its fair value.
- (f) Represents (gain)/loss on disposal of assets and contract termination costs from store closures and unused office and warehouse space.
- (g) Represents professional fees and expenses incurred in connection with a Form S-1 Registration Statement filed in July 2015 and withdrawn in November 2015.

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

Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
December 24, 2016	December 26, 2015	December 24, 2016	December 26, 2015

Edgar Filing: Boot Barn Holdings, Inc. - Form 10-Q

Selected Store Data (Unaudited):

Same Store Sales growth/(decline)	0.2	%	(2.0)	%	0.7	%	0.3	%
Stores operating at end of period	219		206		219		206	
Total retail store square footage, end of period (in thousands)	2,494		2,374		2,494		2,374	
Average store square footage, end of period	11,389		11,525		11,389		11,525	
Average net sales per store (in thousands)	\$ 704		\$ 751		\$ 1,723		\$ 1,738	

28

Table of Contents

Thirteen Weeks Ended December 24, 2016 Compared to Thirteen Weeks Ended December 26, 2015

Net sales. Net sales increased \$5.6 million, or 2.9%, to \$199.4 million for the thirteen weeks ended December 24, 2016 from \$193.8 million for the thirteen weeks ended December 26, 2015. The increase in net sales was the result of 14 new stores opened between the beginning of the fourth quarter of fiscal 2016 and the end of the third quarter of fiscal 2017 and an increase of 0.2% in consolidated same store sales during the thirteen weeks ended December 24, 2016. This consolidated same store sales growth was partially offset by the planned closure of one Sheplers store and the closure of one Boot Barn store over the last twelve months.

Gross profit. Gross profit decreased \$0.8 million, or 1.3%, to \$63.4 million for the thirteen weeks ended December 24, 2016 from \$64.2 million for the thirteen weeks ended December 26, 2015. As a percentage of net sales, gross profit was 31.8% and 33.1% for the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively. The decline in gross profit and gross profit rate compared to the prior year resulted primarily from an increase in store occupancy, more e-commerce sales as a percentage of total sales, increased freight costs, higher redemption in our annual holiday bounce back promotion, and higher shrink.

Selling, general and administrative expenses. SG&A expenses decreased \$1.5 million, or 3.4%, to \$42.5 million for the thirteen weeks ended December 24, 2016 from \$44.0 million for the thirteen weeks ended December 26, 2015. As a percentage of net sales, SG&A was 21.3% and 22.7% for the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively. The decrease is primarily due to acquisition-related integration costs, loss on disposal of assets and SEC filing costs incurred in the thirteen weeks ended December 26, 2015 that were not incurred in the thirteen weeks ended December 24, 2016.

Income from operations. Income from operations for the thirteen weeks ended December 24, 2016 totaled \$20.9 million, an increase of \$0.7 million from \$20.2 million for the thirteen weeks ended December 26, 2015. As a percentage of net sales, income from operations was 10.5% for the thirteen weeks ended December 24, 2016, compared to 10.4% for the thirteen weeks ended December 26, 2015. The change in income from operations was attributable to the factors noted above.

Interest expense, net. Interest expense, net, was \$3.6 million for both the thirteen weeks ended December 24, 2016 and December 26, 2015.

Income tax expense. Income tax expense was \$6.7 million for both the thirteen weeks ended December 24, 2016 and December 26, 2015. Our effective tax rate was 39.0% and 40.3% for the thirteen weeks ended December 24, 2016 and December 26, 2015, respectively. The effective tax rate for the thirteen weeks ended December 24, 2016 is lower than the comparable period in fiscal 2016 due to discrete items recognized during the periods presented.

Net income. Net income increased \$0.6 million, from \$9.9 million for the thirteen weeks ended December 26, 2015 to \$10.5 million for the thirteen weeks ended December 24, 2016. The increase in net income was attributable to the factors noted above.

Adjusted EBITDA. Adjusted EBITDA decreased \$2.6 million, or 9.0%, to \$26.2 million for the thirteen weeks ended December 24, 2016 from \$28.8 million for the thirteen weeks ended December 26, 2015. The decrease was primarily a result of the year-over-year decline in gross profit and an increase in operating expenses related to increased sales.

Table of Contents

Thirty-Nine Weeks Ended December 24, 2016 Compared to Thirty-Nine Weeks Ended December 26, 2015

Net sales. Net sales increased \$47.3 million, or 11.3%, to \$466.8 million for the thirty-nine weeks ended December 24, 2016 from \$419.6 million for the thirty-nine weeks ended December 26, 2015. Net sales increased due to nine months of sales contributions from Sheplers (compared to six months in the prior-year period), the opening of 14 new stores between the beginning of the fourth quarter of fiscal 2016 and the end of the third quarter of fiscal 2017 and a 0.7% increase in consolidated same store sales. This consolidated same store sales growth was partially offset by the planned closure of one Sheplers store and the closure of one Boot Barn store over the last 12 months.

Gross profit. Gross profit increased \$9.7 million, or 7.4%, to \$140.6 million for the thirty-nine weeks ended December 24, 2016 from \$130.8 million for the thirty-nine weeks ended December 26, 2015. The gross profit increase was a result of increased sales, the opening of 14 new stores over the last twelve months, and the acquisition-related integration costs of \$1.0 million incurred in the prior year period that were not incurred in the thirty-nine weeks ended December 24, 2016. As a percentage of net sales, gross profit was 30.1% and 31.2% for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. The decline in gross profit rate was primarily driven by nine months of historically lower-margin Sheplers sales compared to six months in the prior-year period and more e-commerce sales as a percentage of total sales. Also contributing to the decline in gross profit rate was an increase in store occupancy.

Selling, general and administrative expenses. SG&A expenses increased \$5.5 million, or 5.2%, to \$110.8 million for the thirty-nine weeks ended December 24, 2016 from \$105.3 million for the thirty-nine weeks ended December 26, 2015. As a percentage of net sales, SG&A was 23.7% and 25.1% for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. The increase in SG&A expense was primarily related to nine months of Sheplers operations versus six months in the prior-year period and increases in operations required to support higher sales volume. The decrease in rate is primarily due to acquisition-related integration costs, loss on disposal of assets and SEC filing costs incurred in the thirty-nine weeks ended December 26, 2015 that were not incurred in the thirty-nine weeks ended December 24, 2016.

Income from operations. Income from operations increased \$5.1 million to \$29.8 million for the thirty-nine weeks ended December 24, 2016 from \$24.6 million for the thirty-nine weeks ended December 26, 2015. As a percentage of net sales, income from operations was 6.4% and 5.9% for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. The change in income from operations was attributable to the factors noted above.

Interest expense, net. Interest expense, net, increased \$1.5 million, or 16.1%, to \$10.8 million for the thirty-nine weeks ended December 24, 2016 from \$9.3 million for the thirty-nine weeks ended December 26, 2015. The increase in interest expense, net was primarily the result of nine months of higher outstanding debt and interest rates associated with the refinanced debt as compared to six months in the thirty-nine weeks ended December 26, 2015, partially offset by a \$1.4 million write-off of debt issuance costs and debt discount incurred in the prior year period.

Income tax expense. Income tax expense increased \$0.9 million, to \$7.3 million for the thirty-nine weeks ended December 24, 2016 from \$6.4 million for the thirty-nine weeks ended December 26, 2015. The increase in our income tax expense results from the \$3.6 million increase in income before income taxes for the thirty-nine weeks ended December 24, 2016 as compared to the thirty-nine weeks ended December 26, 2015, partially offset by a reduction in tax rate year over year. Our effective tax rate was 38.6% and 42.0% for the thirty-nine weeks ended December 24, 2016 and December 26, 2015, respectively. The effective tax rate for the thirty-nine weeks ended December 24, 2016 is lower than the comparable period in fiscal 2016 due to discrete items recognized during the periods presented.

Net income. Net income increased \$2.8 million, from \$8.9 million for the thirty-nine weeks ended December 26, 2015 to \$11.6 million for the thirty-nine weeks ended December 24, 2016. The increase in net income was attributable to the factors noted above.

Adjusted EBITDA. Adjusted EBITDA decreased \$2.4 million, or 5.1%, to \$45.1 million for the thirty-nine weeks ended December 24, 2016 from \$47.5 million for the thirty-nine weeks ended December 26, 2015. The decrease was

Table of Contents

primarily a result of the year-over-year increase in operating expenses related to nine months of Sheplers operations versus six months in the prior-year period and increases in operations required to support higher sales volume.

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

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

Our cash provided by operations increased in the thirty-nine weeks ended December 24, 2016 as compared to the thirty-nine weeks ended December 26, 2015, primarily as a result of a decrease in inventory purchases and a \$2.8 million increase in net income in the thirty-nine weeks ended December 24, 2016, relative to the thirty-nine weeks ended December 26, 2015.

During the thirty-nine weeks ended December 24, 2016, we used \$17.7 million in investing activities, primarily associated with capital expenditures related to store construction, improvements to our e-commerce information technology infrastructure, and the relocation of the Store Support Center in Irvine, California. We are planning to continue to open new stores, remodel and refurbish our existing stores, and make improvements to our e-commerce and information technology infrastructure, which will result in increased capital expenditures. We estimate that our total capital expenditures in fiscal 2017 will be between approximately \$17.0 million and \$18.0 million, net of landlord tenant allowances, and we anticipate that we will use cash flows from operations to fund these expenditures.

\$150 Million Credit Facility (Wells Fargo Bank, N.A.)

On February 23, 2015, we and Boot Barn, Inc., our wholly-owned primary operating subsidiary, entered into the February 2015 Wells Fargo Credit Facility, which consisted of a \$75.0 million revolving credit facility, including a \$5.0 million sub-limit for letters of credit, and a \$75.0 million term loan, and also provided us with the ability to incur

additional incremental term loans of up to \$50.0 million, provided that certain conditions were met, including compliance with certain covenants. On June 29, 2015, we repaid all outstanding borrowings under the February 2015 Wells Fargo Credit Facility and terminated such facility in connection with the refinancing discussed below.

Total interest expense incurred in the thirteen weeks ended December 26, 2015 on the February 2015 Wells Fargo Credit Facility was \$0.8 million.

June 2015 Wells Fargo Revolver and Golub Term Loan

On June 29, 2015, we, as guarantor, and our wholly-owned primary operating subsidiary, Boot Barn, Inc., refinanced our \$150 million February 2015 Wells Fargo Credit Facility with the \$125 million June 2015 Wells Fargo Revolver and \$200 million 2015 Golub Term Loan. Borrowings under the credit agreements were initially used to pay costs and expenses related to the Sheplers Acquisition and the closing of the new credit agreements, and may be used for working capital and other general corporate purposes.

Borrowings under the June 2015 Wells Fargo Revolver bear interest at per annum rates equal to, at our option, either (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin for LIBOR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) one-month LIBOR plus 1.0%. The applicable margin is calculated based on a

Table of Contents

pricing grid that in each case is linked to quarterly average excess availability. For LIBOR Loans, the applicable margin ranges from 1.00% to 1.25%, and for base rate loans it ranges from 0.00% to 0.25%. We also pay a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans. The interest on the June 2015 Wells Fargo Revolver is payable in quarterly installments ending on June 29, 2020, the maturity date. The amount outstanding under the June 2015 Wells Fargo Revolver as of December 24, 2016 and March 26, 2016 was \$23.0 million and \$48.8 million, respectively. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 24, 2016 on the June 2015 Wells Fargo Revolver was \$0.4 million and \$1.1 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 24, 2016 was 2.0%.

Borrowings under the 2015 Golub Term Loan bear interest at per annum rates equal to, at our option, either (a) LIBOR plus an applicable margin for LIBOR loans with a LIBOR floor of 1.0%, or (b) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the greater of (i) the higher of (x) the prime rate and (y) the federal funds rate plus 0.5% and (ii) the sum of one-month LIBOR plus 1.00%. The applicable margin is 4.5% for LIBOR Loans and 3.5% for base rate loans. The principal and interest on the 2015 Golub Term Loan will be payable in quarterly installments ending on June 29, 2021, the maturity date. Quarterly principal payments of \$500,000 are due for each quarter. Total interest expense incurred in the thirteen and thirty-nine weeks ended December 24, 2016 on the 2015 Golub Term Loan was \$2.7 million and \$8.2 million, respectively, and the weighted average interest rate for the thirteen weeks ended December 24, 2016 was 5.5%.

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

The priority with respect to collateral under each of the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver is subject to the terms of an intercreditor agreement among the lenders under the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver.

Each of the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan 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 June 2015 Wells Fargo Revolver require the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio of at least 1.00:1.00 during such times as a covenant trigger event shall exist. The terms of the 2015 Golub Term Loan require the Company to maintain, on a consolidated basis, a maximum Consolidated Total Net Leverage Ratio as of December 24, 2016 of 4.50:1.00. As provided for in the 2015 Golub Term Loan, this ratio steps down to 4.25:1.00 as of April 1, 2017 and 4.00:1.00 as of September 30, 2017 and for all subsequent periods. The June 2015 Wells Fargo Revolver and 2015 Golub Term Loan also require us to pay additional interest of 2% per annum upon triggering certain specified events of default as set forth therein. For financial accounting purposes, the requirement for us to pay a higher interest rate upon an event of default is an embedded derivative. As of December 24, 2016, the fair value of these embedded derivatives was estimated and was not significant.

As of December 24, 2016, we were in compliance with the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan debt covenants.

Cash Position and Cash Flow

Cash and cash equivalents were \$31.2 million as of December 24, 2016 compared to \$7.2 million as of March 26, 2016.

Table of Contents

The following table presents summary cash flow information for the periods indicated (in thousands):

(in thousands)	Thirty-Nine Weeks Ended	
	December 24, 2016	December 26, 2015
Net cash provided by/(used in):		
Operating activities	\$ 68,163	\$ 55,668
Investing activities	(17,698)	(176,635)
Financing activities	(26,451)	137,359
Net increase in cash	\$ 24,014	\$ 16,392

Operating Activities

Net cash provided by operating activities was \$68.2 million for the thirty-nine weeks ended December 24, 2016. The significant components of cash flows provided by operating activities were net income of \$11.6 million, the add-back of non-cash depreciation and amortization expense of \$12.3 million, stock-based compensation expense of \$2.3 million, and amortization of debt issuance fees and debt discount of \$0.8 million. Other liabilities, accounts payable and accrued expenses and other current liabilities increased by \$40.5 million due to the timing of payments. These increases were partially offset by an increase in inventories of \$3.7 million due to the growth of the company.

Net cash provided by operating activities was \$55.7 million for the thirty-nine weeks ended December 26, 2015. The significant components of cash flows provided by operating activities were net income of \$8.9 million, the add-back of non-cash depreciation and amortization expense of \$9.5 million, stock-based compensation expense of \$2.1 million, amortization of deferred loan fees and debt discount of \$2.0 million and the excess tax benefit related to the exercise of stock options of \$3.7 million. Accounts payable and accrued expenses and other current liabilities increased by \$40.1 million due to increases in acquisition-related integration accruals and Holiday seasonality. Prepaid expenses and other current assets decreased by \$9.1 million primarily due to a decrease in prepaid rent as a result of the timing of rent payments. The above was offset by an increase in inventories of \$13.9 million due to the growth of the company.

Investing Activities

Net cash used in investing activities was \$17.7 million for the thirty-nine weeks ended December 24, 2016, which was attributable to purchases of property and equipment during the period.

Net cash used in investing activities was \$176.6 million for the thirty-nine weeks ended December 26, 2015, which was attributable to the Sheplers Acquisition, net of cash acquired for \$146.5 million and purchases of property and equipment during the period for \$30.1 million.

Financing Activities

Net cash used in financing activities was \$26.5 million for the thirty-nine weeks ended December 24, 2016. We reduced our line of credit borrowings by \$25.8 million and repaid \$1.8 million on our debt and capital lease obligations during the period. We also received \$1.2 million from the exercise of stock options.

Net cash provided by financing activities was \$137.4 million for the thirty-nine weeks ended December 26, 2015. We increased our loan borrowings by \$200.9 million and our line of credit borrowings by \$13.8 million. We paid \$6.5 million of debt issuance fees related to these borrowings and repaid \$77.3 million on our debt and capital lease obligations during the period. We also received \$2.7 million from the exercise of stock options, and \$3.7 million excess tax benefit from the exercise of those options.

Contractual Obligations

During the thirteen and thirty-nine weeks ended December 24, 2016, there were no significant changes to our contractual obligations described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Fiscal 2016 10-K, other than those which occur in the normal course of business.

Table of Contents

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, except for operating leases and purchase obligations.

Implications of Being an Emerging Growth Company

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act. We will remain an emerging growth company until the earlier of (1) the last day of our fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenue of at least \$1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise generally applicable to public companies.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

We are subject to interest rate risk in connection with borrowings under our credit facilities, which bear interest at variable rates. As of December 24, 2016, we had \$23.0 million in outstanding borrowings under the June 2015 Wells Fargo Revolver and \$197.0 million under the 2015 Golub Term Loan. The annual impact of a 1.0% rate change on the outstanding total debt balance as of December 24, 2016 would be approximately \$2.2 million.

As of December 24, 2016, there were no other material changes in the market risks described in the “Quantitative and Qualitative Disclosure of Market Risks” section of the Fiscal 2016 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 24, 2016. The term “disclosure controls and procedures,” as

defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of December 24, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 24, 2016, 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.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings

For information on legal proceedings, see Note 7, “Commitments and Contingencies”, to our unaudited financial statements included in this Quarterly Report, which information is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to our risk factors as set forth in “Item 1A—Risk Factors” in our Fiscal 2016 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

35

Table of Contents

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of 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 December 24, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statement of Stockholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to the Condensed Consolidated Financial Statements.

*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, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

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: February 1, 2017 /s/ James G. Conroy
James G. Conroy
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 1, 2017 /s/ Gregory V. Hackman
Gregory V. Hackman
Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
31.1	Certification of 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 December 24, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statement of Stockholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to the Condensed Consolidated Financial Statements.

*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, except as shall be expressly set forth by specific reference in such filing.