

Boot Barn Holdings, Inc.  
Form 10-Q  
February 09, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the Quarterly Period Ended December 27, 2014**

**or**

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

**For the Transition Period from                      to**

**Commission File Number: 001-36711**

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## BOOT BARN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

**Delaware**

**90-0776290**

(State or other jurisdiction of

(I.R.S. employer

incorporation or organization)

identification no.)

**15776 Laguna Canyon Road**

**92618**

**Irvine, California**

(Zip code)

(Address of principal executive offices)

**(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 ☐

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 February 1, 2015, the registrant had 25,709,194 shares of common stock outstanding, \$0.0001 par value.



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**Boot Barn Holdings, Inc. and Subsidiaries**

**Form 10-Q**

**For the Quarter Ended December 27, 2014**

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Table of Contents**Part 1. Financial Information****Item 1. Financial Statements (Unaudited)****BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

(Unaudited)

|   | December 27,<br>2014 | March 29,<br>2014 |
|---|----------------------|-------------------|
| <b>Assets</b>   |                      |                   |
| Current assets:   |                      |                   |
| Cash and cash equivalents   | \$ 3,598             | \$ 1,118          |
| Accounts receivable   | 4,512                | 2,191             |
| Inventories   | 121,855              | 102,702           |
| Prepaid expenses and other current assets   | 7,509                | 8,685             |
| Total current assets  | 137,474              | 114,696           |
| Property and equipment, net   | 27,025               | 21,450            |
| Goodwill  | 93,097               | 93,097            |
| Intangible assets, net  | 57,761               | 59,723            |
| Other assets  | 1,679                | 2,897             |
| Total assets  | \$ 317,036           | \$ 291,863        |
| <b>Liabilities and stockholders' equity</b>   |                      |                   |
| Current liabilities:  |                      |                   |
| Line of credit  | \$ 32,043            | \$ 28,624         |
| Accounts payable  | 42,247               | 36,029            |
| Accrued expenses and other current liabilities  | 33,186               | 20,763            |
| Current portion of notes payable  | 480                  | 1,000             |
| Total current liabilities   | 107,956              | 86,416            |
| Deferred taxes  | 20,564               | 19,960            |
| Long-term portion of notes payable  | 46,968               | 98,500            |
| Other liabilities   | 3,470                | 2,412             |
| Total liabilities   | 178,958              | 207,288           |
| Commitments and contingencies (Note 7)  |                      |                   |
| Stockholders' equity:   |                      |                   |
| Common stock, \$0.0001 par value; December 27, 2014 - 100,000 shares authorized, 25,709 shares issued and outstanding; March 29, 2014 - 100,000 shares authorized, 18,929 shares issued and outstanding | 3                    | 2                 |
| Preferred stock, \$0.0001 par value; 10,000 shares authorized, no shares issued or outstanding  |                      |                   |

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|   |            |            |
|---|------------|------------|
| Additional paid-in capital                          | 126,959    | 78,834     |
| Retained earnings                                   | 11,116     | 1,652      |
| Total Boot Barn Holdings, Inc. stockholders' equity | 138,078    | 80,488     |
| Non-controlling interest                            |            | 4,087      |
| Total stockholders' equity                          | 138,078    | 84,575     |
| Total liabilities and stockholders' equity          | \$ 317,036 | \$ 291,863 |

*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)

|   | <b>Thirteen Weeks Ended</b> |                     | <b>Thirty-Nine Weeks Ended</b> |                     |
|---|-----------------------------|---------------------|--------------------------------|---------------------|
|   | <b>December 27,</b>         | <b>December 28,</b> | <b>December 27,</b>            | <b>December 28,</b> |
|   | <b>2014</b>                 | <b>2013</b>         | <b>2014</b>                    | <b>2013</b>         |
| Net sales   | \$ 130,523                  | \$ 115,438          | \$ 299,404                     | \$ 257,382          |
| Cost of goods sold                                | 84,367                      | 75,474              | 198,605                        | 170,827             |
| Amortization of inventory fair value adjustment   |                             | 288                 |                                | 867                 |
| Total cost of goods sold                          | 84,367                      | 75,762              | 198,605                        | 171,694             |
| Gross profit                                      | 46,156                      | 39,676              | 100,799                        | 85,688              |
| Operating expenses:                               |                             |                     |                                |                     |
| Selling, general and administrative expenses      | 28,299                      | 26,604              | 73,167                         | 69,310              |
| Acquisition-related expenses                      |                             |                     |                                | 671                 |
| Total operating expenses                          | 28,299                      | 26,604              | 73,167                         | 69,981              |
| Income from operations                            | 17,857                      | 13,072              | 27,632                         | 15,707              |
| Interest expense, net                             | 4,177                       | 2,244               | 9,755                          | 9,528               |
| Other income, net                                 | 12                          | 12                  | 37                             | 23                  |
| Income before income taxes                        | 13,692                      | 10,840              | 17,914                         | 6,202               |
| Income tax expense                                | 4,929                       | 4,167               | 6,794                          | 2,434               |
| Net income  | 8,763                       | 6,673               | 11,120                         | 3,768               |
| Net income attributed to non-controlling interest |                             | 334                 | 4                              | 189                 |
| Net income attributed to Boot Barn Holdings, Inc. | \$ 8,763                    | \$ 6,339            | \$ 11,116                      | \$ 3,579            |
| Earnings per share:                               |                             |                     |                                |                     |
| Basic shares                                      | \$ 0.37                     | \$ 0.33             | \$ 0.46                        | \$ 0.19             |
| Diluted shares                                    | \$ 0.36                     | \$ 0.33             | \$ 0.45                        | \$ 0.19             |
| Weighted average shares outstanding:              |                             |                     |                                |                     |
| Basic shares                                      | 23,704                      | 18,929              | 20,928                         | 18,929              |
| Diluted shares                                    | 24,556                      | 19,432              | 21,599                         | 19,273              |

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

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**BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

(In thousands)

(Unaudited)

|  | Common Stock<br>Shares | Common Stock<br>Amount |    | Additional<br>Paid-In<br>Capital |    | Retained<br>Earnings |    | Noncontrolling<br>Interest |    | Total    |
|--|------------------------|------------------------|----|----------------------------------|----|----------------------|----|----------------------------|----|----------|
| Balance at March 29, 2014              | 18,929                 | \$ 2                   | \$ | 78,834                           | \$ | 1,652                | \$ | 4,087                      | \$ | 84,575   |
| Net income                             |                        |                        |    |                                  |    | 11,116               |    | 4                          |    | 11,120   |
| Dividend paid                          |                        |                        |    | (39,648)                         |    | (1,652)              |    |                            |    | (41,300) |
| Reorganization and issuance of stock   | 1,000                  |                        |    | 4,091                            |    |                      |    | (4,091)                    |    |          |
| Issuance of stock in IPO, net of costs | 5,750                  | 1                      |    | 82,223                           |    |                      |    |                            |    | 82,224   |
| Issuance of restricted stock awards    | 30                     |                        |    |                                  |    |                      |    |                            |    |          |
| Stock-based compensation expense       |                        |                        |    | 1,459                            |    |                      |    |                            |    | 1,459    |
| Balance at December 27, 2014           | 25,709                 | \$ 3                   | \$ | 126,959                          | \$ | 11,116               | \$ |                            | \$ | 138,078  |

*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)

|   | <b>Thirty-Nine Weeks Ended</b> |                     |
|---|--------------------------------|---------------------|
|   | <b>December 27,</b>            | <b>December 28,</b> |
|   | <b>2014</b>                    | <b>2013</b>         |
| <b>Cash flows from operating activities</b>                                       |                                |                     |
| Net income  | \$ 11,120                      | \$ 3,768            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |                     |
| Depreciation  | 4,481                          | 2,872               |
| Stock-based compensation  | 1,459                          | 889                 |
| Amortization of intangible assets   | 1,962                          | 2,903               |
| Amortization of deferred loan fees  | 2,218                          | 2,368               |
| Loss on disposal of property and equipment  | 113                            | 804                 |
| Accretion of above market leases  | (126)                          | (178)               |
| Deferred taxes  | 604                            | 338                 |
| Amortization of inventory fair value adjustment                                   |                                | 867                 |
| Changes in operating assets and liabilities:                                      |                                |                     |
| Accounts receivable   | (2,321)                        | (1,177)             |
| Inventories   | (19,153)                       | (13,018)            |
| Prepaid expenses and other current assets   | 1,176                          | 93                  |
| Other assets  | (166)                          | 32                  |
| Accounts payable  | 5,647                          | 7,997               |
| Accrued expenses and other current liabilities                                    | 12,423                         | 9,601               |
| Other liabilities   | 1,148                          | 271                 |
| Net cash provided by operating activities   | 20,585                         | 18,430              |
| <b>Cash flows from investing activities</b>                                       |                                |                     |
| Purchases of property and equipment   | (9,562)                        | (9,659)             |
| Proceeds from sale of property and equipment                                      |                                | 16                  |
| Purchase of trademark rights  |                                | (200)               |
| Acquisition of business, net of cash acquired                                     |                                | (13,980)            |
| Net cash used in investing activities   | (9,562)                        | (23,823)            |
| <b>Cash flows from financing activities</b>                                       |                                |                     |
| Line of credit - net  | 3,419                          | (149)               |
| Proceeds from loan borrowings   | 30,750                         | 100,000             |
| Debt issuance fees  | (776)                          | (3,350)             |
| Repayments on debt and capital lease obligations                                  | (82,860)                       | (69,799)            |
| Net proceeds from initial public offering   | 82,224                         |                     |
| Dividends paid  | (41,300)                       |                     |
| Repayment of debt in connection with acquisition                                  |                                | (20,078)            |
| Net cash (used in) provided by financing activities                               | (8,543)                        | 6,624               |
| Net increase in cash and cash equivalents   | 2,480                          | 1,231               |
| Cash and cash equivalents, beginning of period                                    | 1,118                          | 1,190               |
| Cash and cash equivalents, end of period  | \$ 3,598                       | \$ 2,421            |

**Supplemental disclosures of cash flow information:**

|                            |    |       |    |       |
|----------------------------|----|-------|----|-------|
| Cash paid for income taxes | \$ | 3,347 | \$ | 1,002 |
| Cash paid for interest     | \$ | 7,818 | \$ | 7,079 |

**Supplemental disclosure of non-cash activities:**

|  |    |     |    |     |
|--|----|-----|----|-----|
| Unpaid purchases of property and equipment | \$ | 702 | \$ | 276 |
| Equipment acquired through capital lease   | \$ | 36  | \$ | 28  |

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

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**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. The equity of the Company consisted of 100,000,000 authorized shares and 25,709,194 issued and outstanding shares of common stock as of December 27, 2014. The shares of common stock have voting rights of one vote per share.

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. As a result of this reorganization, Boot Barn, Inc. became a direct wholly owned subsidiary of the Company, and the minority stockholders that formerly held 5.0% of Boot Barn Holding Corporation were issued a total of 1,000,000 of common stock and became holders of 5.0% of the Company. Net income attributed to non-controlling interest was recorded for all periods through June 9, 2014. Subsequent to June 9, 2014, there were no noncontrolling interests. On June 10, 2014, the legal name of the Company was changed from WW Top Investment Corporation to Boot Barn Holdings, Inc.

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 166 stores in 26 states as of December 27, 2014 and 152 stores in 23 states as of March 29, 2014. As of December 27, 2014, 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 consolidated financial statements as of and for the thirteen weeks and thirty-nine weeks ended December 27, 2014 and December 28, 2013 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) and Baskins Acquisition Holdings, LLC (Baskins). 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 March 28, 2015.

***Fiscal Periods***

The Company reports its results of operations and cash flows on a 52- or 53-week basis, and its fiscal year ends on the Saturday closest to March 31. The years ending March 28, 2015 ( fiscal 2015 ) and March 29, 2014 ( fiscal 2014 ) each consist of 52 weeks. Fiscal quarters contain thirteen weeks, with the exception of the fourth quarter of a 53-week fiscal year, which contains fourteen weeks. The third quarters of fiscal 2015 and fiscal 2014 ended on December 27, 2014 and December 28, 2013, respectively.

***Amendment of Certificate of Incorporation***

On October 19, 2014, the Company's board of directors authorized the amendment of its certificate of incorporation to increase the number of shares that the Company is authorized to issue to 100,000,000 shares of common stock, par value \$0.0001 per share. In addition, the amendment of the certificate of incorporation

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authorized the Company to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share, and effect a 25-for-1 stock split of its outstanding common stock. The amendment became effective on October 27, 2014. Accordingly, all common share and per share amounts in these condensed consolidated financial statements have been adjusted to reflect the increase in authorized shares and the 25-for-1 stock split as though it had occurred at the beginning of the initial period presented.

***Initial Public Offering***

On October 29, 2014, the Company commenced its initial public offering ( IPO ) of 5,000,000 shares of its common stock. In addition, on October 31, 2014, the underwriters of the IPO exercised their option to purchase an additional 750,000 shares of common stock from the Company. As a result, 5,750,000 shares of common stock were issued and sold by the Company at a price of \$16.00 per share.

As a result of the IPO, the Company received net proceeds of approximately \$82.2 million, after deducting the underwriting discount of \$6.4 million and related fees and expenses of \$3.3 million. The Company used the net proceeds from the IPO to pay down the principal balance of its term loan with Golub Capital LLC. See Note 5, Revolving Credit Facilities and Long-Term Debt .

**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 final prospectus filed with the Securities and Exchange Commission (the SEC ) on October 30, 2014. Presented below in the following notes is supplemental information that should be read in conjunction with those consolidated financial statements.

***Comprehensive Income***

The Company does not have any components of other comprehensive income recorded within its 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 website. All 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. As of December 27, 2014, the Company had identified no indicators of impairment with respect to its goodwill, intangible and long-lived asset balances. To the extent actual results differ from those estimates, the Company's future results of operations may be affected. The Company performs its annual goodwill impairment test on the first day of the fourth fiscal quarter, or more frequently if it believes that indicators of impairment exist.

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***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 at the measurement date. ASC 820 establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
  
- Level 2 uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates 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.

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 as of December 27, 2014 on a recurring basis.

***Recent Accounting Pronouncements***

In July 2013, the FASB issued Accounting Standards Update ( ASU ) No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) . The amendments in this ASU provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. An unrecognized tax benefit should be

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presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward with certain exceptions, in which case such an unrecognized tax benefit should be presented in the financial statements as a liability. The amendments in this ASU do not require new recurring disclosures. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Companies may choose to apply this guidance retrospectively to each prior reporting period presented. The Company adopted this ASU on March 30, 2014, and the adoption of this guidance did not have a material impact on its consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment and Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity . The ASU amendment changes the requirements for reporting discontinued operations in Subtopic 205-20. The amendment is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. Based on the Company's evaluation of the ASU, its adoption of this update is not expected to have a material impact on the Company's financial position or results of operation.



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In May 2014, the FASB issued ASU No. 2014-09, "Revenue From Contracts with Customers". The ASU amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. The Company is required to adopt this new standard for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The new revenue accounting standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued an amendment to the accounting guidance related to the evaluation of an entity's ability to continue as a going concern. The amendment establishes management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern in connection with preparing financial statements for each annual and interim reporting period. The update also gives guidance to determine whether to disclose information about relevant conditions and events when there is substantial doubt about an entity's ability to continue as a going concern. This guidance will be effective for the Company as of December 15, 2016. The new guidance is not expected to have an impact on our financial position, results of operations, or cash flows.

### **3. Business Combinations**

#### ***Baskins Acquisition Holdings, LLC***

Effective May 25, 2013, the Company completed the acquisition of 100% of the member interests in Baskins, including 30 stores and an online retail website. Baskins was a specialty western retailer with stores in Texas and Louisiana, and the acquisition expanded the Company's operations into these core markets. All of the acquired Baskins stores were subsequently converted into Boot Barn stores. The goodwill represents the additional amounts paid in order to expand the Company's geographical presence.

The acquisition-date fair value of the consideration transferred totaled \$37.7 million, which consisted of \$36.0 million in cash and \$1.7 million of contingent consideration. The \$36.0 million of cash included \$13.7 million paid to the members of Baskins, \$2.2 million paid into an escrow account and \$20.1 million to repay Baskins' outstanding debt. These payments were partially offset by \$1.9 million, which represents the amount of cash on hand immediately prior to the closing of the acquisition. Claims against the escrow account could have been made until November 30, 2014. However, no claims were made as of that date, and the escrow funds were released during the thirteen weeks ended December 27, 2014.

The Company was obligated to make additional earnout payments, contingent on the achievement of milestones relating to 12-month store sales associated with three new stores for the periods beginning January 24, 2013, January 31, 2013 and February 20, 2013 at each of the three stores. The maximum amount payable upon achievement of the milestones was \$2.1 million. Each of the milestones was achieved, and the Company made a cash payment of \$2.1 million in the fourth quarter of fiscal 2014. As of the acquisition date, the Company estimated that these earnout payments would be \$1.7 million, based on then existing facts and circumstances. The estimated fair value of this earnout was determined by using revenue projections and applying a discount rate to reflect the risk of the underlying conditions not being satisfied, such that no payment would be due. The fair value measurement of the earnout was based primarily on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. A total of \$0.4 million from the revaluation of contingent consideration was recorded in the fourth quarter of fiscal 2014 to selling, general and administrative expenses in the Company's consolidated statement of operations.



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The total fair value of consideration transferred for the acquisition was allocated to the net tangible and intangible assets based upon the Company's estimate of their 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 is deductible for income tax purposes. 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 (in thousands):

**At May 25, 2013**  
**(Level 3)**

|                             |    |        |
|-----------------------------|----|--------|
| <b>Assets acquired:</b>     |    |        |
| Cash and cash equivalents   | \$ | 1,935  |
| Current assets              |    | 22,083 |
| Property and equipment, net |    | 5,850  |
| Intangible assets acquired  |    | 5,006  |
| Goodwill                    |    | 15,064 |
| Other assets                |    | 109    |
| Total assets acquired       |    | 50,047 |
| <b>Liabilities assumed:</b> |    |        |
| Other current liabilities   |    | 12,119 |
| Line of credit - current    |    | 10,259 |
| Notes payable - current     |    | 9,819  |
| Contingent consideration    |    | 1,740  |
| Above-market leases         |    | 83     |
| Capital lease obligation    |    | 138    |
| Total liabilities assumed   |    | 34,158 |
| Total purchase price        | \$ | 15,889 |

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, with the exception of customer lists, which are amortized based on the estimated attrition rate. The period of amortization for trademarks is six months, non-compete agreements is four years, customer lists is five years, and below-market leases is four to 18 years. For leases under market rent, amortization is based on the discounted future benefits from lease payments under market rents.

Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred. The Company incurred \$0.7 million of acquisition-related costs during the thirty-nine weeks ended December 28, 2013. The amount of net revenue and net income of Baskins included in the Company's condensed consolidated statements of operations from the acquisition date to December 28, 2013 were \$41.9 million and \$3.3 million, respectively.

***Supplemental As Adjusted Data (Unaudited)***

The unaudited as adjusted statements of operations data below gives effect to the Baskins acquisition, as well as the Company's acquisition of RCC on August 31, 2012, as if they had all occurred as of March 30, 2013. These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Baskins, RCC and Boot Barn Holding Corporation to reflect the effects of amortization of purchased intangible assets and acquired inventory valuation step-up, additional financing as of April 3, 2011 in order to complete the acquisitions, income tax expense and other transaction costs directly associated with the acquisitions such as legal, accounting and banking fees. 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 acquired entities are derived from their books and records prepared prior to

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the acquisition. 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 acquisitions taken place as of the date noted above.

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*As adjusted net sales (Unaudited)*

|                         |    | Thirty-Nine Weeks Ended<br>December 28, 2013 |
|-------------------------|----|--|
| (in thousands)          |    |  |
| Net sales (as reported) | \$ | 257,382                                      |
| Baskins                 |    | 8,290  |
| As adjusted net sales   | \$ | 265,672                                      |

*As adjusted net income (Unaudited)*

|                               |    | Thirty-Nine weeks ended<br>December 28, 2013 |
|-------------------------------|----|--|
| (in thousands)                |    |  |
| Net income (as reported)      | \$ | 3,768  |
| Baskins                       |    | 831  |
| RCC                           |    | (821)  |
| Boot Barn Holding Corporation |    | 2,593  |
| As adjusted net income        | \$ | 6,371  |

**4. Intangible Assets, Net**

Net intangible assets as of December 27, 2014 and March 29, 2014 consisted of the following (in thousands):

|                                |                             | December 27, 2014           |     |        |
|--------------------------------|-----------------------------|-----------------------------|-----|--------|
|                                | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net |        |
| Trademarks                     | \$ 2,490                    | \$ (2,490)                  | \$  |        |
| Customer list                  | 7,300                       | (4,038)                     |     | 3,262  |
| Non-compete agreements         | 1,380                       | (723)                       |     | 657    |
| Below-market leases            | 5,318                       | (1,576)                     |     | 3,742  |
| Total definite lived           | 16,488                      | (8,827)                     |     | 7,661  |
| Trademarks-indefinite<br>lived | 50,100                      |                             |     | 50,100 |
| Total intangible assets        | \$ 66,588                   | \$ (8,827)                  | \$  | 57,761 |

|  |                             | March 29, 2014              |     |  |
|--|-----------------------------|-----------------------------|-----|--|
|  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net |  |

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|                             |    |        |    |         |    |        |
|-----------------------------|----|--------|----|---------|----|--------|
| Trademarks                  | \$ | 2,490  | \$ | (2,490) | \$ |        |
| Customer list               |    | 7,300  |    | (2,732) |    | 4,568  |
| Non-compete agreements      |    | 1,380  |    | (500)   |    | 880    |
| Below-market leases         |    | 5,318  |    | (1,143) |    | 4,175  |
| Total definite lived        |    | 16,488 |    | (6,865) |    | 9,623  |
| Trademarks-indefinite lived |    | 50,100 |    |         |    | 50,100 |
| Total intangible assets     | \$ | 66,588 | \$ | (6,865) | \$ | 59,723 |

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Amortization expense for intangible assets totaled \$0.6 million and \$1.0 million for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively, and \$2.0 million and \$2.9 million for the thirty-nine weeks ended December 28, 2013, respectively, and is included in selling, general and administrative expenses.

As of December 27, 2014, estimated future amortization of intangible assets was as follows (in thousands):

**Fiscal year**

|            |    |       |
|------------|----|-------|
| 2015       | \$ | 631   |
| 2016       |    | 2,324 |
| 2017       |    | 1,772 |
| 2018       |    | 777   |
| 2019       |    | 438   |
| Thereafter |    | 1,719 |
| Total      | \$ | 7,661 |

**5. Revolving Credit Facilities and Long-Term Debt*****Revolving Credit Facility (PNC Bank, N.A.)***

On December 11, 2011, the Company obtained a collateral-based revolving line of credit with PNC Bank, N.A. (the "PNC Line of Credit"), which the Company amended on August 31, 2012 and May 31, 2013. The PNC Line of Credit includes a \$5.0 million sub-limit for letters of credit. Subject to certain terms and conditions, PNC Bank, N.A. is committed to increase the facility by an additional \$10.0 million at our request. On April 15, 2014, the Company amended the PNC Line of Credit to increase the borrowing capacity from \$60.0 million to up to \$70.0 million. On November 5, 2014, the Company amended the PNC Line of Credit to (a) permit certain addbacks to the definition of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") relating to expenses incurred in connection with the Company's recently completed IPO and the preparation of the PNC Line of Credit amendment, (b) revise the "Change of Control" definition and the covenant restricting certain equity issuances to be more customary for a publicly traded company, (c) delete the equity cure provisions and (d) change the financial statement reporting requirements, and timing to align with the Securities and Exchange Commission disclosure requirements. All other material terms of the PNC Line of Credit remained unchanged following each of the amendments.

The PNC Line of Credit is to be used for working capital and general corporate purposes, and has a maturity date of May 31, 2018. The available borrowing under the PNC Line of Credit is based on the collective value of eligible inventory and credit card receivables multiplied by specific advance rates, and is recalculated monthly. The PNC Line of Credit bears interest at (1) 0.75% if the amount of borrowings are less than 60% of the maximum borrowing capacity or 1.00% if the total borrowings are greater than 60% of the maximum borrowing capacity, plus (2) the highest of the bank's public lending rate, federal funds open rate plus 0.50%, or the LIBOR rate for a period of one month plus 1.00%. The Company can also elect to use the Eurodollar rate plus 0.75% if the amount of borrowings is less than 60% of the maximum borrowing capacity or 1.00% if the total borrowings are greater than 60% of the maximum borrowing capacity. As of December 27, 2014, the total amount available to borrow was \$38.0 million and the outstanding balance was \$32.0 million. The outstanding borrowings as of December 27, 2014 consisted of \$30.0 million outstanding at a rate of 1.91% and \$2.0 million outstanding at a rate of 4.0%. Total interest expense incurred on the PNC Line of Credit for the thirteen and thirty-nine weeks ended December 27, 2014 was \$0.9 million and \$1.5 million, respectively.

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The PNC Line of Credit includes certain financial and nonfinancial covenants. The financial covenants include a minimum fixed charge coverage ratio only when excess availability falls below specified floor levels, while nonfinancial covenants include restrictions on a number of other activities. The Company was in compliance with its financial and non-financial covenants as of December 27, 2014.



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***Term Loan Due May 2019 (Golub Capital LLC)***

The Company entered into a loan and security agreement with Golub Capital LLC on May 31, 2013, as amended by the first amendment to term loan and security agreement dated September 23, 2013 (the "Golub Loan"). On April 14, 2014, the Company entered into an amended and restated term loan and security agreement for the Golub Loan. The amended and restated loan and security agreement increased the borrowings on the Golub Loan from \$99.2 million to \$130.0 million, with the proceeds used to fund a portion of the \$41.3 million dividend to stockholders and cash payment to holders of vested options that was paid in April 2014. See Note 6, "Stock-Based Compensation". On November 5, 2014, the Company amended the Golub Loan to (a) permit certain addbacks to the definition of EBITDA relating to expenses incurred in connection with the Company's recently completed IPO and the preparation of the Golub Loan amendment, (b) revise the "Change of Control" definition and the covenant restricting certain equity issuances to be more customary for a publicly traded company, (c) delete the equity cure provisions and (d) change the financial statement deliverable requirements, and timing to align with the Securities and Exchange Commission disclosure requirements. In addition, the Golub amendment reduced the applicable LIBOR Floor to from 1.25% to 1.00% which changed the current interest rate from 7.00% to 6.75%. All other material terms of the Golub Loan remained unchanged following each of the amendments.

The obligations under the Golub Loan are secured by substantially all of the Company's assets and the Company's guarantors' assets. A provision allowing the Company to conduct an initial public offering was also added to the amended and restated loan and security agreement. Effective with the principal payment due on December 31, 2014, principal is payable in quarterly installments of \$119,953 made each calendar quarter and ending on the maturity date of May 31, 2019, with the remaining balance due at maturity, as well as certain customary mandatory prepayments at the lender's discretion, including a specified portion of annual "excess cash flow", as defined in the Golub Loan agreement. All other material terms of the Golub Loan remain unchanged from the May 31, 2013 Golub Loan. The outstanding balance of the Golub Loan was \$47.4 million at December 27, 2014.

Interest on the Golub Loan is paid quarterly and is calculated on either a base rate or the LIBOR rate. The base rate is a floating interest rate that is the sum of 4.75% plus the higher of (1) the prime rate, (2) the one-month LIBOR rate plus 1% with a LIBOR floor of 1.25% or (3) the Federal Funds rate, plus 50 basis points. The LIBOR rate is 5.75%, plus the LIBOR rate for a period of one, two, three, six, or, if available to all lenders, nine or 12 months (with a LIBOR floor of 1.25% prior to the most recent amendment, and currently 1.00%), as elected by the Company. Interest is payable quarterly in arrears on the last day of each quarter. Interest charges are computed on the actual principal outstanding. As of December 27, 2014, the interest rate on the Golub Loan was 6.75%. Total interest expense incurred on the Golub Loan was \$1.4 million and \$6.0 million for the thirteen and thirty-nine weeks ended December 27, 2014, respectively.

The Golub Loan requires the Company to meet certain financial and non-financial covenants. Financial covenants include a minimum interest coverage ratio and a maximum total leverage ratio. In addition, the loan agreement also limits the amount that the Company can spend on capital expenditures per year. The Golub Loan also requires, at the lender's discretion, that 50% of the Company's excess cash flow, as defined in the Golub Loan agreement, be used to make prepayments of outstanding loan amounts. The Company is also subject to early termination fees in certain instances of voluntary prepayments of the Golub Loan in excess of \$10.0 million. The Company was in compliance with all of its financial and non-financial covenants as of December 27, 2014.

If there is an event of default under the Golub Loan, the principal and the interest accrued thereon may be declared immediately due and payable, subject to certain conditions set forth in the amended and restated term loan and security agreement. Events of default under the Golub Loan include, but are not limited to, the Company becoming delinquent in making certain payments due under the Golub Loan, the Company incurring certain events of default with respect to other indebtedness or obligations, the Company undergoing a change in control or the Company becoming subject to certain bankruptcy proceedings or orders. As of December 27, 2014, no events of default had occurred.

***Principal Payment On Golub Loan***

On November 5, 2014, the Company used \$81.9 million of the net proceeds from the IPO to repay a portion of the principal balance on the Golub Loan. The Company incurred a pre-payment penalty of \$0.6 million and accelerated amortization of deferred loan fees of \$1.7 million, which was recorded to interest expense during the thirteen weeks ended December 27, 2014.

Table of Contents***\$20 Million Term Loan (PNC Bank, N.A.)***

The Company entered into a loan and security agreement with PNC Bank N.A. on December 11, 2011, as amended by the first amendment to term loan agreement dated August 31, 2012 (the "PNC Term Loan"). The PNC Term Loan included a term loan facility of \$20.0 million. Interest accrued on outstanding amounts under the PNC Term Loan at the rate of 7.5% per annum, due monthly. Effective October 1, 2012, monthly principal payments of \$166,667 were required. In connection with the closing of the Golub Loan in May 2013, the Company converted all outstanding amounts on the PNC Term Loan to borrowings under the PNC Line of Credit.

***Senior Subordinated Term Loans (Related Party Term Loans)***

On December 11, 2011, the Company obtained senior subordinated term loans from certain subordinated lenders, in the aggregate amount of \$25.0 million, bearing interest at the rate of 12.5%, due quarterly. The subordinated lenders were related parties. On August 31, 2012, the Company borrowed an additional \$25.5 million from the subordinated lenders. See Note 9, "Related Party Transactions". In connection with the closing of the Golub Loan in May 2013, the Company paid off all outstanding amounts on its senior subordinated term loans.

***Deferred Loan Fees***

The Company incurred approximately \$4.1 million of deferred loan fees related to the issuance of the Golub Loan and the PNC Line of Credit, which are being amortized to interest expense using the effective interest method over the term of the loan through May 31, 2019. The remaining balance of deferred loan fees as of December 27, 2014 is \$1.4 million, and is included in prepaid expenses and other current assets (current portion) and other assets (long-term portion) on the condensed consolidated balance sheet.

***Aggregate Contractual Maturities***

Aggregate contractual maturities for the Company's line of credit and long-term debt as of December 27, 2014

are as follows (in thousands):

**Fiscal year**

|            |    |        |
|------------|----|--------|
| 2015       | \$ | 120    |
| 2016       |    | 480    |
| 2017       |    | 480    |
| 2018       |    | 480    |
| 2019       |    | 32,523 |
| Thereafter |    | 45,408 |
| Total      | \$ | 79,491 |

**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 to purchase up to a total of 3,750,000 shares of common stock. As of December 27, 2014, all awards granted by the Company 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 (the "2014 Plan"). The 2014 Plan authorizes the Company to issue awards to employees, consultants and directors with respect to a total of 1,600,000 shares of common stock, par value \$0.0001 per share. All awards granted by the Company to date have been nonqualified stock options or restricted stock awards.

Table of Contents***Pro Rata Cash Dividend, Cash Payment to Holders of Vested Options and Adjustment to Exercise Price of Unvested Options***

On April 11, 2014, the Company declared and subsequently paid a pro rata cash dividend to its stockholders totaling \$39.9 million, made a cash payment of \$1.4 million to holders of vested options, and lowered the exercise price of 1,918,550 unvested options by \$2.00 per share. The cash payments totaling \$41.3 million reduced retained earnings to zero and reduced additional paid-in capital by \$39.7 million. The 2011 Plan has nondiscretionary antidilution provisions that require the fair value of the option awards to be equalized in the event of an equity restructuring. Consequently, the board of directors of the Company was obligated under the antidilution provisions to approve the reduction of the exercise price on the unvested options and make the cash payment to the holders of vested options. No incremental stock-based compensation expense was recognized for the dividend for the vested options or reduction in exercise price for the unvested options.

***Non-Qualified Stock Options***

During the thirteen and thirty-nine weeks ended December 27, 2014, the Company granted certain members of management options to purchase a total of 124,650 shares (all under the 2014 Plan) and 237,500 shares of common stock, respectively. The total grant date fair value of stock options granted during the thirteen and thirty-nine weeks ended December 27, 2014 was \$0.9 million and \$2.4 million, respectively, with grant date fair values ranging from \$6.08 to \$7.79 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 \$9.40 and \$16.00 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. If those market price targets are achieved, 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%        |

During the thirteen and thirty-nine weeks ended December 28, 2013, the Company granted certain members of management options to purchase a total of 112,500 shares and 312,500 shares of common stock, respectively, under the 2011 Plan. The total grant date fair value of the stock options during the thirteen and thirty-nine weeks ended December 28, 2013 was \$0.7 million and \$2.1 million, respectively, with grant date fair values ranging from \$6.64 to \$6.92 per share. The Company is recognizing the expense relating to these stock option on a straight-line basis over the five-year service period of the awards. The exercise prices of these awards range between \$7.18 and \$8.16 per share.

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The fair values of stock options granted during the thirteen and thirty-nine weeks ended December 27, 2014 and December 28, 2013 were estimated on the grant dates using the following assumptions:

|                                   | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|-----------------------------------|----------------------|----------------------|-------------------------|----------------------|
|                                   | December 27,<br>2014 | December 28,<br>2013 | December 27,<br>2014    | December 28,<br>2013 |
| Expected option term(1)           | 6.5 years            | 6.5 years            | 6.5 years               | 6.5 years            |
| Expected volatility factor(2)     | 38.6% - 55.0%        | 56.0%                | 38.6% - 56.0%           | 56.0%                |
| Risk-free interest rate(3)        | 1.7% - 1.8%          | 1.9%                 | 1.7% - 2.0%             | 1.9% - 2.0%          |
| Expected annual dividend yield(4) | 0%                   | 0%                   | 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.

(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.

(4) The board of directors paid a dividend to stockholders in April 2014. The Company's board of directors does not plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

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.

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 market value per share at December 27, 2014 was \$18.42. The following table summarizes the stock award activity for the thirty-nine weeks ended December 27, 2014 (aggregate intrinsic value in thousands):

|                                 | Stock<br>Options | Grant Date<br>Weighted-<br>Average<br>Exercise<br>Price(1) | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (in Years) | Aggregate<br>Intrinsic<br>Value |
|---------------------------------|------------------|--|--|---------------------------------|
| Outstanding at March 29, 2014   | 2,515,000        | \$ 5.97  |  |                                 |
| Granted                         | 362,150          | \$ 12.21   |  |                                 |
| Cancelled, forfeited or expired |                  | \$   |  |                                 |

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|  |           |    |      |     |    |        |
|--|-----------|----|------|-----|----|--------|
| Outstanding at December 27, 2014                 | 2,877,150 | \$ | 6.76 | 7.7 | \$ | 33,556 |
| Vested and expected to vest at December 27, 2014 | 2,877,150 | \$ | 6.76 | 7.7 | \$ | 33,556 |
| Exerciseable at December 27, 2014                | 962,850   | \$ | 6.61 | 7.4 | \$ | 11,372 |

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(1) The grant date weighted-average exercise price reflects the reduction of the exercise price by \$2.00 per share for the 1,918,550 unvested options that were part of the April 2014 dividend discussed above.

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A summary of the status of non-vested stock options as of December 27, 2014 and changes during the thirty-nine weeks ended December 27, 2014 is presented below:

|                                | Shares    | Weighted-Average<br>Grant Date<br>Fair Value |
|--------------------------------|-----------|--|
| Nonvested at March 29, 2014    | 1,793,550 | \$ 3.55                                      |
| Granted                        | 362,150   | \$ 6.55                                      |
| Vested                         | (241,400) | \$ 4.63                                      |
| Nonvested shares forfeited     |           | \$   |
| Nonvested at December 27, 2014 | 1,914,300 | \$ 3.98                                      |

### ***Restricted Stock Awards***

During the thirteen and thirty-nine weeks ended December 27, 2014, the Company granted 30,313 restricted shares of common stock to various employees and one member of its Board of Directors under the 2014 Plan. The shares granted to employees vest in four equal annual installments beginning on the grant date, provided that the respective award recipient continues to be employed by the Company through each of those dates. The shares granted to the member of the Board of Directors vest in full upon the one-year anniversary of the date of grant, provided that the Board member continues to serve of the Board of Directors through that date. The grant date fair value of these awards totaled \$0.5 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.

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

Stock-based compensation expense was \$0.5 million and \$0.3 million for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively and \$1.5 million and \$0.9 million for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, 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 27, 2014 and December 28, 2013, respectively, and \$0.3 million and \$0.2 million for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, 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 27, 2014, there was \$7.3 million of total unrecognized stock-based compensation expense related to unvested stock options and restricted stock awards. This cost has a weighted-average remaining recognition period of 2.2 years.

## **7. Commitments and Contingencies**

As of December 27, 2014, the Company had employment agreements with three key officers of the Company. One of the employment agreements expires in November 2015. This agreement automatically renews for successive one-year terms and will continue to do so unless otherwise terminated. The two other employment agreements do not expire. These employment agreements, together with a letter agreement between one of these officers and the Company, provide for minimum salary levels and incentive bonuses that are payable under certain



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business conditions, as well as guaranteed payments in the event of termination of employment in certain circumstances. The future amounts payable under these employment agreements and letter agreement have not been recorded in the condensed consolidated financial statements as of December 27, 2014 and March 29, 2014.

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, if any. 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, cash flows or liquidity.

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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, statements of operations or cash flows as the impact is expected to be immaterial.

**8. Income Taxes**

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

The 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 effective income tax rate was 36.0% and 38.4% for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively, and 37.9% and 39.2% for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, respectively. The effective tax rates for the thirteen and thirty-nine weeks ended December 27, 2014 are lower than their comparable periods in fiscal 2014 due to discrete items recognized in the first and third quarters of fiscal 2015 relating to return to provision adjustments. 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 27, 2014, 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 27, 2014 the Company is not aware of tax examinations (current or potential) in any tax jurisdictions.

**9. Related Party Transactions**

*Leases and Other Transactions*

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The Company has a lease agreement for one of its stores at a location owned by one minority stockholder of the Company. The Company paid less than \$0.1 million for these leases during both of the thirteen weeks ended December 27, 2014 and December 28, 2013, and \$0.1 million for both of the thirty-nine weeks ended December 27, 2014 and December 28, 2013. These lease payments are included in cost of goods sold in the consolidated statements of operations.

### ***Related Party Loans***

As of March 30, 2013, the Company had notes payable (see Note 5, Revolving Credit Facilities and Long-Term Debt ) to the subordinated lenders who own common stock of the Company. These notes were paid in full in May 2013. Interest and early termination fees paid to these entities totaled \$3.6 million in the thirty-nine weeks ended December 28, 2013.

Table of Contents**10. Earnings Per Share**

Earnings per share is computed under the provisions of FASB ASC Topic 260, *Earnings Per Share*. Basic earnings per share is computed based on the weighted average number of outstanding shares of common stock during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares 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 common shares at the average market price during the period. Dilutive potential shares of common stock represent outstanding stock options. The dilutive effect of stock options and restricted stock is applicable only in periods of net income.

As discussed in Note 6, *Stock-Based Compensation*, holders of vested stock options received a cash payment of \$1.4 million, which the Company deducted from net income for purposes of the earnings per share calculation to determine the net income available for common shareholders. This resulted in net income available for common stockholders of \$9.7 million for purposes of the earnings per share calculation for the thirty-nine weeks ended December 27, 2014.

The components of basic and diluted loss per share of common stock, in aggregate, for the thirteen and thirty-nine weeks ended December 27, 2014 and December 28, 2013 are as follows (in thousands, except per share amounts):

|   | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|---|----------------------|----------------------|-------------------------|----------------------|
|   | December 27,<br>2014 | December 28,<br>2013 | December 27,<br>2014    | December 28,<br>2013 |
| Net income attributed to Boot Barn Holdings, Inc. | \$ 8,763             | \$ 6,339             | \$ 11,116               | \$ 3,579             |
| Less: Cash payment to holders of vested options   | \$                   | \$                   | \$ (1,443)              | \$                   |
| Net income available for common stockholders      | \$ 8,763             | \$ 6,339             | \$ 9,673                | \$ 3,579             |
| Weighted average basic shares outstanding         | 23,704               | 18,929               | 20,928                  | 18,929               |
| Dilutive effect of stock options                  | 852                  | 503                  | 671                     | 344                  |
| Weighted average diluted shares outstanding       | 24,556               | 19,432               | 21,599                  | 19,273               |
| Basic earnings per share                          | \$ 0.37              | \$ 0.33              | \$ 0.46                 | \$ 0.19              |
| Diluted earnings per share                        | \$ 0.36              | \$ 0.33              | \$ 0.45                 | \$ 0.19              |

Options to purchase 237,150 shares and 478,692 shares of common stock were outstanding during the thirteen and thirty-nine weeks ended December 27, 2014, respectively, but were not included in the computation of weighted average diluted common shares outstanding as the effect of doing so would have been anti-dilutive. Options to purchase 611,440 shares and 1,249,380 shares of common stock were outstanding during the thirteen and thirty-nine weeks ended December 28, 2013, respectively, but were not included in the computation of weighted average diluted common shares outstanding as the effect of doing so would have been anti-dilutive.

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**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 final prospectus filed with the Securities and Exchange Commission, or SEC, on October 30, 2014. As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "company", "Boot Barn", "we", "our" and "us" refer to Boot Barn Holdings, Inc. and its subsidiaries.*

**Cautionary Statement Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "intend", "may", "plan", "project", "seek", "should", "target", "will", "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 final prospectus filed with the SEC on October 30, 2014, 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 risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors 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.

**Overview**

Boot Barn is the largest and fastest-growing lifestyle retail chain devoted to western and work-related footwear, apparel and accessories in the U.S. As of December 27, 2014, we operated 166 stores in 26 states, as well as a growing e-commerce website, bootbarn.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 approximately 200 brands and more than 1,500 styles on average, 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 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 clothing. 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.

**Baskins Acquisition**

On May 25, 2013, we acquired Baskins Acquisition Holdings, LLC, or Baskins, a western and work-related retail chain of 30 stores located in Texas and Louisiana. We refer to our acquisition of Baskins as the Baskins Acquisition. In connection with the Baskins Acquisition, we amended the Second Amended and Restated Revolving Credit and Security Agreement with PNC Bank, N.A., which we refer to as the revolving credit agreement, to increase the size of the facility to \$60.0 million and entered into our Amended and Restated Term Loan and Security

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Agreement with Golub Capital LLC, which we refer to as the term loan agreement. Upon the closing of the Baskins Acquisition, we used borrowings under our revolving credit facility and our term loan facility, to, among other things, pay the cash portion of the acquisition consideration, repay our then-existing term loan facility and mezzanine notes, including prepayment penalties, and pay fees and expenses incurred in connection with the Baskins Acquisition. Commencing on May 25, 2013, our consolidated financial statements and condensed consolidated financial statements include the financial position, results of operations and cash flows of Baskins. The purchase price has been allocated to assets acquired and liabilities assumed based on their fair values as of the closing date of the Baskins Acquisition, which has resulted in the recognition of goodwill.

Through the Baskins Acquisition, we entered the attractive Texas market, which is the number one market for western boots, apparel and accessories. All of the Baskins stores have been rebranded under the Boot Barn banner and have been merchandised to be consistent with our existing stores.

**Reorganization**

As of June 8, 2014, WW Top Investment Corporation 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. Boot Barn Holding Corporation held all of the outstanding shares of common stock of Boot Barn, Inc., which is our primary operating subsidiary. To simplify our organizational structure, we completed a reorganization on June 9, 2014, whereby WW Holding Corporation was merged with and into WW Top Investment Corporation and then Boot Barn Holding Corporation was merged with and into WW Top Investment Corporation. As a result of this reorganization, Boot Barn, Inc. became a direct wholly owned subsidiary of WW Top Investment Corporation, and the minority stockholders that formerly held 5.0% of Boot Barn Holding Corporation became holders of 5.0% of WW Top Investment Corporation. The legal name of WW Top Investment Corporation was subsequently changed to Boot Barn Holdings, Inc.

**Amendment of Certificate of Incorporation**

On October 19, 2014, our board of directors authorized the amendment of our certificate of incorporation to increase the number of shares that we are authorized to issue to 100,000,000 shares of common stock, par value \$0.0001 per share. In addition, the amendment of the certificate of incorporation authorized us to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share, and effect a 25-for-1 stock split of our outstanding common stock. The amendment became effective on October 27, 2014. Accordingly, all common share and per share amounts in this Quarterly Report on Form 10-Q have been adjusted to reflect the increase in authorize shares and the 25-for-1 stock split as though it had occurred at the beginning of the initial period presented.

**Initial Public Offering**

On October 29, 2014, we commenced our initial public offering, or IPO, of 5,000,000 shares of our common stock. In addition, on October 31, 2014, the underwriters of the IPO exercised their option to purchase an additional 750,000 shares of common stock from us. As a result, 5,750,000 shares of common stock were issued and sold by us at a price of \$16.00 per share.

**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, EBITDA and Adjusted EBITDA. See the Non-GAAP financial measures and Prospectus summary Summary consolidated financial and other data sections of our final prospectus filed with the SEC on October 30, 2014.



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*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 website. 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 website. Net sales also include shipping and handling fees for e-commerce shipments that have been delivered to the customer. Net sales are net of returns on sales during the period as well as an estimate of returns and award redemptions under our customer loyalty program 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 modestly 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 and weather patterns. The third quarter of our fiscal year, which includes the Christmas shopping season, has historically produced greater sales and disproportionately stronger operating results than the other quarters of our fiscal year. However, we believe that our sales throughout the year are more consistent than most other specialty retail chains. As a result of the dispersion of various western events throughout the year, we rely less on Christmas results than other specialty retail chains. In addition, 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*

Same store sales generally 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 first day of the first fiscal month following its 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 stores 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 store, or acquired company in the case of Baskins and RCC Western Stores, Inc., or RCC, as prepared prior to the acquisition by the acquired store or acquired company 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 and our provision for sales returns and future award redemptions from our sales in deriving net sales per store.

The term same store sales growth refers to the percentage change in our same store sales as compared to the prior comparable period. 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;

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- 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 regarding our same store sales may not be comparable to similar data made available by other retailers.

***New store openings***

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

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

***Gross profit***

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

Our gross profit is variable in nature and 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

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costs, distribution costs and occupancy costs. Any inability to obtain acceptable levels of initial markups, or a significant increase in our use of markdowns or in inventory shrinkage, or a significant increase in freight and other inventory acquisition costs could have an adverse impact on our gross profit and results of operations.

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

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

Our selling, general and administrative expenses, or 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 that our SG&A expenses will increase in future periods due to our store growth strategy and, in part, due to additional legal, accounting, insurance and other expenses that we expect to incur as a result of being a public company. In addition, we expect that compliance with the Sarbanes-Oxley Act and related rules and regulations, as they become applicable, could result in significant incremental legal, accounting and other overhead costs.

***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 non-cash or non-recurring expenses. 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.

EBITDA and Adjusted EBITDA are financial measures that are not calculated in accordance with generally accepted accounting principles, or GAAP. We define EBITDA as net income adjusted to exclude income tax expense, net interest expense and depreciation and intangible asset amortization. We define Adjusted EBITDA as EBITDA adjusted to exclude non-cash stock-based compensation, the non-cash accrual for future award redemptions, acquisition expenses, acquisition-related integration and reorganization costs, amortization of inventory fair value adjustment, loss on disposal of assets and other unusual or non-recurring expenses. We present these non-GAAP measures together below with a reconciliation of EBITDA and Adjusted EBITDA to our net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Our use of EBITDA and Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- neither EBITDA nor Adjusted EBITDA reflects income tax expense or the cash requirements to pay our taxes;
- neither EBITDA nor Adjusted EBITDA reflects our cash expenditures for capital equipment, leasehold improvements or other contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and neither EBITDA nor Adjusted EBITDA reflects capital expenditure requirements for such replacements;
- neither EBITDA nor Adjusted EBITDA reflects the interest expense or the cash requirements necessary to service interest or principal payments under our credit facilities; and
- neither EBITDA nor Adjusted EBITDA reflects changes in, or cash requirements for, our working capital needs.

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EBITDA and Adjusted EBITDA should not be considered in isolation or as alternatives to net income or any other measure of financial performance calculated and presented in accordance with GAAP. 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.

In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments in this presentation. Our presentation of EBITDA and Adjusted EBITDA does not imply that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider EBITDA and Adjusted EBITDA alongside other financial performance measures, including our net income and other GAAP results, and not rely on any single financial measure.

**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 our final prospectus filed with the SEC on October 30, 2014.

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 final prospectus filed with the SEC on October 30, 2014. As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in the Registration Statement.

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We operate on a fiscal calendar which results in a 52- or 53-week fiscal year ending on the Saturday closest to March 31. In a 52-week fiscal year, each quarter includes 13 weeks of operations; in a 53-week fiscal year, the first, second and third quarters each include 13 weeks of operations and the fourth quarter includes 14 weeks of operations. For ease of reference, we identify our fiscal years by reference to the calendar year in which the fiscal year ends.

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

|   | <b>Thirteen Weeks Ended</b>  |                              | <b>Thirty-Nine Weeks Ended</b> |                              |
|---|------------------------------|------------------------------|--------------------------------|------------------------------|
|   | <b>December 27,<br/>2014</b> | <b>December 28,<br/>2013</b> | <b>December 27,<br/>2014</b>   | <b>December 28,<br/>2013</b> |
| Net sales                                       | \$ 130,523                   | \$ 115,438                   | \$ 299,404                     | \$ 257,382                   |
| Cost of goods sold                              | 84,367                       | 75,474                       | 198,605                        | 170,827                      |
| Amortization of inventory fair value adjustment |                              | 288                          |                                | 867                          |
| Total cost of goods sold                        | 84,367                       | 75,762                       | 198,605                        | 171,694                      |
| Gross profit                                    | 46,156                       | 39,676                       | 100,799                        | 85,688                       |
| Operating expenses:                             |                              |                              |                                |                              |
| Selling, general and administrative expenses    | 28,299                       | 26,604                       | 73,167                         | 69,310                       |
| Acquisition-related expenses                    |                              |                              |                                | 671                          |
| Total operating expenses                        | 28,299                       | 26,604                       | 73,167                         | 69,981                       |
| Income from operations                          | 17,857                       | 13,072                       | 27,632                         | 15,707                       |
| Interest expense, net                           | 4,177                        | 2,244                        | 9,755                          | 9,528                        |
| Other income, net                               | 12                           | 12                           | 37                             | 23                           |
| Income before income taxes                      | 13,692                       | 10,840                       | 17,914                         | 6,202                        |
| Income tax expense                              | 4,929                        | 4,167                        | 6,794                          | 2,434                        |
| Net income                                      | 8,763                        | 6,673                        | 11,120                         | 3,768                        |
| <b>Percentage of net sales:</b>                 |                              |                              |                                |                              |
| Net sales                                       | 100.0%                       | 100.0%                       | 100.0%                         | 100.0%                       |
| Cost of goods sold                              | 64.6%                        | 65.4%                        | 66.3%                          | 66.4%                        |
| Amortization of inventory fair value adjustment |                              | 0.2%                         |                                | 0.3%                         |
| Total cost of goods sold                        | 64.6%                        | 65.6%                        | 66.3%                          | 66.7%                        |
| Gross profit                                    | 35.4%                        | 34.4%                        | 33.7%                          | 33.3%                        |
| Operating expenses:                             |                              |                              |                                |                              |
| Selling, general and administrative expenses    | 21.7%                        | 23.0%                        | 24.4%                          | 26.9%                        |
| Acquisition-related expenses                    |                              |                              |                                | 0.3%                         |
| Total operating expenses                        | 21.7%                        | 23.0%                        | 24.4%                          | 27.2%                        |
| Income from operations                          | 13.7%                        | 11.3%                        | 9.2%                           | 6.1%                         |
| Interest expense, net                           | 3.2%                         | 1.9%                         | 3.3%                           | 3.7%                         |
| Other income, net                               |                              |                              |                                |                              |
| Income before income taxes                      | 10.5%                        | 9.4%                         | 6.0%                           | 2.4%                         |
| Income tax expense                              | 3.8%                         | 3.6%                         | 2.3%                           | 0.9%                         |
| Net income                                      | 6.7%                         | 5.8%                         | 3.7%                           | 1.5%                         |





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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:

|  | Thirteen Weeks Ended |                      | Thirty-Nine Weeks Ended |                      |
|--|----------------------|----------------------|-------------------------|----------------------|
|  | December 27,<br>2014 | December 28,<br>2013 | December 27,<br>2014    | December 28,<br>2013 |
| <b>EBITDA reconciliation:</b>                                |                      |                      |                         |                      |
| Net income   | \$ 8,763             | \$ 6,673             | \$ 11,120               | \$ 3,768             |
| Income tax expense   | 4,929                | 4,167                | 6,794                   | 2,434                |
| Interest expense, net  | 4,177                | 2,244                | 9,755                   | 9,528                |
| Depreciation and intangible asset amortization               | 2,311                | 2,055                | 6,443                   | 5,775                |
| EBITDA   | 20,180               | 15,139               | 34,112                  | 21,505               |
| Non-cash stock-based compensation (a)                        | 539                  | 296                  | 1,459                   | 889                  |
| Non-cash accrual for future award redemptions (b)            | 816                  | 581                  | 581                     | 821                  |
| Acquisition expenses (c)                                     |                      |                      |                         | 671                  |
| Acquisition-related integration and reorganization costs (d) |                      | 2,171                |                         | 4,536                |
| Amortization of inventory fair value adjustment (e)          |                      | 288                  |                         | 867                  |
| Loss on disposal of assets (f)                               | 27                   | 513                  | 113                     | 804                  |
| Other unusual or non-recurring expenses (g)                  |                      |                      | 864                     |                      |
| Adjusted EBITDA  | \$ 21,562            | \$ 18,988            | \$ 37,129               | \$ 30,093            |

(a) Represents non-cash compensation expenses related to stock options and restricted stock awards granted to certain of our employees and directors.

(b) Represents non-cash accrual for future award redemptions in connection with our customer loyalty program.

(c) Represents direct costs and fees related to the acquisition of Baskins, which we acquired in May 2013.

(d) Represents certain store integration, remerchandising and corporate consolidation costs incurred in connection with the integrations of Baskins, which we acquired in May 2013.

(e) Represents the amortization of purchase-accounting adjustments that increased the value of inventory acquired to its fair value.

(f) Represents loss on disposal of assets in connection with rebranding of RCC and Baskins stores, as well as other costs.

(g) Represents professional fees and expenses incurred in connection with other acquisition activity.

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

|  |  |
|--|--|
|  |  |
|--|--|

**Selected store data****(unaudited):**

|  |        |        |          |          |
|--|--------|--------|----------|----------|
| Same store sales growth  | 7.2%   | 3.8%   | 7.3%     | 5.9%     |
| Stores operating at end of period                                  | 166    | 155    | 166      | 155      |
| Total retail store square footage,<br>end of period (in thousands) | 1,781  | 1,663  | 1,781    | 1,663    |
| Average store square footage,<br>end of period                     | 10,729 | 10,729 | 10,729   | 10,729   |
| Average net sales per store (in<br>thousands)                      | \$ 737 | \$ 701 | \$ 1,712 | \$ 1,582 |

***Thirteen Weeks Ended December 27, 2014 Compared to Thirteen Weeks Ended December 28, 2013***

**Net sales.** Net sales increased \$15.1 million, or 13.1%, to \$130.5 million for the thirteen weeks ended December 27, 2014 from \$115.4 million for the thirteen weeks ended December 28, 2013. The increase in net sales was due to an increase in same store sales of \$8.0 million, or 7.2%, and partially due to contributions from 14 new stores opened between the fourth quarter of fiscal 2014 and the third quarter of fiscal 2015. The increase in same store sales was driven by an increase in transactions and a higher sales mix of boots and work-related merchandise.

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**Gross profit.** Gross profit increased \$6.5 million, or 16.3%, to \$46.2 million for the thirteen weeks ended December 27, 2014 from \$39.7 million for the thirteen weeks ended December 28, 2013. As a percentage of net sales, gross profit was 35.4% and 34.4% for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively. The thirteen weeks ended December 28, 2013 includes adjustments of \$0.3 million related to amortization of the inventory fair value adjustment and \$1.0 million related to remerchandising the Baskins stores, which were acquired in the first quarter of fiscal 2014. Merchandise margin increased during the thirteen weeks ended December 27, 2014, driven by private brands and boots, which are margin enhancing relative to apparel. This increase was offset by the higher occupancy rate of new stores that have not yet matured, and the associated depreciation of accelerating our new store growth plan, as well as an increase in procurement and distribution costs.

**Selling, general and administrative expenses.** SG&A expenses increased \$1.7 million, or 6.4%, to \$28.3 million for the thirteen weeks ended December 27, 2014 from \$26.6 million for the thirteen weeks ended December 28, 2013. As a percentage of net sales, SG&A was 21.7% and 23.0% for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively. Labor and related expenses, operating expenses and general and administrative expenses all increased as a result of additional investment in our corporate organization to support our planned growth, as well as the addition of 14 new stores between the fourth quarter of fiscal 2014 and the third quarter of fiscal 2015. SG&A as a percentage of net sales decreased partially due to \$1.2 million of integration-related expenses from the Baskins acquisition during the thirteen weeks ended December 28, 2013.

**Income from operations.** Income from operations increased \$4.8 million, or 36.6%, to \$17.9 million for the thirteen weeks ended December 27, 2014 from \$13.1 million for the thirteen weeks ended December 28, 2013. As a percentage of net sales, income from operations was 13.7% and 11.3% for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively. The change in income from operations was attributable to the factors noted above.

**Interest expense, net.** Interest expense, net increased \$1.9 million, or 86.1%, to \$4.2 million for the thirteen weeks ended December 27, 2014 from \$2.2 million for the thirteen weeks ended December 28, 2013. The increase in interest expense, net was primarily due to a pre-payment penalty of \$0.6 million and accelerated amortization of deferred loan fees of \$1.7 million in connection with our \$81.9 million payoff of the Golub Loan balance during the thirteen weeks ended December 27, 2014.

**Income tax expense.** Income tax expense increased \$0.8 million, or 18.3%, to \$4.9 million for the thirteen weeks ended December 27, 2014 from \$4.2 million for the thirteen weeks ended December 28, 2013. The increase in our income tax expense was primarily due to the \$2.9 million increase in income before income taxes for the thirteen weeks ended December 27, 2014 as compared to the thirteen weeks ended December 28, 2013. Our effective tax rate was 36.0% and 38.4% for the thirteen weeks ended December 27, 2014 and December 28, 2013, respectively. The lower effective tax rate for the thirteen weeks ended December 27, 2014 compared to the thirteen weeks ended December 28, 2013 was due to discrete items recognized in the third quarter of fiscal 2015 relating to prior year true-up adjustments to income taxes payable and deferred tax assets and liabilities.

**Net income.** Net income increased \$2.1 million, or 31.3%, to \$8.8 million for the thirteen weeks ended December 27, 2014 from \$6.7 million for the thirteen weeks ended December 28, 2013. The increase in net income was attributable to the factors noted above.

**Adjusted EBITDA.** Adjusted EBITDA increased \$2.6 million, or 13.6%, to \$21.6 million for the thirteen weeks ended December 27, 2014 from \$19.0 million for the thirteen weeks ended December 28, 2013. The increase was primarily due to the increase in net income of \$2.1 million for the thirteen weeks ended December 27, 2014 compared to the thirteen weeks ended December 28, 2013, as well as increases in income tax

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expense of \$0.8 million, interest expense of \$1.9 million, depreciation and amortization expense of \$0.3 million, stock-based compensation expense of \$0.2 million and the non-cash accrual for future award redemptions under our customer loyalty program of \$0.2 million. These increases were offset by acquisition and acquisition-related expenses totaling \$2.2 million and amortization of the inventory fair value adjustment of \$0.3 million during the thirteen weeks ended December 28, 2013, while no such expenses were incurred during the thirteen weeks ended December 27, 2014. In addition, loss on disposal of fixed assets decreased by \$0.5 million for the thirteen weeks ended December 27, 2014 compared to the thirteen weeks ended December 28, 2013.

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***Thirty-Nine Weeks Ended December 27, 2014 Compared to Thirty-Nine Weeks Ended December 28, 2013***

**Net sales.** Net sales increased \$42.0 million, or 16.3%, to \$299.4 million for the thirty-nine weeks ended December 27, 2014 from \$257.4 million for the thirty-nine weeks ended December 28, 2013. The increase in net sales was due to an increase in same store sales of \$18.9 million, or 7.3%, and partially due to contributions from 14 new stores opened between the end of the fourth quarter of fiscal 2014 and the third quarter of fiscal 2015. Net sales also increased as a result of operating the Baskins stores for the entire thirty-nine week period this year compared to thirty-one weeks in the prior year. The increase in same store sales was driven by an increase in transactions and a higher mix of boots and work-related merchandise.

**Gross profit.** Gross profit increased \$15.1 million, or 17.6%, to \$100.8 million for the thirty-nine weeks ended December 27, 2014 from \$85.7 million for the thirty-nine weeks ended December 28, 2013. As a percentage of net sales, gross profit was 33.7% and 33.3% for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, respectively. The increase in gross profit as a percentage of net sales was due to increases in merchandise margin resulting from a mix shift towards higher margin footwear and private brand products and the benefits of remerchandising the Baskins stores in fiscal 2013, partially offset by increases in store occupancy costs and depreciation, increases in procurement and warehouse distribution costs and the elimination of non-recurring expenses in the prior year period. The thirty-nine weeks ended December 28, 2013 includes adjustments of \$0.9 million related to amortization of the inventory fair value adjustment and \$1.2 million related to remerchandising the Baskins stores.

**Selling, general and administrative expenses.** SG&A expenses increased \$3.9 million, or 5.6%, to \$73.2 million for the thirty-nine weeks ended December 27, 2014 from \$69.3 million for the thirty-nine weeks ended December 28, 2013. As a percentage of net sales, SG&A was 24.4% and 26.9% for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, respectively. Labor and related expenses, operating expenses and general and administrative expenses all increased as a result of additional investment in our corporate organization to support our planned growth, as well as the addition of 14 new stores between the fourth quarter of fiscal 2014 and the third quarter of fiscal 2015. In addition, during the thirty-nine weeks ended December 27, 2014, SG&A included \$0.9 million of non-recurring expenses related to a potential acquisition that we chose not to pursue. SG&A as a percentage of net sales decreased partially due to \$3.4 million of integration-related expenses from the Baskins acquisition during the thirty-nine weeks ended December 28, 2013.

**Acquisition-related expenses.** Acquisition-related expenses for the thirty-nine weeks ended December 28, 2013 were \$0.7 million, which related to the Baskins Acquisition. There were no acquisition-related expenses during the thirty-nine weeks ended December 27, 2014.

**Income from operations.** Income from operations increased \$11.9 million, or 75.9%, to \$27.6 million for the thirty-nine weeks ended December 27, 2014 from \$15.7 million for the thirty-nine weeks ended December 28, 2013. As a percentage of net sales, income from operations was 9.2% and 6.1% for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, respectively. The increase in income from operations was attributable to the factors noted above.

**Interest expense, net.** Interest expense, net increased \$0.2 million, or 2.4%, to \$9.8 million for the thirty-nine weeks ended December 27, 2014 from \$9.5 million for the thirty-nine weeks ended December 28, 2013. The increase in interest expense, net was due to increased borrowings on the Golub Loan and PNC Line of Credit in the first quarter of fiscal 2015, which was primarily used to pay the \$41.3 million of dividends and payments in respect of vested options during the first quarter of fiscal 2015. The increase in interest expense during the first two quarters of fiscal 2015 was partially offset by lower interest expense in the third quarter of fiscal 2015 resulting from the pay down of the Golub Loan using the proceeds from our IPO. In connection with the pay down of the Golub loan during the third quarter of fiscal 2015, we also incurred

pre-payment penalties and wrote off of deferred loan costs totaling \$2.3 million, which was recorded to interest expense.

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**Income tax expense.** Income tax expense increased \$4.4 million, or 179.1%, to \$6.8 million for the thirty-nine weeks ended December 27, 2014 from \$2.4 million for the thirty-nine weeks ended December 28, 2013. Our effective tax rate was 37.9% and 39.2% for the thirty-nine weeks ended December 27, 2014 and December 28, 2013, respectively. The lower effective tax rate for the thirty-nine weeks ended December 27, 2014 compared to the thirty-nine weeks ended December 28, 2013 was due to discrete items recognized in the first and third quarters of fiscal 2015 relating to prior year true-up adjustments to income taxes payable and deferred tax assets and liabilities.

**Net income.** Net income increased \$7.4 million, or 195.1%, to \$11.1 million for the thirty-nine weeks ended December 27, 2014 from \$3.8 million for the thirty-nine weeks ended December 28, 2013. The increase in net income was attributable to the factors noted above.

**Adjusted EBITDA.** Adjusted EBITDA increased \$7.0 million, or 23.4%, to \$37.1 million for the thirty-nine weeks ended December 27, 2014 from \$30.1 million for the thirty-nine weeks ended December 28, 2013. The increase was primarily due to net income of \$11.1 million for the thirty-nine weeks ended December 27, 2014 compared to a net income of \$3.8 million for the thirty-nine weeks ended December 28, 2013, as well as increases in income tax expense of \$4.4 million, interest expense of \$0.2 million, depreciation and intangible asset amortization of \$0.7 million and stock-based compensation expense of \$0.6 million. We also incurred \$0.9 million of non-recurring expenses during the thirty-nine weeks ended December 27, 2014 related to a potential acquisition that we chose not to pursue. These increases were offset by acquisition and acquisition-related expenses totaling \$5.2 million and amortization of the inventory fair value adjustment of \$0.9 million during the thirty-nine weeks ended December 28, 2013, while no such expenses were incurred during the thirty-nine weeks ended December 27, 2014. In addition, there were decreases in the non-cash accrual for future award redemptions under our customer loyalty program of \$0.2 million and loss on disposal of fixed assets of \$0.7 million for thirty-nine weeks ended December 27, 2014 compared to the thirty-nine weeks ended December 28, 2013.

### Liquidity and Capital Resources

We rely on cash flows from operating activities and our revolving credit facility as our primary sources of liquidity. Our primary cash needs have been 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 revolving credit facility 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.

As of December 27, 2014, the terms of our revolving credit facility were set forth in the revolving credit agreement, as amended, and the terms of our term loan facility were set forth in the term loan agreement, as amended. Our primary operating subsidiary, Boot Barn, Inc., is the borrower under both of our credit facilities.

The revolving credit agreement currently provides for a \$70.0 million revolving credit facility, including a \$5.0 million sub-limit for letters of credit. Subject to certain terms and conditions, PNC Bank, N.A. is committed to increase the facility by an additional \$10.0 million at our request. Borrowings under the revolving credit agreement are subject to a borrowing base tied to specified percentages of eligible inventory and credit card receivables. Interest on borrowings is payable, at our election, at a rate based on an alternative base rate (the rate equal to the highest of (1) PNC's publicly announced commercial lending rate, (2) the daily federal funds open rate plus 0.50% or (3) the LIBOR rate for a period of one month plus 1.00%) or LIBOR (for one, two, three or six month periods at our election), plus applicable margins of 0.75% or 1.00% for



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alternative base rate loans and 1.75% or 2.00% for LIBOR advances, in each case determined by reference to availability under the borrowing base formula. In addition, we pay a commitment fee on the unused portion of the revolving credit facility equal to (1) 0.375% if our average utilization of the revolving facility over the preceding calendar quarter was equal to or less than 60% of borrowing base availability or (2) 0.25% if average utilization exceeded 60% of borrowing base availability. The revolving credit agreement matures on May 31, 2018. As of December 27, 2014, a total of \$32.0 million was outstanding under the revolving credit agreement and there was \$38.0 million of unused availability under the borrowing base formula. Average outstanding borrowings during the thirty-nine weeks ended December 27, 2014 were \$48.1 million.

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The term loan agreement currently provides for a \$130.0 million term loan that matures on May 31, 2019, and bears interest, at our election, at a base rate (the rate equal to the greater of (1) the higher of the prime rate as published by the Wall Street Journal or the overnight Federal Funds Rate plus 0.50% and (2) the one month LIBOR rate (but not less than 1.25%) plus 1.00% or at LIBOR for a period of one, two, three, six or, if available to all lenders, nine or 12 months, at our election (with a floor of 1.25%), plus applicable margins of 4.75% for base rate advances and 5.75% for LIBOR advances. The term loan agreement requires principal payments of \$0.3 million per fiscal quarter, with the remaining balance due at maturity, as well as certain mandatory prepayments at the lender's discretion, including a specified portion of annual excess cash flow, as defined in the term loan agreement.

The revolving credit agreement and the term loan agreement were amended in April 2014 to, among other things, permit the payment of a dividend to our stockholders in that month and to increase the amount of borrowings permitted under each of those agreements. An additional \$30.8 million provided under the amendment to the term loan agreement was used to fund a portion of the dividend paid to our stockholders in the first quarter of fiscal 2015.

On November 5, 2014, we entered into amendments to the revolving credit facility and the term loan agreement. These amendments each (a) permit certain add-backs to the definition of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) relating to expenses incurred in connection with our recently consummated IPO and the preparation of the Amendments, (b) revise the Change of Control definition and the covenant restricting certain equity issuances to be more customary for a publicly traded company, (c) delete the equity cure provisions, and (d) change the financial statement deliverable requirements, and timing, to align with the SEC disclosure requirements. In addition, the amendment to the term loan agreement reduced the applicable LIBOR Floor to 1.00% and deleted Board observation rights of the lenders in the term loan agreement.

On November 5, 2014, we used the net proceeds from our IPO to repay \$81.9 million of the term loan's principal balance. Amounts repaid will no longer be available for future borrowings under the term loan agreement. As of December 27, 2014, the outstanding balance of the term loan facility was \$47.4 million, resulting in principal payments of the term loan balance being reduced to \$0.1 million per fiscal quarter.

The obligations of Boot Barn, Inc. under the revolving credit agreement and the term loan agreement are guaranteed by Boot Barn Holdings, Inc. and each of its current and future domestic subsidiaries. All obligations of Boot Barn, Inc. and the guarantors under the revolving credit agreement and the term loan agreement are secured by a lien on all of the assets (subject to customary exclusions) of Boot Barn, Inc. and the guarantors (including equity interests), provided that under the terms of a customary intercreditor agreement, the revolving credit agreement has a senior lien in our accounts receivable, inventory and certain other current assets and the term loan agreement has a senior lien in all of our other assets.

Our credit facilities contain a number of covenants that restrict, among other things and subject to certain exceptions, our ability to:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers or consolidations;

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- sell assets;
- make investments, loans or advances;
- make certain acquisitions;
- engage in certain transactions with affiliates;
- authorize or pay dividends; and
- change our line of business or fiscal year.

In addition, the term loan agreement requires us to maintain a specified minimum interest coverage ratio and not to exceed a specified maximum total leverage ratio during each specified measurement period. The term loan agreement also limits the amount we can spend on capital expenditures per year. Under the revolving credit

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agreement, we will become subject to a minimum fixed charge coverage ratio if our excess availability falls below specified floor levels. As of December 27, 2014, our excess availability exceeded the triggers specified in the revolving credit agreement and we were in compliance with the financial covenants in the term loan agreement. The revolving credit agreement and term loan agreement contain customary events of default, including a change of control. As of December 27, 2014, we were in compliance with all of our debt covenants.

Although we did not have any material capital expenditure commitments as of the end of fiscal 2014, we are planning to open new stores, remodel and refurbish our existing stores at a greater rate than we have typically done in the past, and make improvements to our information technology infrastructure, which will result in increased capital expenditures. We estimate that our capital expenditures in fiscal 2015 will be between approximately \$14.0 million and \$15.0 million (of which \$9.6 million has been spent through December 27, 2014), and we anticipate that we will use cash flows from operations to fund these expenditures.

Cash and cash equivalents were \$3.6 million as of December 27, 2014 compared to \$1.1 million as of March 29, 2014.

**Cash Flow Analysis**

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

|   | <b>Thirty-Nine Weeks Ended</b> |                     |
|---|--------------------------------|---------------------|
|   | <b>December 27,</b>            | <b>December 28,</b> |
|   | <b>2014</b>                    | <b>2013</b>         |
| Net cash provided by operating activities           | \$ 20,585                      | \$ 18,430           |
| Net cash used in investing activities               | (9,562)                        | (23,823)            |
| Net cash (used in) provided by financing activities | (8,543)                        | 6,624               |
| Net increase in cash and cash equivalents           | \$ 2,480                       | \$ 1,231            |

**Net Cash Provided by Operating Activities**

Net cash provided by operating activities was \$20.6 million for the thirty-nine weeks ended December 27, 2014. The significant components of cash flows provided by operating activities were net income of \$11.1 million, the add-back of non-cash depreciation and amortization expense of \$6.4 million, stock-based compensation expense of \$1.5 million, amortization of deferred loan fees of \$2.2 million and an increase in deferred taxes of \$0.6 million. Accounts payable and accrued expenses and other current liabilities increased by \$18.1 million due to the timing of payments and growth of the company. Prepaid expenses and other current assets decreased by \$1.2 million primarily due to higher prepaid rent at the end of fiscal 2014, and other liabilities increased by \$1.1 million due to the opening of new stores. The above was offset by increases in accounts receivable of \$2.3 million and inventories of \$19.2 million due to the growth of the company.

Net cash provided by operating activities was \$18.4 million for the thirty-nine weeks ended December 28, 2013. The significant components of cash flows provided by operating activities were net income of \$3.8 million, the add-back of non-cash depreciation and amortization expense of

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\$5.8 million, amortization of deferred loan fees of \$2.4 million, stock-based compensation expense of \$0.9 million, amortization of the inventory fair value adjustment of \$0.9 million, loss on disposal of fixed assets of \$0.8 million and an increase in deferred taxes of \$0.3 million. Accounts payable and accrued expenses and other current assets increase by \$17.6 million due to the timing of payments and growth of the company. The above was offset by increases in account receivable of \$1.2 million and inventories of \$13.0 million due to the growth of the company.

### **Net Cash Used in Investing Activities**

Net cash used in investing activities was \$9.6 million for the thirty-nine weeks ended December 27, 2014, which represents purchases of property and equipment during the period.

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Net cash used in investing activities was \$23.8 million for the thirty-nine weeks ended December 28, 2013, which was primarily due to \$14.0 million related to the purchase of Baskins. Purchases of property and equipment totaled \$9.7 million and we purchased trademark rights totaling \$0.2 million during the period.

**Net Cash (Used in) Provided by Financing Activities**

Net cash used in financing activities was \$8.5 million for the thirty-nine weeks ended December 27, 2014. We received \$82.2 million of net proceeds from our IPO in the third quarter of fiscal 2015, and used \$81.9 million of the proceeds to repay a portion of the principal balance on the Golub Loan. During the first quarter of fiscal 2015, we increased our loan borrowings by \$30.8 million and our line of credit borrowings by \$3.4 million, primarily to pay \$41.3 million of dividends and payments in respect of vested options during the first quarter of fiscal 2015. We paid \$0.8 million of debt issuance fees related to these borrowings.

Net cash provided by financing activities was \$6.6 million for the thirty-nine weeks ended December 28, 2013. We borrowed \$100.0 million under the Golub Loan, and used these funds to pay off our \$69.5 million of existing debt and acquire Baskins (including repayment of \$20.1 million of Baskins' debt). We paid \$3.4 million of debt issuance fees relating to these borrowings.

**Contractual Obligations**

There have been 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 final prospectus filed with the SEC on October 30, 2014, other than those which occur in the normal course of business.

**Off-Balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements, 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 applicable generally 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 revolving credit facility and our term loan facility, which bear interest at variable rates. As of December 27, 2014, we had \$32.0 million in outstanding borrowings under our revolving credit facility and \$47.4 million under our term loan facility. On January 30, 2012, we entered into an interest rate cap transaction pursuant to which we will receive from the counterparty to that transaction an amount equal to a notional principal amount of \$5.0 million multiplied by any amount by which LIBOR exceeds 3.0% in periods prior to February 1, 2015. We do not currently engage in any other interest rate hedging activity and have no plans to do so in the foreseeable future. Based on the amounts outstanding under our revolving credit facility and term loan facility as of December 27, 2014, a hypothetical change in the respective blended interest rates applicable to these facilities of 1.0% would result in a change in interest expense of \$0.8 million, disregarding the LIBOR floor of 1.00% under our term loan facility.

As of December 27, 2014, there were no other material changes in the market risks described in the Quantitative and Qualitative Disclosure of Market Risks section of our final prospectus filed with the SEC on October 30, 2014.

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**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 27, 2014. 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 27, 2014, 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 27, 2014, 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.



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**Part II. Other Information**

**Item 1. Legal Proceedings**

For information on legal proceedings, see Note 7 to the Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

**Item 1A. Risk Factors**

We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. For a detailed discussion of the risks that affect our business, please refer to the section entitled "Risk Factors" in our final prospectus filed with the SEC on October 30, 2014. There have been no material changes to our risk factors as previously disclosed in our final prospectus.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>  |
|--------------------|--|
| 3.1                | Second Amended and Restated Certificate of Incorporation of Boot Barn Holdings, Inc. (incorporated by reference to Exhibit 3.1 of the registrant's Quarterly Report on Form 10-Q filed with the SEC on December 9, 2014).  |
| 3.2                | Amended and Restated Bylaws of Boot Barn Holdings, Inc. (incorporated by reference to Exhibit 3.2 of the registrant's Amendment No. 2 to Form S-1 Registration Statement filed with the SEC on October 20, 2014).  |
| 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 and 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 27, 2014, 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. |

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\* 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.

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**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 9, 2015

/s/ James G. Conroy  
James G. Conroy  
*President, Chief Executive Officer and Director*  
*(Principal Executive Officer)*

Date: February 9, 2015

/s/ Gregory V. Hackman  
Gregory V. Hackman  
*Chief Financial Officer and Secretary*  
  
*(Principal Financial Officer)*