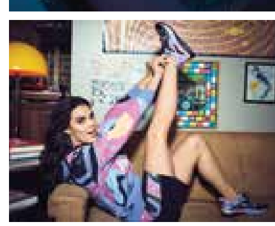






# HIBBETT®

# 2022 ANNUAL REPORT

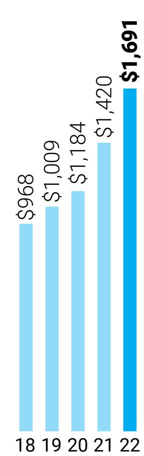


# FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)

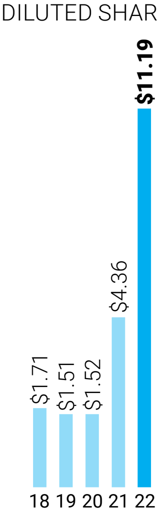
| | **Fiscal 2022** | Fiscal 2021 |
|---|---|---|
| **For the Year** | | |
| Net sales | **$ 1,691,184** | $ 1,419,657 |
| Operating income | **$ 228,166** | $ 98,388 |
| Earnings per basic share | **$ 11.63** | $ 4.49 |
| Earnings per diluted share | **$ 11.19** | $ 4.36 |
| **Balance Sheet Data** | | |
| Cash and cash equivalents | **$ 17,054** | $ 209,290 |
| Average inventory per store | **$ 202** | $ 189 |
| Working capital | **$ 82,150** | $ 214,480 |
| Total assets | **$ 703,217** | $ 808,166 |
| Stockholders' investment | **$ 291,515** | $ 391,036 |
| Treasury shares repurchased | **3,417** | 621 |
| Cost of treasury shares purchased | **$ 271,083** | $ 17,615 |

NET SALES (IN MILLIONS)



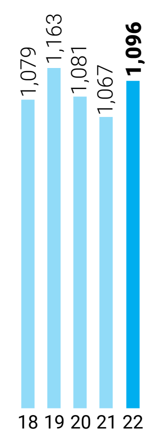


EARNINGS PER DILUTED SHARE[1]





TOTAL STORES





[1]All results presented in accordance with GAAP. Except for Fiscal 2018, which is comprised of 53 weeks, all fiscal years presented are comprised of 52 weeks. The Company initiated a quarterly dividend in June 2021.

> We are proud of our highly rated **omni-channel digital experience** and took further steps this year to ensure we were delivering best-in-class features and functionality.

# To Our Stockholders

As a result of our team members' dedicated efforts and the solid execution of our strategic initiatives, we reported record results for Fiscal 2022. For this success, we must first and foremost acknowledge the hard work and dedication of our approximately 11,000 team members. Whether they are in the stores, the logistics facilities, or in the Store Support Center, it is their hard work and dedication that made these strong results possible. I'd like to particularly applaud them for their perseverance in navigating the ongoing uncertainty of the COVID-19 pandemic.

We manage our business with the long-term outlook in mind and we have made significant investments that drove our strong performance and, we believe, have laid the groundwork for continued success. We invested in the **in-store experience** to ensure we are engaging customers in an attractive environment where we can position our partners' products very favorably. Our new store design uplifts the look and feel of the stores while also highlighting our TOE-TO-HEAD™ strategy more clearly. Through a structured leadership and sales training program, our store managers and team members have gained a deeper sense of ownership, improved the store selling culture and increased customer engagement. Importantly, our access to the most trend-relevant brands and products in our space continues to improve. We are focused on acquiring the scarcest product in our space and our brand partners recognize the importance of our consumer and our ability to serve them. With improvements in product, service and store environment, amplifying the in-store experience has resulted in higher comps, higher average transaction and higher attachment, driving a 660-basis point improvement in operating margin.

We are proud of our highly rated **omni-channel digital experience** and took further steps this year to ensure we were delivering best-in-class features and functionality. Our new loyalty program is easier to use and provides more value to customers. As a result, our loyalty penetration grew and the number of customers earning and redeeming loyalty benefits has significantly increased. Removing customer friction points and optimizing our delivery capabilities led to improvements in Fiscal 2022. Our sophisticated omni-channel experience remains a key competitive advantage and we will continue to focus on driving further development in this area.

Modernizing our back-office **infrastructure** is the foundation upon which we can continue our growth trajectory. We have completed several projects that will drive efficiency and effectiveness for years to come. Key highlights include upgrading store IT infrastructure as well as implementing an Enterprise Resource Planning solution that successfully modernized and integrated all key corporate functions under one system.

During Fiscal 2022, we were successful in delivering logical, strategic **growth of our store base** with the opening of a net 29 new stores. We continue to focus on locating our stores in underserved areas and believe this represents a significant competitive advantage as we continue our growth trajectory. As


of the end of the fiscal year, over half our stores have no competition within three miles that carry products from our key brands. Over 70% of our stores have one or less competitors within three miles.

These investments in our business along with a favorable operating environment resulted in record results this year. Fiscal 2022 net sales increased 19.1% to $1.69 billion with comparable store sales increasing 17.4%. Brick and mortar comparable sales grew 21.4% while e-commerce comparable sales decreased 1.6%. E-commerce represented 13.8% of total sales on a full-year basis compared to 16.7% of total sales for the same period last year reflecting a return to more normalized shopping patterns as the pandemic eased. Net income in Fiscal 2022 was $174.3 million, or $11.19 per diluted share, the highest level achieved in our Company's history.

Our growth is even more significant looking on a two-year basis. During this time, we generated a nearly 43% increase in annual sales volume, with a comparable store sales increase of 43.7%. Brick and mortar comparable sales increased 37.9% and e-commerce sales grew 89.0% over this two-year period. We also saw an increase in GAAP earnings per diluted share of over 600% and an approximate 380% increase in adjusted earnings per share.

Our strong financial results have enabled us to invest in growing our business while returning cash to our stockholders. We repurchased approximately 3.4 million shares through our stock repurchase program during the year, and, in June, we initiated a quarterly cash dividend. In total, we returned $278.8 million in cash to stockholders through our stock repurchase and dividend programs during Fiscal 2022. After capital expenditures, stock repurchases and dividends, we ended the year with $17.1 million of cash and no debt on our balance sheet. Our entire $100 million borrowing capacity remained available to us at the end of the fiscal year.

Looking ahead, we believe the investments we have made in both our brick and mortar and digital platform position us well for long-term growth. We are increasingly engaged with our target consumer and have become the place they turn to for the latest fashion. Heading into Fiscal 2023, headwinds that we are monitoring include ongoing supply chain disruptions, which may impact the timing and availability of inventory, and the effect of inflation on our customers' discretionary spending. These are challenges we as retailers have faced before, and we are confident we can adjust and adapt as necessary to optimize results regardless of external factors and remain on track for long-term growth.

To our stockholders, thank you for your continued interest and investment in our Company. With your support, we will continue to execute on our strategic plans and enhance stockholder value.

Sincerely,

Michael Longo
*Chief Executive Officer and President*

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

# FORM 10-K

(Mark One)

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

For the fiscal year ended: January 29, 2022

or

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

For the transition period from: ________________ to ________________

**Commission file number**: **000-20969**

# HIBBETT, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **20-8159608** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**2700 Milan Court, Birmingham, Alabama 35211**
(Address of principal executive offices, including zip code)

**205-942-4292**
(Registrant's telephone number, including area code)

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

| Title of Class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 Par Value Per Share | HIBB | Nasdaq Global Select Market |

Securities registered pursuant to section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant (assuming for purposes of this calculation that all executive officers and directors are "affiliates") was $1.3 billion on July 31, 2021, based on the closing sale price of $88.66 at July 30, 2021 for the common stock on such date on the Nasdaq Global Select Market.

The number of shares outstanding of the Registrant's common stock, as of March 22, 2022, was 13,139,364.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

**HIBBETT, INC.**

**INDEX**

**Introductory Note**

References to "we," "our," "us," "Hibbett" and the "Company" used throughout this document refer to Hibbett, Inc. and its subsidiaries. Unless specifically indicated otherwise, any reference to the following years or fiscal years relates to:

| Year | Related Fiscal Year End | Weeks in Fiscal Period |
|---|---|---|
| 2024 or Fiscal 2024 | February 3, 2024 | 53 |
| 2023 or Fiscal 2023 | January 28, 2023 | 52 |
| 2022 or Fiscal 2022 | January 29, 2022 | 52 |
| 2021 or Fiscal 2021 | January 30, 2021 | 52 |
| 2020 or Fiscal 2020 | February 1, 2020 | 52 |

***Cautionary Statement Regarding Forward-Looking Statements***

This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "forecast," "guidance," "outlook," "estimate," "will," "may," "could," "possible," "potential," or other similar words, phrases or expressions. For example, our forward-looking statements include statements regarding:

- the impact of the duration and scope of the COVID-19 pandemic on our business, operations, and financial results, including the adequate production, distribution, acceptance and efficacy of vaccines and effective medical treatments for COVID-19, variant strains of the virus, additional periods of increases or spikes in the number of COVID-19 cases in areas in which we operate, and the measures that might be imposed by federal, state, or local governments in response to the pandemic, including vaccine mandates and restrictions impacting school closures and remote learning requirements, sporting events, and local sports leagues and programs;
- the uncertainty of future stimulus payments and unemployment benefits, if any, and the related effects on consumer demand for our products and our overall business;
- the potential impact of new trade, tariff and tax regulations on our profitability;
- our ability to accurately forecast consumer demand for our products and manage our inventory in response to changing demands;
- our cash needs, including our ability to fund our future capital expenditures, working capital requirements, recurring quarterly dividends and repurchases of Company common stock under our stock repurchase program (the "Repurchase Program");
- our relationships with vendors and the loss of key vendor support;
- the possible effects of inflation, market decline and other economic changes on our costs and profitability;
- our ability to retain key personnel and other employees at Hibbett and City Gear due to current labor challenges or otherwise;
- our anticipated net sales, comparable store net sales changes, net sales growth, gross margins, expenses and earnings;
- our business strategy, omni-channel platform, logistics structure, target market presence and the expected impact of such factors on our net sales growth;
- our store growth, including our plans to add, expand, relocate or close stores, our markets' ability to support such growth, expected changes in total square footage, our ability to secure suitable locations for new stores and the suitability of our wholesale and logistics facility;
- our expectations regarding the growth of our online business and the role of technology in supporting such growth;
- the future reliability of, and cost associated with, disruptions in the global supply chain and the potential impacts on our domestic and international sources of product, including the actual and potential effect of tariffs on international goods imposed by the United States and other potential impediments to imports;
- our policy of leasing rather than owning stores and our ability to renew or replace store leases satisfactorily;

- the cost of regulatory compliance, including the costs and possible outcomes of pending legal actions and other contingencies and new or additional legal, legislative and regulatory requirements to reduce or mitigate the effects of climate change;
- our analysis of our risk factors and their possible effect on financial results;
- our seasonal sales patterns and assumptions concerning customer buying behavior;
- our ability to retain new customers;
- our expectations regarding competition;
- our estimates and assumptions as they relate to preferable tax and financial accounting methods, accruals, inventory valuations, long-lived assets, carrying amount and liquidity of financial instruments, fair value of options and other stock-based compensation, economic and useful lives of depreciable assets and leases, income tax liabilities, deferred taxes and uncertain tax positions;
- our expectations concerning future stock-based award types and the exercise of outstanding stock options;
- our assessment of the materiality and impact on our business of adopting recent accounting pronouncements issued by the Financial Accounting Standards Board;
- the possible effects of uncertainty within the capital markets, on the commercial credit environment and on levels of consumer confidence;
- our analyses of trends as related to marketing, sales and earnings performance;
- our ability to receive favorable brand name merchandise and pricing from key vendors;
- the impact of technology on our operations and business, including cyberattacks, cyber liability, or potential liability for breaches of our privacy or information security systems; and
- our ability to mitigate the risk of possible business interruptions, including, without limitation, from political or social unrest and armed conflicts.

A forward-looking statement is neither a prediction nor a guarantee of future results, events or circumstances. You should not place undue reliance on forward-looking statements. Our forward-looking statements are based on currently available operational, financial, and business information and speak only as of the date of this Annual Report on Form 10-K. Our business, financial condition, results of operations, and prospects may have changed since that date. For a discussion of the risks, uncertainties, and assumptions that could affect our future events, developments, or results, you should carefully review and consider the "Risk Factors" as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. Moreover, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on our forward-looking statements.

We do not undertake to publicly update or revise any forward-looking statements after the date of this Annual Report on Form 10-K, whether as a result of new information, future events, or otherwise, and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, we do not, by policy, selectively disclose to them any material non-public information in connection with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

**PART 1**

## Item 1. Business.

### Our Company

Hibbett, headquartered in Birmingham, Alabama, is a leading athletic-inspired fashion retailer with approximately 1,100 stores under the Hibbett and City Gear banners, primarily located in underserved communities. Founded in 1945, Hibbett has a rich history of convenient locations, personalized customer service and access to coveted footwear, apparel and equipment from top brands like Nike, Jordan and adidas.

### Our Business Strategy

We target underserved markets with branded products and provide a high level of customer service. This market strategy establishes greater customer, vendor and landlord recognition as a leading specialty retailer in these communities. We believe our ability to align our merchandising mix to local preferences and trends differentiates us from our national competitors and delivers incremental sales opportunities for our vendor partners. We use information systems to maintain tight controls over inventory and operating costs and continually search for ways to improve efficiencies and the customer experience through information system upgrades.

### Our Store Brands

We operated the following store brands as of January 29, 2022:

| | | Location | | |
|---|---|---|---|---|
| **Brand** | **Average Square Footage** | **Strip Center[(1)]** | **Mall** | **Total** |
| Hibbett | 5,800 | 720 | 180 | 900 |
| City Gear | 5,100 | 142 | 37 | 179 |
| Sports Additions[(2)] | 2,900 | 3 | 14 | 17 |

***(1)** Strip centers include free-standing stores and, for our Hibbett locations, are usually near a major chain retailer.*
***(2)** Approximately 90% of the merchandise carried in our Sports Additions stores is athletic footwear.*

In selecting retail locations, we consider the size, demographics, quality of real estate and competitive conditions in each market. Our stores offer a core merchandising mix of premium athletic branded footwear, apparel, accessories and team sports equipment designed to appeal to the GEN-Z customers within each market. We strive to meet the fashion and technical demands of our customers.

### Our Growth Strategy

We identify markets for our stores under a clustered expansion program. This approach primarily focuses on opening new stores within close proximity of existing locations, allowing us to take advantage of efficiencies in logistics, marketing and regional management. It also aids us in building a better understanding of appropriate merchandise selection for the local market. In addition to proximity to existing stores, we also consider population, economic conditions, local competitive dynamics, availability of suitable real estate and potential for return on investment when evaluating potential markets.

*Omni-channel strategy:* We recognize that even though our core customer is in underserved markets, they are digitally savvy. Our customer has high expectations that are constantly evolving including the ability to engage with us in multiple ways. As a result, we continue to make investments in omni-channel as well as our core e-commerce experience.

Our goal is to provide a completely frictionless digital and omni-channel experience. In essence, this means customers can shop for what they want and can get those items quicker. To achieve this goal, we continue to invest in the user experience for our website and apps and add fulfillment capabilities and speed. In Fiscal 2023, we intend to invest in next generation omni-channel capabilities that will take us beyond traditional retail programs, which will allow us to offer greater shopping flexibility and convenience than ever before.

**Our Logistics**

We maintain a full-line wholesale and logistics facility in Alabaster, Alabama (a suburb of Birmingham) where we receive and ship most of our merchandise. In addition, we utilize a third-party logistics facility in Memphis, Tennessee to increase efficiencies and to improve time to market. For key products, we maintain backstock at the Alabaster and Memphis facilities. This product is allocated and shipped to stores through an automatic replenishment system based on inventory levels and sales. Merchandise is delivered to stores, and transferred between stores, via small package carriers, Company operated vehicles or third-party logistics providers (which also deliver initial new store inventories). In Fiscal 2021, we increased our delivery frequency to every store in the chain and improved our store-to-store transfer capabilities to further enhance our speed-to-market and in-store product availability for our customers. We believe strong logistics support for our stores is a critical element of our business strategy and that our current logistics structure will support our growth over the next several years.

**Our Merchandise**

Our merchandising strategy emphasizes a TOE-TO-HEAD™ approach. We provide a broad assortment of premium brand name footwear, apparel, accessories and team sports equipment at competitive prices in a full service omni-channel environment. We believe that the assortment of brand name merchandise we offer consistently exceeds the merchandise selection carried by most of our competitors, particularly in our underserved markets and neighborhood centers. Many of these brand name products have limited availability and/or are technical in nature requiring considerable sales assistance. We coordinate with our vendors to educate the sales staff at the store level on new products and trends.

Although the core merchandise assortment tends to be similar for each store, it is somewhat differentiated by the Hibbett or City Gear brands. Each brand utilizes important demographic, local and/or regional considerations. Accordingly, we offer products that reflect preferences for particular demographics as well as interests from each community. Our knowledge of these interests, combined with access to leading brands, enables our merchandising staff to react quickly to emerging trends or special events, such as fashion shifts or athletic events.

Our merchandising staff, operations staff and management analyze current trends primarily through the lens of our store typing strategy. Information is largely gathered and analyzed utilizing business intelligence tools. Other strategic measures we utilize to recognize trends or changes in our industry include:

- maintaining close relationships with vendors and other retailers;
- studying other retailers for best practices in merchandising;
- attending various trade shows, both in our industry and outside as well as reviewing industry trade publications; and
- actively participating in industry associations.

The merchandising staff works closely with store personnel to meet the requirements of individual stores for appropriate merchandise in sufficient quantities.

**Our Vendor Relationships**

The athletic specialty and city specialty retail businesses are brand-name-driven. Accordingly, we maintain positive relationships with a number of well-known vendors to satisfy customer demand. We believe that we offer a best-in-class omni-channel experience through physical locations, mobile apps and website and that we are among the primary retail distribution avenues for brand name vendors that seek to engage with consumers in underserved markets. As a result, we are able to attract considerable vendor interest and establish long-term partnerships with vendors. As our vendors expand their product lines and grow in popularity, we expand sales of these products. In addition, as we continue to increase our store base and enter new markets, our vendors increase their brand presence within these regions. We also work with our vendors to establish favorable pricing and to receive cooperative marketing funds.

**Our Information Systems**

We use technology as an enabler of our business strategies. We implement and maintain systems targeted at improving financial control, cost management, inventory control, merchandise planning, logistics, replenishment and product allocation. Our systems are designed to be flexible to meet the unique needs of each specific store location. We continue to evolve our digital channel experience and to develop further channel integration for a more seamless and frictionless set of capabilities aimed at enhancing our customer's shopping experience in-store, online and through our mobile solutions.

Our communications networks send and receive critical business data to and from stores, third-party cloud providers and managed hosting facilities (data centers). Our Company's information is processed in a secure environment to protect both the actual data and the physical assets. We attempt to mitigate the risk of cyber-security threats and business interruptions by maintaining strong security protocols, threat monitoring, regular risk reviews and a detailed disaster recovery plan. In early Fiscal 2021, we consolidated the City Gear data center into our St. Louis hosted facility, which accomplished the alignment of controls over data. We completed the integration of all core systems during Fiscal 2021.

We strive to maintain highly qualified and motivated third-party partners and teams of individuals to support our information systems, which includes security, help desk, network, platform engineering, operations, quality assurance, compliance, business analysis, solution development, analytics and project management. Our systems are monitored 24 hours a day, and management believes that our current systems and practice of implementing regular updates will continue to support current needs and future growth. We use a strategic information systems planning process that involves senior management and is integrated into our overall business planning and enterprise risk management. Information systems projects are prioritized based upon strategic, financial, regulatory and other business criteria.

**Our Marketing and Promotion**

We focus on marketing opportunities that drive traffic and sales to our stores and digital business. For the last few years, digital marketing has been the major growth area for our marketing investments. We continue to see opportunities in personalization as well as hyper-local marketing efforts, including events and local store social media accounts. We have also maintained more traditional elements of our portfolio to drive store traffic.

Our Rewards program represented a significant portion of overall sales in Fiscal 2022. Loyalty sales increased in Fiscal 2022, driven by the relaunch of our existing loyalty program and expansion of the program into our City Gear stores. In Fiscal 2023, we intend to continue to improve our Rewards program to drive member acquisition and retention.

**Our Competition**

The business in which we are engaged is highly competitive. The marketplace for athletic specialty merchandise is highly fragmented as many different brick and mortar and online retailers compete for market share by utilizing a variety of formats and merchandising strategies. We compete with specialty shoe stores, department stores, traditional shoe stores, mass merchandisers, e-commerce retailers and, in some of our large and mid-size markets, national sporting goods superstores. In addition, we face competition from vendors that sell directly to consumers.

Although we face competition from a variety of competitors, we believe that our stores are able to compete effectively by providing a premium assortment of footwear, apparel, accessories and team sports equipment. Additionally, we differentiate our store experience through extensive product knowledge, customer service and convenient locations. We believe we compete favorably with respect to these factors in the underserved markets and neighborhood centers predominantly in the South, Southwest, Mid-Atlantic and Midwest regions of the United States.

**Information about our Executive Officers**

The following table and accompanying narrative sets forth the name, age and business experience of our current executive officers:

| Name | Age | Position |
|---|---|---|
| Michael E. Longo | 60 | President and Chief Executive Officer |
| Jared S. Briskin | 49 | Executive Vice President, Merchandising |
| Robert J. Volke | 58 | Senior Vice President and Chief Financial Officer |
| David M. Benck | 54 | Senior Vice President, General Counsel |
| Ronald P. Blahnik | 63 | Senior Vice President, Chief Information Officer |
| Benjamin A. Knighten | 51 | Senior Vice President, Store Operations |
| Michael C. McAbee | 51 | Senior Vice President, Supply Chain and Store Development |
| William G. Quinn | 46 | Senior Vice President, Marketing and Digital |
| Jonalin S. Smith | 48 | Senior Vice President, Merchandising |

***Michael E. Longo*** joined the Company as our Chief Executive Officer and President in December 2019. Formerly, he served as Chief Executive Officer for City Gear, LLC from October 2006 to November 2018, where he oversaw the successful acquisition of the company in 2018 by Hibbett Sporting Goods, Inc. (n/k/a Hibbett Retail, Inc.). Prior to City Gear, he worked in positions of increasing responsibility and leadership with AutoZone, Inc. starting as a Vice President of Supply Chain in 1996 to Executive Vice President of Supply Chain, IT, Development, Mexico in 2005. Mr. Longo holds a Bachelor of Science degree in Engineering from the United States Military Academy and an MBA from Harvard University.

***Jared S. Briskin*** was appointed our Executive Vice President of Merchandising in September 2021. Previously, he served as Senior Vice President and Chief Merchant from September 2014 through September 2021. He has served in roles of increasing responsibility and leadership in various merchandising positions across multiple categories since joining the Company in April 1998, including Vice President/Divisional Merchandise Manager of Footwear and Equipment from March 2010 through September 2014 and Vice President/Divisional Merchandise Manager of Apparel and Equipment from June 2004 through March 2010.

***Robert J. Volke*** was appointed to serve as our Senior Vice President of Accounting and Finance in April 2020, and was named our Chief Financial Officer shortly thereafter. Mr. Volke most recently served as Interim Chief Financial Officer of Fleet Farm LLC (Fleet Farm), a position he held since March 2020, and as its Vice President, Accounting and Corporate Controller from August 2018 to February 2020. Prior to his service at Fleet Farm, Mr. Volke held various positions of increasing responsibility with Tractor Supply Company (Nasdaq: TSCO), including as its Vice President and Controller from March 2017 to August 2018, Vice President – Accounting and Reporting from February 2014 to February 2017, Director of General Accounting and Financial Reporting from February 2009 to January 2014, and Manager of General Accounting and Financial Reporting from May 2007 to February 2009. Mr. Volke earned his Bachelor of Science degree in Accounting from Indiana University.

***David M. Benck*** was appointed Senior Vice President and General Counsel in March 2020. He also serves as our Chief Privacy Officer, Chair of the Enterprise Risk Committee, Assistant Secretary and Chief Risk Assessor. Mr. Benck joined the Company in March 2005, and in April 2008 was appointed Vice President and General Counsel. In addition to his role with the Company, Mr. Benck serves on the Board of Directors for the Federal Reserve Bank of Atlanta, Birmingham Branch appointee, as a Council Member for the American Arbitration Association, as a member of the Court of Arbitration for Sport (Lausanne, Switzerland) and as a member of the NCAA's Independent Resolution Panel. Additionally, he is a Fellow in the National Association of Corporate Directors and an IAPP Certified Information Privacy Professional (CIPP/US and CIPM).

***Ronald P. Blahnik*** was appointed to serve as our Senior Vice President and Chief Information Officer in April 2019. Mr. Blahnik joined the Company in November 2016 as our Vice President and Chief Information Officer. Before joining our Company, he served as managing partner of Blahnik Consulting Services, LLC from April 2011 to November 2016. Mr. Blahnik is a retired Army officer and has worked in the information technology field for more than 40 years. He holds a Bachelor of Science degree in Information Technology.

***Benjamin A. Knighten*** was appointed to serve as our Senior Vice President of Operations in March 2020. Mr. Knighten previously served as Chief Operating Officer of City Gear, LLC from July 2018 to March 2020 and as Vice President of Store Operations of City Gear from November 2006 to July 2018.

***Michael C. McAbee*** was appointed to serve as our Senior Vice President, Supply Chain and Store Development in March 2022. Mr. McAbee joined our Company in September 2002 as a Merchant/Planner and during his tenure has held various positions of increasing responsibility and leadership including Vice President, Merchandise Planning and Replenishment from April 2008 to June 2012, Vice President, Merchandise Planning and Corporate Strategy from July 2012 to September 2014, Vice President, Merchandise Planning, Inventory Management and Corporate Strategy from October 2014 to April 2019, Vice President, Merchandise Operations and Planning from May 2019 to March 2020, Vice President, Store Development and Merchandise Operations from April 2020 to April 2021, and most recently, Vice President, Supply Chain and Store Development from May 2021 to March 2022. Mr. McAbee earned in Bachelor of Arts degree in History from the University of Alabama.

***William G. Quinn*** was appointed to serve as our Senior Vice President of Marketing and Digital in April 2019. Mr. Quinn joined the Company in February 2016 as our Vice President of Digital Commerce. Prior to joining the Company, he served as Vice President, Digital for David's Bridal and as Executive Vice President, Chief Marketing Officer for 24 Hour Fitness. Mr. Quinn earned his Bachelor of Arts degree at Vanderbilt University, his MBA at Duke University and also holds a Certificate of Web Design from Temple University.

***Jonalin S. Smith*** was appointed to serve as our Senior Vice President, Merchandising in March 2022. Ms. Smith joined the Company in October 2020 as our Vice President, General Merchandising Manager. Prior to joining the Company, she spent almost 28 years at Nike, Inc. where she held a variety of positions with increasing levels of responsibility and leadership, serving most recently as their Vice President of North American Sales for Converse. In addition, she was General Manager and Global Vice President of Nike’s Skateboarding Category. Her tenure at Nike included service throughout North America, as well as Europe, the Middle East and Africa. Ms. Smith earned her Bachelor of Science Degree at Atlanta Christian College in Atlanta, Georgia.

**Human Capital**

*Human Capital Management*

At Hibbett, our key human capital management objectives are to attract, retain and develop the highest quality talent. Our inclusive culture inspires leadership, encourages innovative thinking and supports advancement opportunities for all team members. Our human resources programs are central to our long-term strategy and are designed to develop talent in preparation for critical roles and leadership positions for the future; reward and support team members through competitive pay and benefits; enhance the Company’s culture through efforts aimed at making the workplace more engaging and inclusive; acquire talent and facilitate internal talent mobility to create a high-performing, diverse workforce; engage team members as brand ambassadors of the Company’s products and experiences; and evolve and invest in technology, tools and resources to enable team members at work.

As of January 29, 2022, we employed approximately 11,000 team members, of which approximately 3,600 were full-time team members and over 92% of the total population work in our retail locations. None of our team members are represented by a labor union. The number of full-time and part-time team members fluctuates depending on seasonal needs. We have a long history of providing competitive compensation and benefits and providing meaningful experiences and career-development opportunities to our team members. As a result, we have not experienced significant interruptions in our operations due to labor disagreements or team member dissatisfaction.

*COVID-19*

We are committed to the health and safety of our team members and their families. In response to the COVID-19 pandemic, we supported our team members by expanding remote work, broadening benefit offerings such as increasing paid-time-off for our retail team members and providing health care premium forgiveness. Our Chief Executive Officer has provided updates to our team members, including field leadership, every month since the onset of the COVID-19 pandemic and we offer Associate Assistance Program counseling sessions to assist with team member needs.

*Our Diversity and Inclusion Statement:*

Diversity, inclusion and belonging are at the heart of who we are as a Company. We've cultivated an authentic representation of our communities through thoughtful local hiring, often from our customer base. Our teams' unique backgrounds, perspectives and skills improve us all, creating a competitive advantage that positively impacts our business and contributes to our success. We intentionally foster a culture of belonging and inspiring self-expression in our team members and our customers.

We are committed to doing our part to improve our inclusion and increase our diversity. We are driving important change through specific actions, including continuing our relationship with the Office of Diversity, Equity and Inclusion at the University of Alabama at Birmingham to provide diversity and inclusion education sessions. In addition, we have fostered a culture where team members are encouraged and empowered to be leaders through our Leadership Academy professional development program and we recently formed our first employee resource group focused on supporting and engaging women in our workforce.

*Talent Acquisition/Talent Development/Team Member Engagement*

Investing in our team members is one of our core strategies. We aim to provide best-in-class training and development opportunities, while creating innovative programs that enable a vibrant and engaged learning culture to flourish. In addition to our Leadership Academy, we utilize LinkedIn Learning as our e-learning platform, and we introduced a professional development series consisting of various monthly educational sessions for leadership positions at our Store Support Center. We also support and encourage continued education with a competitive tuition reimbursement program for our team members.

We recognize that maintaining an inclusive and high-performance culture requires an engaged workforce, where team members are motivated to do their best work every day. Our engagement approach centers on communication and recognition. We communicate with our team members in a variety of ways, including monthly live CEO updates that include Q&A sessions with team members and regular communications to all our retail locations. We conduct periodic team member engagement surveys at our Store Support Center to understand and respond to team member needs. In February 2022, we expanded our annual survey company-wide to provide all team members a channel for feedback on a variety of topics, including company direction and strategy, individual growth and development, diversity, health and well-being and meaningful work.

We continuously strive to be an employer of choice. In 2021, Forbes recognized Hibbett as one of "America's Best Employers", "Best Employers for Diversity," "Best Employers for Women," "America's Best Employers for New Grads" and "America's Best Employers by State."

*Community and Social Impact - Building Connections*

We believe that building connections between our team members, their families and our communities creates a more meaningful, fulfilling, and enjoyable workplace. We are committed to providing comfort to those in need through our ongoing relationship with the United Way of Central Alabama. Team members make contributions to this organization that supports 71 partner agencies, and we match 100% of all team member contributions. We support a number of organizations through financial and in-kind giving, including the Leukemia and Lymphoma Society, Children's Hospital of Alabama, Alabama Sheriff's Youth Ranch, UAB O'Neal Comprehensive Cancer Center and the Jefferson County, Alabama Board of Education. Our retail store team members engage with local community partners across our vast store footprint by hosting events such as free haircuts for back to school and holiday food drives.

SOLE SCHOOL® is the main focus for community engagement in our local retail districts. In Fiscal 2022, we partnered with over 85 schools, one school from each Hibbett and City Gear sales districts, to participate in the program. Highlights of SOLE SCHOOL® include product donations, engagement programs, career coaching, academic incentives and monetary donations. Our retail team members lead focus groups where student athletes are encouraged to excel in school and are introduced to various career paths that may be available to them after high school and college. Additionally, the student athletes get a first look at some of the newest product releases and selections and can provide feedback, potentially influencing future product selection.

At our Store Support Center, we continue our partnership with Holy Family Cristo Rey High School, an organization that supports inner-city education for students from families of limited economic means. Students participated in a Corporate Work-Study Program to gain real-world work experience at our corporate headquarters. We also support our local disabled community through our partnership with United Ability of Alabama and its Job Exploration Training Services ("JETS") program. Through the JETS program, we enabled 10 high school students with varying abilities to receive on-the-job training, mentoring and work experience at our Wholesale and Logistics Facility.

**Environmental Sustainability**

We have recently partnered with a third party to develop a science-based methodology of measuring, monitoring and reporting on sustainability. Our current focus is on reduction of waste and sustainable product offerings. We also understand the importance of reducing our energy consumption and aim to monitor and report on our efforts in the future.

Our LED Lighting Initiative, which we adopted in 2016, reduces store energy use by about 30%, and the majority of our stores are either fully or partially supplied with LED lights. Other energy efficient initiatives such as upgrades of our older HVAC units have further reduced our energy use.

Additionally, we aim to divert waste from landfills by increasing our existing recycling programs. In order to reduce waste, we recycle corrugated boxes and strive to reuse cartons and pallets in our logistics facility. Our recycling efforts are further complemented by our shopping bags, which contain 15% of recycled materials.

Finally, we continue to collaborate with certain vendors to increase sustainable product offerings. We support Nike's Move to Zero®, a closed-loop process that uses manufacturing scrap, unsellable products, and worn-out shoes to make new products, by significant marketing and social media effort and in-store displays. We also offer other sustainable products from a number of other vendors, and we expect to increase sustainable product offerings in the future.

**Environmental, Sustainability & Governance Report**

Additional information about how we invest in our team members, our communities and our environment can be found in our most recent Environmental, Sustainability & Governance Report ("ESG Report"), which is available on our website, www.hibbett.com, under "Investor Relations." Nothing on our website, including our ESG Report, documents or sections thereof, shall be deemed incorporated by reference into this Annual Report on Form 10-K or incorporated by reference into any of our other filings with the U.S. Securities and Exchange Commission (the "SEC").

**Our Trademarks**

Our Company, by and through subsidiaries, is the owner or licensee of trademarks that are very important to our business. Generally, trademarks are valid as long as they are in use and/or their registrations are properly maintained. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use.

Following is a list of active trademarks registered and owned by the Company:

- HIBBETT SPORTS, Registration No. 2717584
- SPORTS ADDITIONS, Registration No. 1767761
- HIBBETT, Registration No. 3275037

- SOLE SCHOOL, Registration No. 6549068
- City G.E.A.R, Registration No. 4398655
- City G.E.A.R., Registration No. 4413864
- CITY GEAR, Registration No. 4675462
- City GEAR, Registration No. 5008316
- DEVEROES, Registration No. 3479737
- GRINDHOUSE, Registration No. 5107399
- GRINDHOUSE DENIM, Registration No. 5107398

**Governmental Regulations**

We must comply with various federal, state and local regulations, including regulations relating to consumer products and consumer protection, advertising and marketing, labor and employment, data protection and privacy, intellectual property, the environment and tax. In addition, we must comply with United States customs laws and similar laws of other countries associated with the import and export of merchandise. Ensuring our compliance with these various laws and regulations, and keeping abreast of changes to the legal and regulatory landscape present in our industry, requires us to expend considerable resources. For additional information, see "Risk Factors" under the sub-captions "Risks Related to Our Business and Industry" and "Risks Related to Governance, Regulatory, Legislative and Legal Matters."

**Seasonality**

We have historically experienced seasonal fluctuations. We typically experience higher net sales in early spring due to spring sports and annual tax refunds, late summer due to back-to-school shopping and winter due to holiday shopping. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, weather fluctuations, merchandise mix, demand for merchandise driven by local interest in sporting events and the timing of sales tax holidays and annual tax refunds.

**Available Information**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge through our website www.hibbett.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our website is the primary source of publicly disclosed news about Hibbett, Inc. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K for the fiscal year ended January 29, 2022, at no charge, by writing to: Investor Relations, Hibbett, Inc., 2700 Milan Court, Birmingham, Alabama 35211.

In addition, we make available, through our website, the Company’s Code of Business Conduct and Ethics, Corporate Governance Guidelines and the written charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Information contained on our website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

**Item 1A. Risk Factors.**

You should carefully consider the following risks, as well as the other information contained in this Annual Report on Form 10-K. The occurrence of one or more of the circumstances or events described in this section could have a material adverse effect on our business, financial condition, results of operations, cash flows or on the trading prices of our common stock. The risks and uncertainties described in this Annual Report on Form 10-K are not the only ones we face. Additional risks and uncertainties not known to us at this time or that we currently believe are immaterial also may adversely affect our business and operations.

*Risks Related to Our Business and Industry*

***The continuing impacts of the COVID-19 pandemic are highly unpredictable, volatile, and uncertain, and have materially affected, and could continue to materially affect, our business operations, demand for our products and services, our costs of doing business, availability and cost of labor, access to inventory, supply chain operations, our ability to predict future performance, our exposure to litigation, and our financial performance, among other things.***

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact our business, results of operations, liquidity, cash flow and financial condition. While we have taken numerous steps to mitigate any adverse impacts of the COVID-19 pandemic on our results of operations, there can be no assurance that these efforts will be successful.

Due to numerous uncertainties and factors beyond our control, we are unable to predict the impact that the COVID-19 pandemic will have going forward on our business, results of operations, liquidity, cash flows and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including the severity and duration of any additional periods of increases or spikes in the number of COVID-19 cases in future periods in the communities or states we operate;
- the rapidly changing and fluid circumstances caused by the pandemic and our ability to respond quickly enough or appropriately to those circumstances;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, shelter-in-place, or social distancing measures; vaccine mandates; restrictions on our operations up to and including complete or partial closure of our stores and logistics and distribution facilities; economic measures; access to unemployment compensation; fiscal policy changes; or additional measures that may yet be effected;
- the adequate production, distribution, acceptance and efficacy of vaccines and effective medical treatments for COVID-19;
- the effect of the pandemic on our team members and our ability to maintain staffing needs to effectively operate our business;
- our ability to enter into rent deferral or abatement arrangements or other lease modifications, including lease term extensions, with our landlords;
- our ability to attract customers to our stores, given the risks, or perceived risks, of gathering in public places;
- the impact on demand for school-related products or athletic gear caused by the periodic cancellation or delay of in-person school instruction and activities;
- any disproportionate impact experienced by our target customer demographic;
- unknown consequences on our business performance and strategic initiatives stemming from the substantial investment of time and other resources to the pandemic response, including potential delays in or adjustments to our strategic investments;
- the incremental costs and long-term impact of doing business during and after the pandemic;
- volatility in the credit and financial markets during and after the pandemic; and
- the potential effects on our internal control environment as a result of remote work environments.

The above factors and uncertainties, or others of which we are not currently aware, may result in additional adverse impacts to our business, results of operations, cash flows, and financial condition. In addition to the factors above, the COVID-19 pandemic has subjected our business to a number of risks, including, but not limited to those discussed below:

*Team Member and Customer Safety-Related Risks*. In response to the COVID-19 pandemic, we have taken a number of actions across our business to help protect our team members, customers and others in the communities we serve. These measures have included, among other things, adjusted store hours; remote working opportunities for our Store Support Center; increased cleaning and sanitizing measures; limits on customer traffic in stores to maintain physical and social distancing protocols; other physical and social distancing efforts such as markings on floors, signage, plexiglass shields and providing masks to team members in our stores, Store Support Center and logistics facility; offering curbside pick-up from stores; and instituting contactless payment in all stores.

We have also taken other steps to support our team members, including expanding our paid time off policy to help alleviate some of the challenges our team members are facing as a result of COVID-19 and expanding health care benefits. The actions that we have taken in response to the pandemic have resulted in incremental costs, and we expect that we will continue to incur additional costs due to the pandemic going forward.

The health and safety of our team members and customers are of primary concern to our management team. However, due to the unpredictable nature of the ongoing COVID-19 pandemic and the consequences of our actions, we may see unexpected outcomes from our added safety measures. Furthermore, any failure to appropriately respond, or the perception of an inadequate response, could cause reputational harm to our brand and/or subject us to claims and litigation from team members, customers, suppliers, regulators or other third parties. Additionally, any outbreak of confirmed cases of COVID-19 in our stores, Store Support Center or logistics facility could result in temporary or sustained workforce shortages or facility closures, which would negatively impact our business and results of operations.

Additionally, some jurisdictions have taken measures intended to expand the availability of workers compensation or to change the presumptions applicable to workers compensation measures. These actions may increase our exposure to workers compensation claims and increase our cost of insurance.

*Information Technology-Related Risks*. As a result of the pandemic and due to pent-up demand, market disruption and government stimulus during calendar 2021, we experienced increased demand for online purchases of products. While we managed this increased volume without interruption, there are no assurances that we will continue to be able to do so. We also rapidly modified certain technology to support our interconnected offerings in connection with the pandemic, such as the addition of curbside pick-up. Our systems are not fully redundant, and disruptions, improper access or disclosures, failures or other performance or security issues with our customer-facing technology systems, either due to the increased volume or other factors, could impair the benefits they provide, adversely impact our sales, and negatively affect our relationship with our customers. In addition, as more business activities have shifted online due to COVID-19 restrictions, and as many of our store support team members are working remotely, we face an increased risk from potential failure of internal or external information technology infrastructure and from potential security risks from team members using their own mobile devices and computing devices outside our network, as well as increased cybersecurity threats and attempts to breach our security networks.

*Supply Chain-Related Risks*. Circumstances related to the COVID-19 pandemic have significantly impacted the global supply chain with restrictions and limitations on business activities causing disruption and delay. These disruptions and delays are placing strains on the domestic and international supply chain, which has affected and could continue to negatively affect the flow or availability of certain products. Customer demand for certain products has also fluctuated as the pandemic has progressed and customer behaviors have changed, which has challenged our ability to anticipate and/or adjust inventory levels to meet that demand. Additionally, supply chain challenges due to the COVID-19 pandemic have made it more difficult to obtain certain in-demand products. These factors have challenged our management of inventory positions as well as some delays in delivering products to our logistics and distribution facilities, stores or customers. Increased demand for online purchases of products has impacted our fulfillment operations and, if it continues, could result in delays in delivering products to customers. The operation of our logistics and distribution facilities and stores as fulfillment centers is crucial to our business operations.

If our logistics and distribution facilities or a significant number of stores experience closures or labor shortages, whether temporary or sustained, we could face adverse impacts related to the flow or availability of products to our stores and customers. Any of these circumstances could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation.

*Financial and Liquidity Risks*. In an effort to strengthen our liquidity position while navigating the ongoing COVID-19 pandemic, we took proactive steps during the second quarter of Fiscal 2022, including replacing our Second Amended and Restated Note with Regions Bank with a new Credit Agreement with Regions Bank (the "2021 Credit Facility") that provides an unsecured line of credit up to $100 million and is effective through July 9, 2026. We also continued working with merchandise and non-merchandise vendors ramping up inventory allocation systems and distribution infrastructure to support increased online demand and managing the flow of goods in collaboration with our vendor partners.

Additionally, changes in our capital allocation strategy could have adverse impacts, both short- and long-term, on our results of operations and financial position. If we choose not to acquire shares under our Repurchase Program, our earnings per share and return on invested capital may be impacted, which in turn could adversely impact our stock price.

We believe that the COVID-19 pandemic has, at times, led to increased revenue growth relative to historic trends, and has particularly accelerated our e-commerce growth. These results, as well as those of other metrics such as net sales and other financial and operating data, may not be indicative of results for future periods. Once the impact of the COVID-19 pandemic subsides, a failure by us to continue capitalizing on growth opportunities may cause our revenue or revenue growth to decline. Further, there can be no assurances that this increase in demand will be sustained through the remainder of the COVID-19 pandemic or in subsequent periods. In addition, dependence on our e-commerce business subjects us to certain other risks, including: the failure to successfully implement new systems, system enhancements and internet platforms; the failure of our technology infrastructure or the computer systems that operate our website, causing, among other things, website downtimes; telecommunications issues or other technical failures; over-reliance on third-parties; and an increase in credit card fraud.

To the extent the COVID-19 pandemic continues to adversely affect the U.S. and global economies and/or adversely affect our business, results of operations, cash flows, or financial condition, it may also have the effect of heightening other risks described in this "Risk Factors" section in this Annual Report on Form 10-K, including but not limited to those related to consumer behavior and expectations, competition, brand reputation, implementation of strategic initiatives, cybersecurity threats, technology systems disruption, supply chain disruptions, inflation, labor availability and cost, litigation, and regulatory requirements.

***Disruptions in the economy and in financial markets could adversely affect consumer purchases of discretionary items, which could reduce our net sales.***

In general, our sales represent discretionary spending by our customers. Discretionary spending is affected by many factors that are outside our control, including, among others, general business conditions, interest rates, prices of non-discretionary consumer goods, inflation, household income, consumer debt levels, the availability of consumer credit, tax rates and tax refunds, sales tax holidays, energy prices, geopolitical conflicts, widespread health emergencies, such as the ongoing COVID-19 pandemic, unemployment and underemployment trends, and consumer confidence and spending. Disruptions in the U.S. economy, financial markets or other economic conditions affecting disposable consumer income may reduce the level of consumer spending and inhibit consumers' use of credit, which may adversely affect our revenues, profits, liquidity and capital resources. In recessionary periods or periods of slow growth, we may have to increase the number of promotional sales or otherwise dispose of inventory for which we have previously paid to manufacture or committed to purchase and/or increase our marketing and promotional expenses in response to lower than anticipated levels of demand for our products, which could adversely affect our profitability. Additionally, a reduction in customer traffic to our stores or a shift in customer spending to products other than those sold by us or to products sold by us that are less profitable could result in lower net sales, decreases in inventory turnover or a reduction in profitability due to lower margins. Our financial performance may also be particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores.

***If we lose any of our key vendors or any of our key vendors fail to supply us with quality brand name merchandise at competitive prices, we may not be able to meet the demand of our customers and our net sales and profitability could decline.***

We are a retailer of manufacturers' branded items and are thereby dependent on the availability of key products and brands. Our business is dependent upon close relationships with our vendors and our ability to purchase brand name merchandise at competitive prices. Our top two vendors accounted for approximately 70% of our total inventory purchases during Fiscal 2022. During Fiscal 2022, approximately 61% of our inventory was purchased from one vendor, Nike, who accounted for approximately 64% of our net sales. Our inability to obtain merchandise in a timely manner from major suppliers as a result of business decisions by suppliers, including the expansion of direct-to-consumer programs by our vendors, or disruptions in the global transportation network, such as port strikes and backlogs, geopolitical conflicts, weather conditions, the emergence of widespread health emergencies or pandemics such as the COVID-19 pandemic, work stoppages, labor shortages or other labor unrest could have a material adverse effect on our business, financial condition, and results of operations. Because of our strong dependence on Nike, any adverse development in Nike's distribution strategy, financial condition, or results of operations, or the inability of Nike to develop and manufacture products that appeal to our target customers, could also have an adverse effect on our business, financial condition, and results of operations. As a retailer, we cannot control the supply, design, function or cost of many of the products we offer for sale. Moreover, certain merchandise that is in high demand may be allocated by vendors based upon the vendors' internal criteria, which is beyond our control.

As a result, our sales could decline if we are not provided with a sufficient allocation of high demand merchandise from one or more of our key vendors, including in the event one or more of our key vendors chooses to sell such merchandise in their online business, or if our key vendors' merchandise were to decline in quantity, quality or desirability to our customers. Our profits could decline if we are unable to pass along any increases in the cost of brand merchandise from our key vendors, including costs resulting from higher tariffs or taxes on imported merchandise. In addition, many of our vendors provide us with return privileges, volume purchasing allowances and cooperative marketing funds such that any changes to such benefits could have an adverse effect on our business.

We believe that we have long-standing and strong relationships with our vendors and that we have adequate sources of brand name merchandise on competitive terms. However, the loss or decline of key vendor support could have a material adverse effect on our business, financial condition and results of operations. There can be no assurances that we will be able to acquire such merchandise at competitive prices or on competitive terms in the future.

We also rely on services and products from non-merchandise vendors. A disruption in these services or products due to the financial condition or inefficient operations of these vendors could adversely affect our business operations.

***Security threats, including physical and cyber-security threats, and unauthorized disclosure of sensitive or confidential information could cause us to incur substantial expenses, result in litigation or other legal actions, adversely affect our operating results, and harm our business and reputation with our consumers.***

The protection of Company, customer, and employee data is critical to us. Through our sales, marketing activities, and use of third-party information, we collect and retain certain personally identifiable information that our customers provide to purchase products, enroll in promotional programs, register on our website, or otherwise communicate and interact with us. This may include, but is not limited to, names, addresses, phone numbers, driver license numbers, email addresses, contact preferences, personally identifiable information stored on electronic devices, and payment account information, including credit and debit card information. We also gather and retain information about our employees in the normal course of business. Furthermore, our online operations depend upon the secure transmission of confidential information over public networks, such as information permitting cashless payments. We rely on commercially available systems, software, tools, and monitoring, including those controlled by third-party providers, to provide security for processing, transmission, and storage of all such data, including confidential information.

Cyber threats are rapidly evolving and becoming increasingly sophisticated. Ever-evolving threats mean we must continually evaluate and adapt our systems and processes. We have security measures designed to protect against the misappropriation or corruption of our systems, intentional or unintentional disclosure of confidential information or disruption of our operations. Our risk remediation procedures include an annual IT risk assessment based on the SANS Institute Critical Security Controls framework, which prioritizes security functions that are effective against the latest advanced targeted threats while emphasizing security controls that have demonstrated real world effectiveness. While we maintain insurance coverage that may, subject to policy terms and exclusions, cover certain aspects of our cyber risks, such insurance coverage may be insufficient to cover our losses or all types of claims that may arise in the continually evolving area of cyber risk.

These security measures may be compromised as a result of third-party breaches, burglaries, cyber-attacks, computer viruses, worms, bot attacks, ransomware, other destructive or disruptive software, errors or malfeasance by employees or employees of third-party vendors, faulty password management, social engineering, misappropriation by third parties, or other irregularity, and result in persons obtaining unauthorized access to our data or accounts, data loss, or data theft or alteration. Despite implementing safeguards for the protection of such information, we cannot be certain that all of our systems and those of our vendors and unaffiliated third parties are entirely free from vulnerability to attack or compromise. During the normal course of our business, we and the businesses with which we interact have experienced and we expect to continue to experience attempts to breach our systems. There is no assurance that our security controls and practices will prevent the improper disclosure, access or use of confidential, proprietary or sensitive data, data loss or alteration, and we may be unable to protect sensitive data and the integrity of our systems or to prevent fraudulent purchases. Moreover, an alleged or actual security breach that affects our systems or results in the unauthorized release of personally identifiable information could:

- materially damage our reputation and negatively affect customer sales, satisfaction and loyalty;
- expose us to negative publicity, individual claims or consumer class actions, administrative, civil or criminal investigations or actions, including liability under privacy, security and consumer protection laws or enforcement actions, fines, or regulatory proceedings; and
- cause us to incur substantial costs, including but not limited to, costs associated with remediation for stolen assets or information, costs for sending legally required notifications to customers or other affected individuals, litigation costs, lost revenues resulting from disruption in our systems or business, unauthorized use of proprietary information or the failure to retain or attract customers following an attack, and increased cyber protection costs.

There are relatively new State Privacy Laws (as defined further below), as well as additional laws that are coming into effect or are contemplated, that could impose additional liability on us for any failure to maintain certain security standards.

***If we are unable to identify and capitalize on retail trends or provide an omni-channel experience for our customers that is comparable to our competitors, we may not be able to compete effectively, and our sales and profitability may be adversely affected.***

Competition in the e-commerce market continues to intensify as the internet continues to facilitate competitive entry into the market and comparison shopping by consumers. As a result, a growing portion of total consumer expenditures with retailers is occurring through digital platforms rather than traditional retail stores as consumers increasingly embrace shopping online and through mobile commerce applications. Our future success could be materially and adversely affected if we are unable to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies, to gain market share and better service our customers, or if we are unable to provide an omni-channel experience for our customers that is comparable to our competitors, including larger, more established e-commerce companies such as Amazon.

Our omni-channel platform integrates digital commerce with our stores to provide a seamless experience for our customers. Our mobile apps, buy online pickup in store (BOPIS) and reserve online pickup in store (ROPIS) complement our e-commerce site and provide our customers with customized advanced features and shopping experiences. We cannot give any assurances that our omni-channel platform, including our mobile apps, BOPIS and ROPIS, will perform in a manner that will give us the ability to attract and retain customers, increase sales and successfully compete with other online retailers. Moreover, to make available our omni-channel platform, we rely on various technology systems and services, some of which are provided and managed by third-party service providers. To the extent such third-party components do not perform or function as anticipated, such failure can significantly interfere in our ability to meet our customers' changing expectations. If we do not successfully provide a relevant and up-to-date digital experience or cannot attract online buyers through our omni-channel platform, or are unable to do so in a cost-efficient manner, our sales and profitability could be adversely affected.

We continue to increase the use of social media as a means of interacting and enhancing the shopping experiences of our customers. If we are unable to attract and retain team members, in particular IT professionals, or contract third parties with the specialized skills to support our omni-channel platform or are unable to implement improvements to our customer-facing technology in a timely manner, our ability to compete and our results of operations could be adversely affected. In addition, if our website and our other customer-facing technology systems do not function as designed, the customer experience could be negatively affected, resulting in a loss of customer confidence and satisfaction, as well as lost sales, which could adversely affect our reputation and results of operations.

***Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could adversely impact our business.***

In recent years, there has been a marked increase in the use of social media platforms, including blogs, chat platforms, social media websites, and other forms of internet-based communications that allow individuals access to a broad audience of consumers and other persons. The popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination. The dissemination of negative information via social media could harm our business, brand, reputation, marketing partners, financial condition, and results of operations, regardless of the information's accuracy. If we are unable to quickly and effectively respond to occurrences of negative publicity through social media or otherwise, the Company may suffer declines in customer loyalty and traffic, vendor relationship issues, diversion of management's time to respond and other adverse effects, all of which could negatively impact the Company's operations, financial results and reputation.

In addition, we frequently use social media to communicate with consumers and the public in general. Failure to use social media effectively or properly, or misuse of social media by our employees or vendors, could lead to a decline in brand value and revenue. Other risks associated with the use of social media include improper disclosure of proprietary information, exposure of or improper use of personally identifiable information, fraud, hoaxes or malicious dissemination of false information.

***Pressure from our competitors may force us to reduce our prices or increase our spending on marketing and promotion, which could lower our net sales, gross profit and operating income.***

The business in which we are engaged is a highly competitive and evolving market. The marketplace for athletic specialty merchandise is highly fragmented as many different brick and mortar and online retailers compete for market share by utilizing a variety of formats and merchandising strategies. We compete directly and indirectly with specialty stores, department stores, traditional shoe stores, mass merchandisers, e-commerce retailers and, in some of our large and mid-size markets, national sporting goods superstores. In addition, we face increasing competition from vendors that sell directly to consumers, especially Nike. Increased competition from key vendors' direct to consumer programs may adversely affect our market share and reduce our revenues, as well as adversely impact our future product allocation from vendors.

Many of our competitors have greater financial, marketing, distribution, and delivery resources than we do, which enable them to spend significantly more on marketing and other initiatives. In addition, many of our competitors employ price discounting policies that, if intensified, may make it difficult for us to reach our sales goals without reducing our prices. Should our competitors increase spending on marketing and other initiatives such as additional discounting, if our marketing funds decrease for any reason, or should our marketing, promotions or initiatives be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition. As a result, we may also need to spend more on marketing, promotions, and initiatives than we anticipate. Inadequate marketing that is less effective than our competitors could inhibit our ability to maintain relevance in the market place and drive increased sales.

We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors. Expansion into markets served by our competitors, entry of new competitors or expansion of existing competitors into our markets could be detrimental to our business, financial condition, and results of operations.

***Our inability to identify and anticipate changes in consumer demands and preferences and our inability to respond to such consumer demands in a timely manner could reduce our net sales or profitability.***

Our products appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. Our success depends on our ability to identify product trends as well as to anticipate and respond to changing merchandise trends and consumer demand in a timely manner. We cannot assure you that we will be able to continue to offer assortments of products that appeal to our customers or that we will satisfy changing consumer demands in the future. Accordingly, our business, financial condition and results of operations could be materially and adversely affected if:

- we are unable to identify and respond to emerging trends, including shifts in the popularity of certain products;

- we miscalculate either the market for the merchandise in our stores and on our website or our customers' purchasing habits; or
- consumer demand unexpectedly shifts away from athletic footwear or our more profitable apparel lines.

In addition, we must maintain sufficient inventory levels to operate our business successfully. However, we also must guard against accumulating excess inventory. If we fail to accurately anticipate either the market for the merchandise in our stores and on our website or our customers' purchasing habits, we may be forced to rely on markdowns or promotional sales to dispose of excess or slow moving inventory, which could have a material adverse effect on our business, financial condition, and results of operations, by, for example, decreasing our profitability.

***The industry in which we operate is dependent upon fashion trends, customer preferences, product innovations, and other fashion-related factors.***

The athletic footwear and apparel industry, especially at the premium end of the price spectrum, is subject to changing fashion trends and customer preferences. In addition, retailers in the athletic industry rely on their suppliers to maintain innovation in the products they develop. We cannot guarantee that our merchandise selection will accurately reflect customer preferences when it is offered for sale or that we will be able to identify and respond quickly to fashion changes, particularly given the long lead times for ordering much of our merchandise from suppliers. Our failure to anticipate, identify, or react appropriately in a timely manner to changes in fashion trends that would make athletic footwear or athletic apparel less attractive to our customers could have a material adverse effect on our business, financial condition, and results of operations.

***We depend on key personnel, the loss of which may adversely affect our ability to run our business effectively and our results of operations.***

We benefit from the leadership and performance of our senior management team and other key employees. If we lose the services of any of our principal executive officers or other skilled and experienced personnel, we may not be able to fully implement our business strategy or run our business effectively and operating results could suffer. The Compensation Committee of our Board of Directors reviews, on a regular basis, a succession plan prepared by senior management that addresses the potential loss of key personnel positions. The goal of the succession plan is to have a contingency plan that minimizes disruptions in the workplace until a suitable replacement can be found, but no assurance can be given that we will be able to retain existing or attract additional qualified personnel when needed.

Further, as our business grows, we will need to attract and retain additional qualified personnel in a timely manner and develop, train, and manage an increasing number of management-level sales team members and other employees. We have invested, and plan to continue to invest, in an environment in which our employees can deliver their best every day, and we endeavor to empower them by providing ongoing training, growth opportunities, and competitive compensation and benefits packages. Competition for qualified employees could require us to pay higher wages and benefits to attract a sufficient number of qualified employees and increases in the minimum wage or other employee benefit costs could increase our operating expense. An inability to attract and retain personnel as needed in the future could negatively impact our net sales growth and operating results.

***We are subject to payment-related risks that could increase our operating costs, subject us to potential liability, and potentially disrupt our business.***

We collect customer data, including encrypted and tokenized credit card information, in our stores and online. For our sales channels to function successfully, we and third parties involved in processing customer transactions for us must be able to transmit confidential information, including credit card information, securely over public networks. While we have measures in place designed to prevent a breach or unauthorized use or disclosure of customer data and other sensitive personal information, we cannot guarantee that any of our security measures or the security measures of third parties with whom we work will effectively prevent others from obtaining unauthorized access to our customers' information or other personally identifiable information. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security

Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect cyber-attacks, cyber terrorism, security breaches or other compromises from known malware or ransomware or other threats that may be developed in the future. If someone is able to circumvent our data security measures or those of third parties with whom we do business, they could destroy or steal valuable information or disrupt our operations. If such a breach were to occur, customers could lose confidence in our ability to secure their information and choose not to purchase from us. Any unauthorized use of or access to customer information could expose us to data loss or manipulation, litigation and legal liability, and could seriously disrupt operations, negatively impact our marketing capabilities, cause us to incur significant expenses to notify customers of the breach and for other remediation activities, and harm our reputation and brand, any of which could adversely affect our financial condition and results of operations.

In addition, state, federal, and foreign governments are increasingly enacting laws and regulations to protect consumers against identity theft and consumer privacy, which may apply specifically to, or include, payment-related information. Many of these laws and regulations are subject to uncertain application, interpretation or enforcement standards that could result in claims, changes to our business practices, data processing and security systems, penalties, increased operation costs or other impacts on our business. These laws and regulations will likely increase the costs of doing business, and if we fail to implement appropriate procedures, security measures, or detect and provide prompt notice of unauthorized access as required by some of these laws and regulations, we could be subject to potential claims for damages and other remedies, government enforcement actions, liability for monetary damages, fines and/or criminal prosecution, all of which could adversely affect our business and results of operations.

***We rely heavily on information systems to conduct our business. Problems with our information systems could disrupt our operations and negatively impact our financial results and materially adversely affect our business operations.***

Our ability to manage and operate our business depends significantly on information technology systems. Specifically, we rely on our information systems to effectively manage our sales, logistics, merchandise planning and replenishment, to process financial information and sales transactions and to optimize our overall inventory levels. Our systems and operations are vulnerable to damage or interruption from fire, flood and other natural disasters; failed system implementations or integrations; power loss, computer system failures, internet and telecommunications or data network failures, operator negligence, improper operation or usage error by employees or contractors; third-party vendor system failures; physical and electronic loss of data, security breaches, misappropriation, data theft and similar events; and external threats such as computer viruses, worms, Trojan horses, ransomware, denial-of-service attacks or intrusions.

Although we attempt to mitigate the risk of possible business interruptions through change control protocols and a disaster recovery plan, which includes storing critical business information off-site, the failure of these systems to operate effectively and support growth and expansion could materially adversely impact the operation of our business.

Most of our information system infrastructure is centrally located, and we rely on third-party service providers for certain system applications that are hosted remotely or on cloud-based platforms. There is a risk that we may not have adequately addressed risks associated with using third-party providers or cloud-based platforms. Such risks include security issues such as adequate encryption and intrusion detection; user access control; data separation; the impact of technical problems such as server outages or server failures; vendor disaster recovery capabilities; and transition or exit strategies. A service provider disruption or failure in any of these areas could have a material adverse effect on our business.

***Our inability or failure to protect our intellectual property rights, or any claimed infringement by us of third-party intellectual rights, could have a negative impact on our operating results.***

Our trademarks, service marks, copyrights, patents, trade secrets, domain names, social media handles, and other intellectual property are valuable assets that are critical to our success. The unauthorized reproduction or other misappropriation of our intellectual property could diminish the value of our brands or goodwill and cause a decline in our revenue. In addition, any infringement or other intellectual property claim made against us could be time-consuming to address, result in costly litigation, or result in our loss of ownership or use of the intellectual property.

***Our failure to effectively manage our real estate portfolio may negatively impact our operating results.***

Effective management of our real estate portfolio is critical to our omni-channel strategy. All of our stores are subject to leases and, as such, it is essential that we effectively evaluate a range of considerations that may influence the success of our long-term real estate strategy. Such considerations include, but are not limited to:

- changing patterns of customer behavior from physical store locations to online shopping in the context of an evolving omni-channel retail environment;
- the appropriate number of stores in our portfolio;
- the formats, sizes and interior layouts of our stores;
- the locations of our stores, including the demographics and economic data of each store;
- the local competition in and around our stores;
- the primary lease term of each store and occupancy cost of each store relative to market rents; and
- logistics considerations for each store location.

If we fail to effectively evaluate these factors or negotiate appropriate terms or if unforeseen changes arise, the consequences could include, for example:

- having to close stores and abandon the related assets while retaining the financial commitments of the leases;
- incurring costs to remodel or transform our stores;
- having stores or distribution channels that no longer meet the needs of our business; and
- bearing excessive lease or occupancy expenses.

These consequences could have a materially adverse impact on our profitability, cash flows and liquidity. The financial impact of exiting a leased location can vary greatly depending on, among other factors, the terms of the lease, the condition of the local real estate market, demand for the specific property and our relationship with the landlord. It is difficult for us to influence some of these factors, and the costs of exiting a property can be significant. In addition to rent, we could still be responsible for the maintenance, taxes, insurance and common area maintenance charges for vacant properties until the lease commitment expires or is terminated.

***Our ability to attract customers to our stores that are located in malls or other shopping centers depends heavily on the success of these malls and shopping centers, and continued decreases in customer traffic in these malls or shopping centers, whether due to the growing preference for online shopping or otherwise, could cause our net sales and our profitability to be less than expected.***

A significant number of our stores are located in malls and other shopping centers, and many of these malls and shopping centers have been experiencing declines in customer traffic. Our sales at these stores are dependent, to a significant degree, upon the volume of traffic in those shopping centers and the surrounding area; however, our costs associated with these stores are essentially fixed. In times of declining traffic and sales, our ability to leverage these costs and our profitability are negatively impacted. Our stores benefit from the ability of a shopping center's other tenants to generate consumer traffic in the vicinity of our stores and the continuing popularity of the shopping center as a shopping destination. Our sales volume and traffic has been, and we expect will continue to be, adversely affected by, among other things, the decrease in popularity of malls or other shopping centers in which our stores are located, the closing of anchor stores important to our business, declines in popularity of other stores in the malls or shopping centers in which our stores are located, and decreased traffic as a result of the COVID-19 pandemic, including due to social distancing measures and general consumer preferences to avoid crowded or enclosed spaces. Furthermore, a deterioration in the financial condition of shopping center operators or developers could, for example, limit their ability to invest in improvements and finance tenant improvements for us and other retailers and lead consumers to view these locations as less desirable. Further reduction in consumer traffic as a result of these or any other factors could have a material adverse effect on us.

***Our success depends substantially on the value and perception of the brand name merchandise we sell.***

Our success is largely dependent on our consumers' perception and connection to the brand names we carry, such as Nike, Jordan Brand, adidas, Puma, Crocs, Under Armour, Brooks, Timberland and The North Face, among others. Brand value is based in part on our consumer's perception on a variety of subjective qualities so that even an isolated incident could erode brand value and consumer trust, particularly if there is considerable publicity or litigation. Consumer demand for our products or brands could diminish significantly in the event of erosion of consumer confidence or trust, resulting in lower sales, which could have a material adverse effect on our business, financial condition and results of operations.

***We would be materially and adversely affected if all or a portion of our primary wholesale and logistics facility was disrupted.***

Our primary wholesale and logistics facility is located in Alabaster, Alabama, a suburb of Birmingham, where we receive and ship a significant portion of our merchandise. Any natural disaster or other serious disruption to this facility would damage a portion of our inventory and could impair our ability to adequately stock our stores and process returns of products to vendors and could adversely affect our net sales and profitability. In addition, we could incur significantly higher costs and longer lead times associated with shipping our products to our stores during the time it takes for us to reopen or replace the facility.

Further, because we rely heavily on our primary wholesale and logistics facility, our growth could be limited if the facility reaches full capacity. Such restraint could result in a loss of market share and our inability to execute our business strategy and could have a material adverse effect on our business, financial condition and operating results.

***A disruption in the flow of imported merchandise or an increase in the cost of those goods could significantly decrease our net sales and operating income.***

Many of our largest vendors source a majority of their products from foreign countries. Imported goods are generally less expensive than domestic goods and contribute significantly to our favorable profit margins. Our ability to provide quality imported merchandise on a profitable basis may be subject to political and economic factors and influences that we cannot control. National or international events, including geopolitical conflicts and changes in government trade or other policies, could increase our merchandise costs and other costs that are critical to our operations. If imported merchandise becomes more expensive, we may find it difficult to pass the increase on to customers. If imported merchandise becomes unavailable, the transition to alternative sources by our vendors may not occur in time to meet our demands or the demands of our customers. Products from alternative sources may also be more expensive or may be of lesser quality than those our vendors currently import. Risks associated with reliance on imported goods include:

- increases in the cost of purchasing or shipping foreign merchandise resulting from, for example, import tariffs, taxes or other governmental actions affecting trade, including the United States imposing anti-dumping or countervailing duty orders, safeguards, remedies or compensation and retaliation due to illegal foreign trade practices; foreign government regulations; rising commodity prices; increased costs of oceanic shipping; changes in currency exchange rates or policies and local economic conditions; and trade restrictions, including import quotas or loss of "most favored nation" status with the United States; and
- disruptions in the flow of imported goods because of factors such as, raw material shortages, work stoppages, widespread health emergencies or pandemics such as the COVID-19 pandemic, labor availability and political unrest; problems with oceanic shipping, including blockages, backlogs or labor union strikes at U.S. or foreign ports; and economic crises and international disputes, including armed conflicts.

In addition, to the extent that any foreign manufacturer with whom our vendors are associated may directly or indirectly utilize labor practices that are not commonly accepted in the United States, we could be affected by any resulting negative publicity.

***Increases in transportation or shipping costs and other factors may negatively impact our results of operations.***

We rely upon various means of transportation, including ship and truck, to deliver products to our primary wholesale and logistics facility, our stores and our customers. Consequently, our results can vary depending upon the price of fuel. The price of oil has fluctuated significantly over the last few years. Any increases in fuel costs would increase our transportation costs.

In addition, general labor shortages or strikes in the transportation or shipping industries could negatively affect transportation and shipping costs and our ability to supply our stores in a timely manner. Product delivery could also be subject to disruption due to raw material shortages, political unrest, oceanic shipping, port labor issues, international disputes, geopolitical conflicts, natural disasters, disease outbreak or public health events, such as the COVID-19 pandemic or terrorism. We rely on efficient and effective operations within our primary wholesale and logistics facility to ensure accurate product delivery to our stores. Failure to maintain such operations could adversely affect net sales.

***Legislative or regulatory initiatives related to climate change concerns may negatively affect our business.***

Greenhouse gases may have an adverse effect on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. Such events could make it difficult or impossible for us to deliver products to our customers, create delays and introduce inefficiencies in our supply chain. Following an interruption to our business, we could require substantial recovery time, experience significant expenditures to resume operations, and lose significant sales. Concern over climate change may result in new or additional legal, legislative, and regulatory requirements to reduce or mitigate the effects of climate change on the environment, which could result in future tax, transportation, and utility increases, which could adversely affect our business.

***Our business could be negatively impacted by the public perception of our corporate citizenship initiatives and sustainability efforts.***

There is an increased focus from U.S. and foreign governmental and nongovernmental authorities and from certain investors, customers, consumers, employees, and other stakeholders concerning corporate citizenship and sustainability matters. From time to time, we announce certain initiatives, including goals regarding our focus areas, which include environmental matters, packaging and waste, responsible sourcing, social investments and inclusion and diversity. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in accurately reporting our progress on such initiatives and goals. Such failures could be due to changes in our business. Moreover, the standards by which citizenship and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions, which could change over time. In addition, as the result of such heightened public focus on sustainability matters, we may face increased pressure to provide expanded disclosure, make or expand commitments, set targets, or establish additional goals and take actions to meet such goals, in connection with such matters. We could also be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related corporate citizenship and sustainability matters, could adversely affect our business, results of operations, cash flows and financial condition.

***Imposition of tariffs and export controls on the products we buy may have a material adverse effect on our business.***

A significant portion of the products that we purchase, including the portion purchased from domestic suppliers, as well as most of our private brand merchandise, is manufactured abroad. We may be affected by potential changes in international trade agreements or tariffs, such as new tariffs imposed on certain Chinese-made goods imported into the U.S. Furthermore, China or other countries may institute retaliatory trade measures in response to existing or future tariffs imposed by the U.S. that could have a negative effect on our business. If any of these events occur as described, we may be obligated to seek alternative suppliers for our private brand merchandise, raise prices or make changes to our operations, any of which could have a material adverse effect on our sales and profitability, results of operations and financial condition.

***We may face difficulties in meeting our labor needs to effectively operate our business.***

We are heavily dependent upon our labor workforce in the geographic areas where we conduct our business. Our compensation packages are designed to provide benefits commensurate with our level of expected service. However, within our retail and logistics operations, we face the challenge of filling many positions at wage scales that are appropriate to the industry and other competitive factors. Many of our team members in our stores are in entry-level or part-time positions that historically have high rates of turnover. We are also dependent on the team members who staff our logistics and distribution facilities, many of whom are skilled. In addition, there is the risk that prevailing wage rates for our labor workforce will increase in the future and that the costs of employee benefits will rise, resulting in increased expenses that could adversely affect our profitability. We also face other risks in meeting our labor needs, including competition for qualified personnel, overall unemployment and underemployment levels, demand for certain labor expertise, changing demographics, health and other insurance costs, adoption of new or revised employment and labor laws and regulations, and the impact of public health issues (including the ongoing COVID-19 pandemic), or natural disasters or severe weather events (including due to climate change). Changes in any of these factors, including a shortage of available workforce in areas in which we operate, could interfere with our ability to adequately service our customers or to open suitable locations and could result in increasing labor costs.

***Our operating results are subject to seasonal and quarterly fluctuations. Furthermore, our quarterly operating results, including comparable store net sales, will fluctuate and may not be a meaningful indicator of future performance.***

We experience seasonal fluctuations in our net sales and results of operations. We typically experience higher net sales in early spring due to spring sports and annual tax refunds, late summer due to back-to-school shopping and winter due to holiday shopping. Adverse events outside of our control, such as supply chain interruptions, increased labor costs and labor availability, decreased consumer traffic as a result of the COVID-19 pandemic or otherwise or deteriorating economic conditions could result in lower than expected sales during the holiday season or other periods in which we typically experience higher net sales and have and could in the future materially impact our financial condition and results of operations. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, weather fluctuations, merchandise mix, demand for merchandise driven by local interest in sporting events, and the timing of sales tax holidays and annual tax refunds. Any of these events, particularly in the fourth quarter or other periods in which we typically experience higher net sales, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

Comparable store net sales vary from quarter to quarter, and an unanticipated decline in comparable store net sales may cause the price of our common stock to fluctuate significantly. Factors that could affect our comparable store net sales results include, reduced consumer traffic due to the COVID-19 pandemic or other widespread health emergencies or pandemics; shifts in consumer tastes and fashion trends; calendar shifts of holiday or seasonal periods; the timing of income tax refunds to customers; increases in personal income taxes paid by our customers; calendar shifts or cancellations of sales tax-free holidays in certain states; the success or failure of college and professional sports teams or the cancellation of sporting events within our core regions; changes in or lack of tenants in the shopping centers in which we are located; pricing, promotions or other actions taken by us or our existing or possible new competitors; and unseasonable weather conditions or natural disasters.

We cannot assure you that comparable store net sales will increase at the rates achieved in prior periods or that rates will not decline.

***We are subject to regional risks due to our stores within the South, Southwest, Mid-Atlantic and Midwest regions of the United States.***

Our stores are heavily concentrated in certain regions of the United States. We are subject to regional risks, such as the regional economy, population shifts from rural areas and smaller cities to urban population centers, weather conditions and natural disasters, increasing costs of electricity, oil and natural gas, as well as government regulations specific in the states and localities within which we operate. In addition, falling oil prices may adversely affect employment and consumer spending in those states that are within our regions that rely on oil revenues as a significant part of the economies of those states. We sell a significant amount of merchandise that can be adversely affected by significant weather events that postpone the start of or shorten sports seasons or that limit participation of fans and sports enthusiasts.

Unforeseen events, including public health issues (including the ongoing COVID-19 pandemic) and natural disasters such as earthquakes, hurricanes, tornadoes, snow or ice storms, floods and heavy rains could disrupt our operations or the operations of our suppliers; significantly damage or destroy our retail locations; prohibit consumers from traveling to our retail locations; or prevent us from resupplying our stores or wholesale and logistics facility. We believe that we take reasonable precautions to prepare for such events; however, our precautions may not be adequate to deal with such events in the future. If such events occur in areas in which we have our wholesale and logistics facility or a concentration of retail stores, or if they occur during peak shopping seasons, it could have a material adverse effect on our business, financial condition and results of operations.

We sell licensed team sports merchandise, the sale of which may be subject to fluctuations based on the success or failure of such teams. The poor performance by college and professional sports teams within our core regions of operations, as well as professional team lockouts, could cause our financial results to fluctuate year-over-year.

***We have made and expect to continue to make acquisitions as a component of our growth strategy. We may not be able to identify suitable acquisition candidates or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions, which could disrupt our operations and adversely impact our business and operating results.***

A component of our growth strategy has been to acquire complementary businesses to grow our Company. In the future, we expect to continue to pursue acquisitions of complementary businesses as a component of our growth strategy. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations. For example:

- we may not be able to identify suitable acquisition candidates, in the retail space or otherwise, or to consummate such acquisitions on acceptable terms;
- we compete with others to acquire complementary businesses, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any or all of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a business; and
- acquired businesses may not perform as we expect and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing business, resulting in the loss of key vendors and employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor for undisclosed or contingent liabilities of acquired businesses or assets.

Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if new businesses are not implemented effectively, may preclude the realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of new businesses may result in unanticipated problems, expenses, liabilities and competitive responses. In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect.

**Risks Related to Our Capital Structure**

***We manage cash and cash equivalents beyond federally insured limits per financial institution and purchase investments not fully guaranteed by the Federal Deposit Insurance Corporation (FDIC), subjecting us to investment and credit availability risks.***

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity. We cannot be assured that we will not experience losses on our deposits or investments.

***Indebtedness that we may incur in the future could adversely affect our financial condition, limit our ability to obtain additional financing, restrict our operations and make us more vulnerable to economic downturns and competitive pressures. In addition, we face risk that our financial institution may fail to fulfill commitments under our 2021 Credit Facility.***

As of January 29, 2022, we had no debt outstanding under our 2021 Credit Facility, which matures on July 9, 2026 and is secured by all assets of the Company with the exception of real property. In the future, we may borrow amounts under the 2021 Credit Facility to, among other things, provide funding for our operations, share repurchases, capital expenditures and other cash requirements.

Borrowing under the 2021 Credit Facility may use London Interbank Offering Rate (LIBOR) as a benchmark for establishing the interest rate. LIBOR has been the subject of recent national, international and other regulatory guidance and proposals for reform, and the financial industry is currently transitioning away from LIBOR as a benchmark for the interbank lending market. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness. Given the International Exchange Benchmark Administration's announced phase-out of LIBOR, the 2021 Credit Facility includes a LIBOR phase-out provision. If, during the term of the 2021 Credit Facility, Regions Bank determines that LIBOR is unavailable, impracticable or unreliable for use, the variable interest rate will be determined based on a substitute index which may be Term Secured Overnight Financing Rate (SOFR), Daily Simple SOFR, or an alternate rate index that has been selected by Regions Bank as the replacement for LIBOR. Changing to an alternate interest index may lead to additional volatility in interest rates and could cause our debt service obligations to increase significantly.

In addition, Regions Bank is committed to continue providing loans under the 2021 Credit Facility through July 9, 2026. There is a risk that this institution cannot deliver against its obligation in a timely matter, or at all. If Regions Bank were to default on its obligation to fund the commitments under the 2021 Credit Facility, this loan would not be available to us, which could adversely affect our liquidity and financial condition. For discussion of our 2021 Credit Facility and other borrowings, see "Liquidity and Capital Resources" in Item 7 and Note 5 to our consolidated financial statements.

***Emerging technologies may create disruption to the retail industry.***

New and emerging technology may enable new approaches or choices for how our customers procure goods and services and pay for those goods and services. We may be unable to quickly adapt to rapid change resulting from artificial intelligence, blockchain and cryptocurrency, Internet of Things (IoT), including voice and smart home devices, and other advanced technologies that may result in changes to our supply chain, distribution channels, and point-of-sale capabilities.

**Risks Related to Ownership of Our Common Stock**

The market price of our common stock, like the stock market in general, has been and is likely to continue to be highly volatile, and such volatility could expose us to securities class action litigation. Factors that could cause fluctuations in the price of our common stock may include, among other things, actual or anticipated variations in quarterly operating results; changes in financial estimates by investment analysts and our inability to meet or exceed those estimates; additions or departures of key personnel; market rumors or announcements by us or by our competitors of significant acquisitions, divestitures or joint ventures, strategic partnerships, large capital commitments or other strategic initiatives; changes in retail sales data that indicate consumers may spend less on discretionary purchases; and sales of our common stock by key personnel or large institutional holders.

Many of these factors are beyond our control and may cause the market price of our common stock to decline, regardless of our operating performance.

***There can be no assurance that we will continue to repurchase our common stock or that we will repurchase our common stock at favorable prices.***

In May 2021, our Board of Directors authorized the expansion of our Repurchase Program by $500.0 million to a total of $800.0 million, as well as its extending the Repurchase Program to February 1, 2025. The purchases may be made from time to time in the open market (including, without limitation, the use of Rule 10b5-1 plans), depending on a number of factors, including our evaluation of general market and economic conditions, including with respect to the impact of the COVID-19 pandemic on our operations and financial condition, and the trading price of our common stock. The Repurchase Program may be extended, modified, suspended or discontinued at any time. We expect to fund the Repurchase Program with existing cash on hand, cash generated from operations, and/or borrowings under our credit facility then in effect. A reduction in, or the completion or expiration of, our Repurchase Program could have a negative effect on our stock price. We can provide no assurance that we will repurchase our common stock at favorable prices, or at all.

***We currently pay a quarterly cash dividend, however, there can be no assurance as to the declaration or amount of future dividends.***

We currently pay a quarterly dividend of 25 cents per share. However, any decision to declare and pay dividends in the future, and the amount of any such dividends, will be dependent on a variety of factors, including compliance with Section 170 of the Delaware General Corporation Law; changes to our capital allocation strategy and policies; our results of operation, liquidity and cash flows; contractual restrictions in our debt agreements; economic conditions, including the impact of the ongoing COVID-19 pandemic and related macroeconomic impacts on our business and financial condition, such as inflationary pressure; and other factors the Board of Directors may deem relevant. There can be no assurance that we will continue to declare dividends in any particular amounts or at all, and changes in our dividend policy could adversely affect the market price of our common stock.

**Risks Related to Governance, Regulatory, Legislative and Legal Matters**

***Provisions in our charter documents and Delaware law might deter acquisition bids for us.***

Certain provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things:

- classify our Board of Directors into three classes, each of which serves for different three-year periods;
- provide that a director may be removed by stockholders only for cause by a vote of the holders of not less than a majority of our shares entitled to vote;
- provide that all vacancies on our Board of Directors, including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum; and
- call for a vote of the holders of not less than two-thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of our certificate of incorporation and bylaws.

In addition, our Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock, which may have rights senior to those of common stock. We are also subject to the Delaware business combination statute, which may render a change in control of us more difficult. Section 203 of the Delaware General Corporation Law would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

***Changes in federal, state or local laws, or our failure to comply with such laws, could increase our expenses and expose us to legal risks.***

Our Company is subject to numerous laws and regulatory matters relating to the conduct of our business. In addition, certain jurisdictions have taken a particularly aggressive stance with respect to certain matters and have stepped up enforcement, including fines and other sanctions. Such laws and regulatory matters include:

- The California Consumer Privacy Act (CCPA), which was significantly modified by the California Privacy Rights Act (CPRA), new comprehensive privacy legislation passed in 2021 in Virginia and Colorado, and other emerging privacy and IT security laws (together, State Privacy Laws);
- The Telephone Consumer Protection Act (TCPA) provisions that regulate telemarketing, auto-dialed and pre-recorded calls as well as text messages and unsolicited faxes;
- Labor and employment laws that govern employment matters such as minimum wage, exempt employment status, overtime, family leave mandates and workplace safety regulations, including the Fair Labor Standards Act rules and any laws related to COVID-19;
- Securities and exchange laws and regulations;
- New or changing laws relating to cyber-security, privacy, cashless payments and consumer credit, protection and fraud;
- New or changing laws and regulations concerning product safety or truth in advertising;
- The Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas;

- New or changing federal and state immigration laws and regulations;
- The Patient Protection and Affordable Care Act provisions;
- New or changing environmental regulations, including measures related to climate change and greenhouse gas emissions;
- New or changing laws relating to federal, state and local taxation and licensing, including sales and use tax laws, withholding taxes and property taxes; and
- Regulations administered by various youth sports leagues and organizations.

Our operations will continue to be subject to federal, state and local governmental regulation. Potential changes that may be made in laws, regulations and policies could exacerbate the risks above. Changes in domestic policy, including significant changes in tax, trade, healthcare and other laws and regulations could affect our operations. For example, tax proposals may include changes, which could, if implemented, have an adverse or a beneficial impact on our operations, including a “border adjustment tax” or new import tariffs, which could adversely affect us because we sell imported products. Proposals to modify or repeal the Patient Protection and Affordable Care Act, if implemented, may also affect us. Unknown matters, new laws and regulations or stricter interpretations of existing laws or regulations may affect our business or operations in the future and could lead to government enforcement and resulting litigation by private litigants. This could include broader interpretations of foreign laws with the effect of imposing obligations on companies for incidental sales or contact with relevant jurisdictions. Increasing regulations could expose us to a challenging enforcement environment or to third-party liability (such as monetary recoveries and recoveries of attorney’s fees) and could have a material adverse effect on our business and results of operations.

Our corporate Legal department monitors regulatory activity and is active in notifying and updating applicable departments and personnel on pertinent matters and legislation. Our Human Resources (HR) department leads compliance training programs to ensure our field managers are kept abreast of HR-related regulatory activity that affects their areas of responsibility. We believe that we are in substantial compliance with applicable environmental and other laws and regulations, and although no assurances can be given, we do not foresee the need for any significant expenditures in this area in the near future.

***Changes in and/or failure to comply with privacy laws could materially adversely affect our reputation and market position and subject us to legal claims and litigation, cause us to incur substantial additional costs, and materially affect our business and operating results.***

We rely on a variety of direct marketing techniques, including email, text messages and postal mailings. Any new or emerging restrictions in federal or state laws regarding marketing and solicitation or data protection laws that govern these activities could adversely affect the continuing effectiveness of email, text messages and postal mailing techniques and could force changes in our marketing strategies. If this occurs, we may need to develop alternative marketing strategies, which may not be as effective and could impact the amount and timing of our revenues. Further, any new or emerging privacy laws could include onerous and expensive compliance obligations regarding notice, consent and retention as well as provide new rights for customers such as rights to notification, deletion, amendment, non-discrimination, opt-outs of marketing and sales of data and appeal rights, and such laws could require us to modify our data processing practices and policies that could lead to regulatory actions or litigation, and potentially fines and damages for non-compliance. In addition, to the extent that new or emerging laws or regulations impact our obligations with respect to our employee data, we may be required to incur substantial costs to modify our practices.

While we strive to adhere our practices and procedures to these laws, they are subject to evolving regulations, interpretations and regulator discretion. To the extent a regulator or court disagrees with our interpretation of these laws and determines that our practices are not in compliance with applicable laws and regulations, we could be subject to civil and criminal penalties that could adversely affect the continued operation of our businesses, including significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial condition and results of operations. The State Privacy Laws also provide for civil penalties for violations, and the CCPA and CPRA also provide a private right of action for data breaches that may increase data breach litigation. We may also face audits or investigations by one or more state government agencies relating to our compliance with applicable privacy laws and regulations. We may also be exposed to litigation, regulatory fines, penalties or other sanctions if the personal, confidential or proprietary information of our customers is mishandled or misused by any of our suppliers, counterparties or other third parties, or if such third parties do not have appropriate controls in place to protect such personal, confidential or proprietary information.

***Product liability claims or product recalls can adversely affect our business reputation, expose us to lawsuits or increased scrutiny by federal and state regulators and may not be fully covered by insurance.***

We sell products, particularly athletic equipment, which entails an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant claims if the purchase of a defective product from any of our stores causes injury or death. Our merchandise could be subject to a product recall, which could reflect negatively on our business reputation. We cannot be assured that product liability claims will not be asserted against us in the future. Any claims made may create adverse publicity that would have a material adverse effect on our business, reputation, financial condition and results of operations.

We and our vendors maintain insurance with respect to certain of these risks, including product liability insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events.

***We cannot be assured that we will not experience pressure from labor unions or become the target of labor union campaigns.***

While we believe we maintain good relations with our employees, we cannot provide any assurances that we will not experience pressure from labor unions or become the target of labor union campaigns. The potential for unionization could increase in the United States if federal legislation or regulatory changes are adopted that would facilitate labor organization. Significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

***Changes in rules related to accounting for income taxes, changes in tax laws in any of the jurisdictions in which we operate or adverse outcomes from audits by taxing authorities could result in an unfavorable change in our effective tax rate.***

We operate our business in numerous tax jurisdictions. As a result, our effective tax rate is derived from a combination of the federal rate and applicable tax rates in the various states in which we operate. Our effective tax rate may be lower or higher than our tax rates have been in the past due to numerous factors, including the sources of our income and the tax filing positions we take. We base our estimate of an effective tax rate at any given point in time upon a calculated mix of the tax rates applicable to our Company and on estimates of the amount of business likely to be done in any given jurisdiction. Changes in rules related to accounting for income taxes, changes in tax laws in any of the jurisdictions in which we operate, expiration of tax credits formerly available, failure to manage and utilize available tax credits, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate could result in an unfavorable change in our effective tax rate.

## Item 1B. Unresolved Staff Comments.

None.

## Item 2. Properties.

We own our corporate office building in Birmingham, Alabama, and our wholesale and logistics facility in Alabaster, Alabama. In addition, we lease all our existing store locations and expect that our policy of leasing rather than owning will continue for new store openings. Our leases typically provide for terms of five to ten years with options on our part to extend. Most leases also contain a kick-out clause if projected sales levels are not met and an early termination/remedy option if co-tenancy and exclusivity provisions are violated. We believe this leasing strategy enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions and to periodically reevaluate store locations.

As current leases expire, we believe we will either be able to obtain lease renewals for present store locations or to obtain leases for equivalent or better locations in the same general area. We believe our wholesale and logistics facility is suitable and adequate to support our operations for many years.

As of January 29, 2022, we operated 1,096 stores in 35 contiguous states. Of these stores, 231 are in enclosed malls, 32 are free-standing and 833 are in strip-shopping centers, which are frequently near a major chain retailer. The following shows the number of locations by state as of January 29, 2022:

| | | | | | |
|---|---|---|---|---|---|
| Alabama | 100 | Kentucky | 47 | Oklahoma | 34 |
| Arkansas | 39 | Louisiana | 62 | Pennsylvania | 4 |
| Arizona | 8 | Maryland | 4 | South Carolina | 49 |
| California | 18 | Minnesota | 1 | South Dakota | 2 |
| Colorado | 3 | Mississippi | 72 | Tennessee | 68 |
| Delaware | 1 | Missouri | 37 | Texas | 115 |
| Florida | 66 | Nebraska | 8 | Utah | 3 |
| Georgia | 124 | New Jersey | 2 | Virginia | 24 |
| Illinois | 27 | New Mexico | 14 | West Virginia | 8 |
| Indiana | 22 | New York | 3 | Wisconsin | 2 |
| Iowa | 10 | North Carolina | 58 | Wyoming | 2 |
| Kansas | 22 | Ohio | 37 | **TOTAL** | **1,096** |

**Item 3. Legal Proceedings.**

Information relating to material legal proceedings is set forth in Note 10 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K and is incorporated herein by reference.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

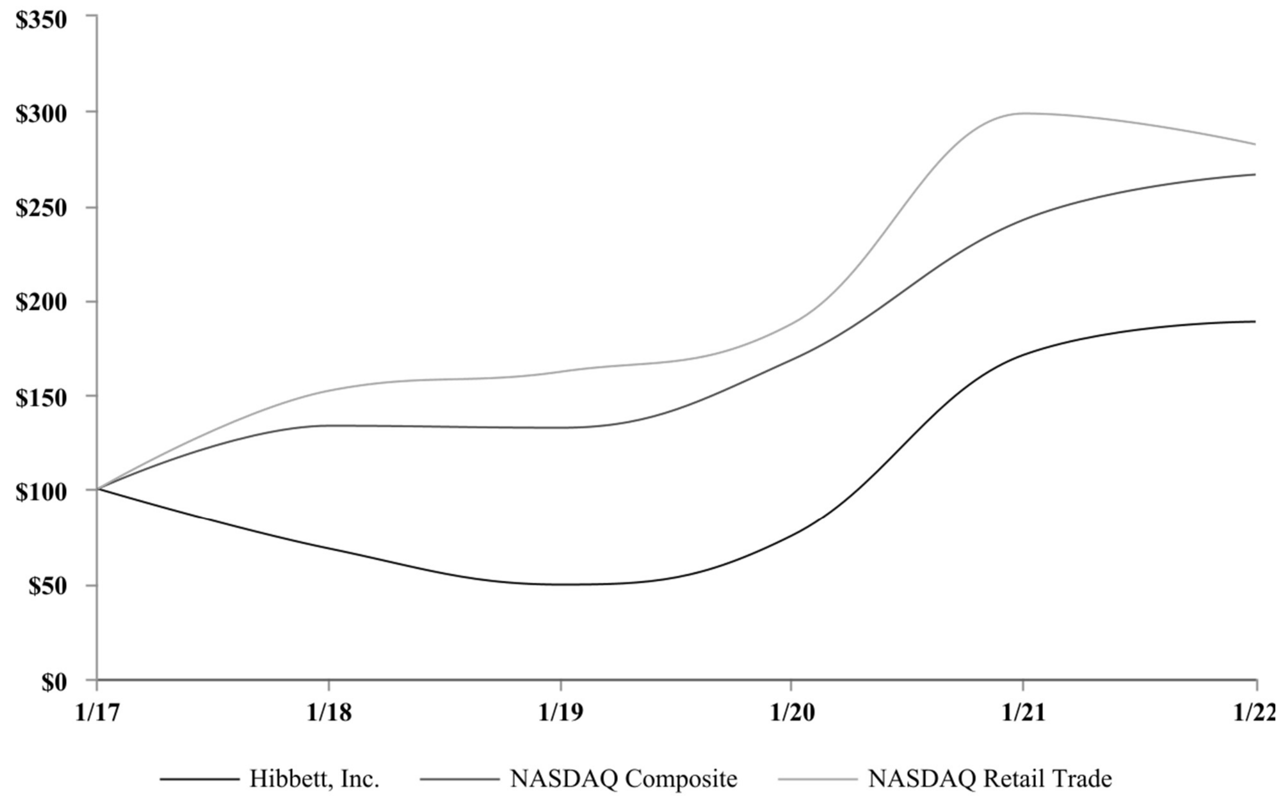
**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The principal market on which our common stock is traded is the Nasdaq Global Select Market under the symbol "HIBB." As of March 22, 2022, we had 7 stockholders of record.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN**

The graph below compares the cumulative five-year total shareholder return on our common stock with the cumulative total returns of the Nasdaq Composite index and the Nasdaq Retail Trade index. The graph tracks the five-year performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from January 31, 2017 to January 31, 2022.

Among Hibbett Sports, Inc., the Nasdaq Composite Index
and the Nasdaq Retail Trade Index




| | 1/17 | 1/18 | 1/19 | 1/20 | 1/21 | 1/22 |
|---|---|---|---|---|---|---|
| Hibbett, Inc. | 100.00 | 68.48 | 49.52 | 75.09 | 171.06 | 188.53 |
| Nasdaq Composite | 100.00 | 133.43 | 132.52 | 168.35 | 242.57 | 265.98 |
| Nasdaq Retail Trade | 100.00 | 152.24 | 161.79 | 187.53 | 298.48 | 281.88 |

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

**Dividend Policy**

While we currently pay a quarterly dividend of $0.25 per share and expect to pay comparable cash dividends in the future, the declaration of dividends and the establishment of the per share amount, record dates and payment dates for any such future dividends are subject to the final determination of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant. There can be no assurance that we will continue to declare dividends in any particular amounts or at all, and changes in our dividend policy could adversely affect the market price of our common stock.

**Equity Compensation Plans**

For information on securities authorized for issuance under our equity compensation plans, see Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

**Issuer Repurchases of Equity Securities**

The following table presents our stock repurchase activity for the thirteen weeks ended January 29, 2022:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs[1] | Approximate Dollar Value of Shares that may yet be Purchased Under the Programs (in thousands) |
|---|---|---|---|---|
| October 31, 2021 to November 27, 2021 | 850 | $94.24 | — | $398,020 |
| November 28, 2021 to January 1, 2022 | 416,891 | $70.76 | 416,891 | $368,520 |
| January 2, 2022 to January 29, 2022 | — | — | — | $368,520 |
| Total | 417,741 | $70.81 | 416,891 | $368,520 |

[1] In May 2021, our Board of Directors authorized an expansion of the Repurchase Program by $500.0 million to $800.0 million and extended the date through February 1, 2025. The expansion of the Repurchase Program was announced on May 28, 2021.

**Item 6. Reserved.**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

As you read the MD&A, please refer to our consolidated financial statements, included in Part II. Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Cautionary Statement Regarding Forward-Looking Statements" and Part I, Item 1A. "Risk Factors."

**General Overview**

Hibbett, Inc. is a leading athletic-inspired fashion retailer primarily located in underserved communities across the country. Founded in 1945, Hibbett stores have a rich history of convenient locations, personalized customer service and access to coveted footwear and apparel from top brands like Nike, Jordan, and adidas. Consumers can browse styles, find new releases, and make purchases by visiting www.hibbett.com. Purchases can be made online or by visiting their nearest store. As of January 29, 2022, we operated a total of 1,096 retail stores in 35 states composed of 900 Hibbett stores, 179 City Gear stores and 17 Sports Additions athletic shoe stores.

Our Hibbett stores average 5,800 square feet and are located primarily in strip centers, which are usually near a major chain retailer. Our City Gear stores average 5,100 square feet and are located primarily in strip centers. Our Sports Additions stores average 2,900 square feet with the majority located in malls and usually near a Hibbett store. Our store base consisted of 833 stores located in strip centers, 32 free-standing stores and 231 enclosed mall locations as of January 29, 2022.

Hibbett operates on a 52- or 53-week fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statements of operations for Fiscal 2022, Fiscal 2021 and Fiscal 2020 all included 52 weeks of operations. Fiscal 2023 will also include 52 weeks of operations.

**Business Environment**

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The pandemic has significantly impacted our business over the past two fiscal years. The initial effects of the pandemic included mass closings of parts of the national and global economy, supply chain disruptions and stay-at-home orders, all of which impacted every aspect of our business in Fiscal 2021. Throughout this challenging time, we were able to navigate a rapidly changing retail landscape by leveraging omni-channel and distribution capabilities, having access to and availability of in-demand products, taking decisive action to protect liquidity, demonstrating the ability to reopen stores quickly when circumstances allowed and servicing our customers efficiently and safely through new shopping and payment initiatives. Government stimulus and unemployment programs boosted discretionary spending and consumer demand for the products we carry, resulting in significant sales growth and improved profitability.

As the COVID-19 pandemic continued into Fiscal 2022, communities and consumers remained focused on health and safety protocols and supply chain challenges persisted, but additional government stimulus and extended unemployment benefits continued to fuel discretionary spending and consumer demand. Toward the end of Fiscal 2022, ongoing supply chain disruptions impacted our overall inventory position and had a negative impact on fourth quarter revenue and profitability. In addition, the lack of government stimulus in comparison to the prior year coupled with inflation appears to have driven slightly more conservative consumer purchasing behavior. Despite these headwinds late in Fiscal 2022, the combination of health and safety initiatives we implemented early in the pandemic, changes in the distribution and availability of high demand footwear and apparel and investments we made to improve the consumer experience allowed us to capitalize on the strong demand cycle. These factors were the main contributors to the robust revenue and profitability growth we experienced in Fiscal 2022.

**Executive Summary**

Following is a highlight of our financial results over the last three fiscal years:

| | Fiscal 2022 (52-weeks) | Fiscal 2021 (52-weeks) | Fiscal 2020 (52-weeks) |
|---|---|---|---|
| Net sales (in millions) | $ 1,691.2 | $ 1,419.7 | $ 1,184.2 |
| Operating income, percentage to net sales | 13.5 % | 6.9 % | 3.0 % |
| Comparable store sales | 17.4 % | 22.2 % | 5.3 % |
| Net income (in millions) | $ 174.3 | $ 74.3 | $ 27.3 |
| Net income, percentage increase (decrease) | 134.7 % | 171.6 % | (3.8)% |
| Diluted earnings per share | $ 11.19 | $ 4.36 | $ 1.52 |

During Fiscal 2022, we opened 36 stores and closed seven stores, bringing the store base to 1,096 in 35 states as of January 29, 2022. Included in new stores and closed stores is one Sports Additions store rebranded and opened as a Hibbett store. During Fiscal 2021, we opened 28 stores and closed 42 stores. Included in new stores were 12 Hibbett stores rebranded and opened as City Gear stores. Included in closed stores in Fiscal 2021 were 10 Hibbett stores closed for rebranding to City Gear stores. Inventory on a per store basis increased 6.6% compared to Fiscal 2021 as we strove to normalize our inventory levels, despite continuing supply chain constraints.

Hibbett ended Fiscal 2022 with $17.1 million of available cash and cash equivalents on the consolidated balance sheet. Hibbett had no debt outstanding at January 29, 2022, and we had full availability of our $100.0 million 2021 Credit Facility.

In March 2020, we borrowed $50.0 million under our prior credit facilities as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of the uncertainty in the global markets resulting from the COVID-19 pandemic. In April 2020, we entered into a Second Amended and Restated Note with Regions Bank (the "Amended Credit Facility") that provided for an aggregate amount of credit available to us of $75.0 million. The Amended Credit Facility superseded the Regions Bank credit agreement dated October 2018 and terminated our Bank of America credit agreement dated October 2018. In July 2021, we entered into an unsecured 2021 Credit Facility between the Company and its subsidiaries and Regions Bank. The 2021 Credit Facility, which superseded the Amended Credit Facility, provides an unsecured line of credit of up to $100.0 million and is effective through July 2026 with an interest rate of one-month LIBOR plus 1.0% to 1.8%, depending on specified leverage levels. For discussion of our 2021 Credit Facility and other borrowings, see "Liquidity and Capital Resources."

For Fiscal 2022, total company-wide square footage increased 2.9%. To supplement new store openings, we continued to expand high performing stores, increasing the square footage by an average of 29.9% in 10 existing stores in Fiscal 2022.

In Fiscal 2022, comparable store sales increased 17.4%.

*Comparable store sales* - Stores deemed as comparable stores include our Hibbett, City Gear and Sports Additions stores open throughout the reporting period and the corresponding period of the prior fiscal year, and e-commerce sales. We consider comparable store sales to be a key indicator of our current performance; measuring the growth in sales and sales productivity of existing stores. Management believes that positive comparable store sales contribute to greater leveraging of operating costs, particularly payroll and occupancy costs, while negative comparable store sales contribute to deleveraging of costs. Comparable store sales also have a direct impact on our total net sales and the level of cash flow. Comparable store sales for City Gear stores are presented in comparable store sales beginning in the fourth quarter of Fiscal 2020 and are in full year comparable store sales for Fiscal 2022 and Fiscal 2021.

For Fiscal 2022, 1,034 stores were included in comparable sales. If a store remodel, relocation, or expansion results in the store being closed for a significant period, its sales are removed from the comparable store sales base until it has been open a full 12 months. In addition, rebranded stores are treated as a new store and are not presented in comparable store sales until they have been open a full 12 months under the new brand.

**About Non-GAAP Measures**

This MD&A includes certain non-GAAP financial measures in Fiscal 2021 and Fiscal 2020. We are not presenting any non-GAAP financial measures with respect to Fiscal 2022. Management believes these non-GAAP financial measures are useful to investors to facilitate comparisons of our current financial results to historical operations and the financial results of peer companies, as they exclude the effects of items that may not be indicative of, or are unrelated to, our underlying operating results, such as expenses related to the COVID-19 pandemic in Fiscal 2021, the acquisition and integration of City Gear in both Fiscal 2021 and Fiscal 2020, and our strategic realignment plan in Fiscal 2020. Costs related to the COVID-19 pandemic include impairment charges of goodwill, tradename and other assets and net lower of cost or net realizable value (LCM) inventory reserve charges and were specific to Fiscal 2021. Costs related to acquisition and integration of City Gear include amortization of inventory step-up value, professional service fees and changes in the valuation of the contingent earnout. Costs related to the strategic realignment plan included lease and equipment impairment costs, third party liquidation fees, store exit costs and residual net lease costs.

While we use these non-GAAP financial measures as a tool to enhance our ability to assess certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial statements. Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

**Recent Accounting Pronouncements**

See Note 2 of Item 8 of this Annual Report on Form 10-K for the fiscal year ended January 29, 2022, for information regarding recent accounting pronouncements.

**Results of Operations**

The following table sets forth the percentage relationship to net sales of certain items included in our consolidated statements of operations for the periods indicated.

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Net sales | 100.0 % | 100.0 % | 100.0 % |
| Cost of goods sold | 61.8 | 64.5 | 67.6 |
| Gross margin | 38.2 | 35.5 | 32.4 |
| Store operating, selling and administrative expenses | 22.6 | 26.5 | 26.9 |
| Depreciation and amortization | 2.1 | 2.1 | 2.5 |
| Operating income | 13.5 | 6.9 | 3.0 |
| Interest income (expense), net | — | — | — |
| Income before provision for income taxes | 13.5 | 6.9 | 3.1 |
| Provision for income taxes | 3.2 | 1.7 | 0.8 |
| Net income | 10.3 % | 5.2 % | 2.3 % |

*Note: Columns may not sum due to rounding.*

**Fiscal 2022 Compared to Fiscal 2021**

***Net sales***. Net sales increased $271.5 million, or 19.1%, to $1.69 billion for Fiscal 2022 from $1.42 billion for Fiscal 2021. Furthermore:

- Comparable store net sales for Fiscal 2022 increased 17.4% compared to Fiscal 2021 primarily driven by continued strength in footwear, with notable growth in the women's and kids' categories, and sneaker-connected apparel and accessories. For Fiscal 2022, 1,034 stores were included in the comparable store sales comparison.
- Stores not in the comparable store net sales calculation accounted for $71.1 million of net sales.
- Brick and mortar comparable sales were up 21.4% while e-commerce sales decreased 1.6% compared to Fiscal 2021.
- We increased our overall store count by a net of 29 stores in Fiscal 2022.

***Gross margin***. Cost of goods sold includes the cost of merchandise, the related inbound and outbound freight expense, occupancy costs for stores and occupancy and operating costs for our wholesale and logistics facility. Gross margin was $646.4 million, or 38.2% of net sales, in Fiscal 2022, compared with $504.5 million, or 35.5% of net sales, in Fiscal 2021. This is the result of historically high margin performance in the first half of Fiscal 2022, which was driven by higher sell-through, a low promotional environment and a greater mix of in-store sales, which carry a higher margin than e-commerce sales. Gross margin of $646.4 million, or 38.2% of net sales compares to non-GAAP gross margin of $507.5 million, or 35.8% of net sales in Fiscal 2021, adjusted for inventory reserve adjustments.

***Store operating, selling and administrative (SG&A) expenses***. SG&A expenses, including goodwill impairment in Fiscal 2021, were $382.4 million, or 22.6% of net sales, for Fiscal 2022, compared with $376.5 million, or 26.5% of net sales, for Fiscal 2021.

Excluding certain City Gear acquisition and integration expenses and pandemic related impairment and valuation costs that occurred in Fiscal 2021, Fiscal 2022 SG&A expenses of $382.4 million, or 22.6% of net sales, reflected an improvement, compared to $336.5 million, or 23.7% of net sales, for Fiscal 2021.

A large portion of the SG&A rate decrease resulted from leverage from year-over-year revenue growth.

***Depreciation and amortization***. Depreciation and amortization was flat as a percentage of net sales for Fiscal 2022 compared to Fiscal 2021. The increase in dollars year-over-year was primarily due to increased store development, infrastructure and technology projects placed in service in Fiscal 2022.

***Provision for income taxes***. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 23.5% for Fiscal 2022 and 24.2% for Fiscal 2021. The lower rate in Fiscal 2022 was primarily the result of additional equity compensation deductions in Fiscal 2022, resulting from the Company's increased common stock price.

***Reconciliations of Non-GAAP financial measures***. The following table provides a reconciliation of our consolidated statement of operations for the 52-weeks ended January 30, 2021, as reported on a GAAP basis, to a consolidated statement of operations for the same period prepared on a non-GAAP basis. For more information regarding our non-GAAP financial measures, see "*Executive Summary – About Non-GAAP Measures*" above.

**GAAP to Non-GAAP Reconciliation**

(Dollars in thousands, except per share amounts)

| | 52-Weeks Ended January 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | Excluded Amounts | | | |
| | GAAP Basis (As Reported) | Acquisition Costs(1) | COVID-19(2) | Non-GAAP Basis (As Adjusted) | % of Sales |
| Cost of goods sold | $ 915,169 | $ — | $ 3,043 | $ 912,126 | 64.2 % |
| Gross margin | $ 504,488 | $ — | $ 3,043 | $ 507,531 | 35.8 % |
| SG&A expenses | $ 356,856 | $ 4,608 | $ 15,743 | $ 336,505 | 23.7 % |
| Goodwill impairment | $ 19,661 | $ — | $ 19,661 | $ — | — % |
| Operating income | $ 98,388 | $ 4,608 | $ 38,447 | $ 141,443 | 10.0 % |
| Provision for income taxes | $ 23,686 | $ 1,394 | $ 11,645 | $ 36,725 | 2.6 % |
| Net income | $ 74,266 | $ 3,214 | $ 26,802 | $ 104,282 | 7.3 % |
| Basic earnings per share | $ 4.49 | $ 0.19 | $ 1.62 | $ 6.30 | |
| Diluted earnings per share | $ 4.36 | $ 0.19 | $ 1.57 | $ 6.12 | |

1) Excluded acquisition amounts during the 52-weeks ended January 30, 2021, related to the acquisition of City Gear, LLC, consist primarily of change in the valuation of contingent earnout and accounting and professional fees.

2) Excluded amounts during the 52-weeks ended January 30, 2021, related to the COVID-19 pandemic, consist primarily of net non-cash lower of cost and net realizable value charges in cost of goods sold and impairment costs (goodwill, tradename and other assets) in SG&A.

**Fiscal 2021 Compared to Fiscal 2020**

***Net sales***. Net sales increased $235.4 million, or 19.9%, to $1.42 billion for Fiscal 2021 from $1.18 billion for Fiscal 2020. Furthermore:

- Comparable store net sales for Fiscal 2021 increased 22.2% compared to Fiscal 2020 primarily driven by strength in men's, women's and kids' footwear coupled with increased volume in sneaker-connected apparel and accessories. These strengths were partially offset by softer sales in team sports. For Fiscal 2021, 1,015 stores were included in the comparable store sales comparison.
- Stores not in the comparable store net sales calculation accounted for $244.9 million of net sales.
- E-commerce sales increased 92.1% compared to Fiscal 2020.
- Increases were noted in both average ticket and items per transaction.
- We decreased our overall store count by a net of 14 stores in Fiscal 2021 primarily as the result of accelerated closure of underperforming stores in the fourth quarter.

***Gross margin***. Cost of goods sold included the cost of merchandise, occupancy costs for stores, occupancy and operating costs for our wholesale and logistics facility, and ship-to-home freight. Gross margin was $504.5 million, or 35.5% of net sales, in Fiscal 2021, compared with $383.5 million, or 32.4% of net sales, in Fiscal 2020. Excluding inventory reserve adjustments in Fiscal 2021 and City Gear acquisition and strategic realignment costs incurred in Fiscal 2020, non-GAAP gross margin was $507.5 million, or 35.8% of net sales in Fiscal 2021, compared to $383.3 million, or 32.4% in Fiscal 2020.

Overall, GAAP gross margin improved by approximately 310 basis points as a percentage of net sales in comparison to Fiscal 2020 driven by higher sell through and leverage of store occupancy expenses. These impacts were slightly offset by a higher mix of e-commerce sales, which carry a lower margin due to incremental shipping costs, and an increase in the LCM inventory reserve. Logistics expenses were higher year over year in dollars, but decreased slightly as a percentage of net sales. The uncertainty of the COVID-19 pandemic and its impact on inventory valuations contributed to a large increase in the LCM inventory reserve in the first quarter of Fiscal 2021. Although aged inventory and the related reserve declined after the first quarter, there was still a net $3.0 million LCM expense impact in Fiscal 2021. This amount was excluded from the non-GAAP gross margin figure. Store occupancy costs decreased approximately 160 basis points as a percentage of net sales year over year due to leverage generated from increased sales revenue.

***SG&A expenses***. SG&A expenses, including goodwill impairment, were $376.5 million, or 26.5% of net sales, for Fiscal 2021, compared with $318.0 million, or 26.9% of net sales, for Fiscal 2020.

Excluding non-GAAP adjustments, SG&A expenses were $336.5 million, or 23.7% of net sales for Fiscal 2021, compared to $298.5 million, or 25.2% of net sales, for Fiscal 2020.

A large portion of the SG&A increase resulted from impacts related to the COVID-19 pandemic. This included non-cash intangible asset impairments to goodwill in the amount of $19.7 million and the City Gear tradename of $8.9 million. Other impacts related to the COVID-19 pandemic included asset group impairments of approximately $4.1 million and other related costs of $2.8 million.

***Depreciation and amortization***. Depreciation and amortization decreased 40 basis points as a percentage of net sales for Fiscal 2021 compared to Fiscal 2020. The decrease was mainly due to leverage from higher net sales.

***Provision for income taxes***. The combined federal, state, and local effective income tax rate as a percentage of pre-tax income was 24.2% for Fiscal 2021 and 24.7% for Fiscal 2020. The lower rate in Fiscal 2021 was the result of executive compensation deduction limitations in Fiscal 2020 and additional equity compensation deductions in Fiscal 2021 resulting from the Company's increased stock price.

***Reconciliation of Non-GAAP financial measures***. The following table provides a reconciliation of our consolidated statement of operations for the 52-weeks ended February 1, 2020, as reported on a GAAP basis, to a consolidated statement of operations for the same period prepared on a non-GAAP basis. For more information regarding our non-GAAP financial measures, see "*Executive Summary – About Non-GAAP Measures*" above.

**GAAP to Non-GAAP Reconciliation**
(Dollars in thousands, except per share amounts)

| | 52-Weeks Ended February 1, 2020 | | | | |
|---|---|---|---|---|---|
| | | Excluded Amounts | | | |
| | GAAP Basis (As Reported) | Acquisition Costs[1] | Strategic Realignment Costs[2] | Non-GAAP Basis (As Adjusted) | % of Sales |
| Cost of goods sold | $ 800,783 | $ 956 | $ (1,120) | $ 800,947 | 67.6 % |
| Gross margin | $ 383,451 | $ 956 | $ (1,120) | $ 383,287 | 32.4 % |
| SG&A expenses | $ 318,011 | $ 17,432 | $ 2,031 | $ 298,548 | 25.2 % |
| Operating income | $ 36,117 | $ 18,388 | $ 911 | $ 55,416 | 4.7 % |
| Provision for income taxes | $ 8,984 | $ 4,547 | $ 225 | $ 13,756 | 1.2 % |
| Net income | $ 27,344 | $ 13,841 | $ 686 | $ 41,871 | 3.5 % |
| | | | | | |
| Basic earnings per share | $ 1.54 | $ 0.78 | $ 0.04 | $ 2.36 | |
| Diluted earnings per share | $ 1.52 | $ 0.77 | $ 0.04 | $ 2.33 | |

1) Excluded acquisition amounts during the 52-weeks ended February 1, 2020, related to the acquisition of City Gear, LLC, consist primarily of the amortization of inventory step-up in cost of goods sold and change in the valuation of contingent earnout, legal, accounting, and professional fees.

2) Excluded amounts during the 52-weeks ended February 1, 2020, related to our strategic realignment plan, consist primarily of gain on operating leases net of accelerated amortization on right-of-use assets in cost of goods sold and professional fees, impairment costs, and loss on fixed assets in SG&A.

**Liquidity and Capital Resources**

*Analysis of Cash Flows*

Our capital requirements relate primarily to funding capital expenditures, stock repurchases, dividends, the maintenance of facilities and systems necessary to support company growth and working capital requirements. Our working capital requirements are somewhat seasonal in nature and typically reach their peak near the end of the third and the beginning of the fourth quarters of our fiscal year. Historically, we have funded our cash requirements primarily through our cash flow from operations and occasionally from borrowings under credit facilities. We use excess cash to offset bank fees.

We believe that our existing cash balances, expected cash flow from operations, funds available under the 2021 Credit Facility, operating and finance leases and normal trade credit will be sufficient to fund our operations and capital expenditures. We are not aware of any trends or events that would materially affect our capital requirements or liquidity.

Our consolidated statements of cash flows are summarized as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Net cash provided by operating activities | $ 159,488 | $ 197,716 | $ 92,289 |
| Net cash used in investing activities | (70,161) | (32,970) | (17,006) |
| Net cash used in financing activities | (281,563) | (21,534) | (70,961) |
| Net (decrease) increase in cash and cash equivalents | $ (192,236) | $ 143,212 | $ 4,322 |

*Operating Activities.*

Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, such as winter holidays, the spring sales period and late summer back-to-school shopping. Inventory levels are reduced in connection with higher sales during the peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was $159.5 million for the 52-weeks ended January 29, 2022 compared with net cash provided by operating activities of $197.7 million and $92.3 million for the 52-weeks ended January 30, 2021 and February 1, 2020, respectively. Net cash provided by operating activities for January 29, 2022, January 30, 2021 and February 1, 2020 was impacted by the following:

- Net income provided cash of $174.3 million, $74.3 million and $27.3 million during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.
- Non-cash depreciation and amortization expense of $35.8 million, $29.6 million and $29.3 million during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively, and stock-based compensation expense of $5.5 million, $3.8 million and $2.7 million during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. Depreciation expense has increased in each fiscal year due to investments in new store development, infrastructure and information technology initiatives and due to accelerated depreciation taken in Fiscal 2020 resulting from increased store closures. Fluctuations in stock-based compensation generally result from the number of the equity eligible employees, achievement of performance-based equity awards at greater or lesser than their target level, fluctuations in the price of our common stock and levels of forfeitures in any given period.
- Other non-cash adjustments to net income for Fiscal 2022 included a $13.8 million decrease in the contingent earnout valuation related to City Gear when the earnout was paid. Other non-cash adjustments to net income for Fiscal 2021 included $37.1 million of asset impairment charges with the largest impact resulting from a significant temporary decrease in the market valuation of the Company at the onset of the COVID-19 pandemic, partially offset by a $1.3 million change in the valuation of the contingent earnout related to City Gear.
- Ending inventory per store increased 6.6% and decreased 28.9% at January 29, 2022 and January 30, 2021, respectively compared to the prior year. Fiscal 2022 inventory increased as we strove to normalize our inventory levels despite continuing supply chain constraints. Fiscal 2021 inventory decreased due to the significant lift in sales volume, supply chain constraints and proactive inventory management. The change in net inventory used cash of $19.2 million during Fiscal 2022, provided cash of $86.0 million during Fiscal 2021 and used cash of $8.7 million during Fiscal 2020.
- The change in accounts payable used cash of $25.6 million in Fiscal 2022, used cash of $26.3 million in Fiscal 2021 and provided cash of $24.3 million in Fiscal 2020. Changes are due mainly to the timing of payments in relation to inventory receipts, capital expenditures and SG&A spending.

*Investing Activities.*

Cash used in investing activities in Fiscal 2022, Fiscal 2021 and Fiscal 2020 totaled $70.2 million, $33.0 million and $17.0 million, respectively. Gross capital expenditures used $71.2 million, $34.8 million and $17.3 million during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. Capital expenditures in all periods primarily consisted of new stores, relocations, remodels, expansions of existing stores and infrastructure projects.

We opened 36 new stores and expanded and/or relocated 16 additional existing stores during Fiscal 2022. We opened 28 new stores and expanded and/or relocated 15 additional existing stores during Fiscal 2021. We opened 24 new stores and expanded and/or relocated nine additional existing stores during Fiscal 2020.

Our anticipated capital expenditures for the fiscal year ending January 28, 2023, is approximately $60.0 million to $70.0 million, with the expenditures related to:

- Store development, including the opening of new stores and the remodeling, relocation or expansion of selected existing stores;
- Additional technology and infrastructure investments; and
- Other departmental needs for ongoing maintenance and support.

*Financing Activities.*

Net cash used in financing activities was $281.6 million in Fiscal 2022. Net cash used in financing activities was $21.5 million in Fiscal 2021 and net cash used in financing activities was $71.0 million in Fiscal 2020. Historically, the fluctuation in net financing activities between years is primarily the result of borrowing activity and repurchases of our common stock. In Fiscal 2022 and Fiscal 2021, net borrowings on our credit facilities were zero. In Fiscal 2020, we paid off $35.0 million in borrowings that carried over from Fiscal 2019. We expended $271.1 million, $17.6 million and $35.5 million on repurchases of our common stock during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively, which included cash used to settle net share equity awards of $3.3 million, $0.9 million and $0.6 million during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

Additionally, in the first quarter of Fiscal 2022 and the second quarter of Fiscal 2021, we paid $15.0 million and $10.0 million, respectively, to the former members and warrant holders of City Gear for achievement of financial goals in the first- and second-year post acquisition. Of these amounts, $1.2 million and $4.8 million were reflected as financing activities in Fiscal 2022 and Fiscal 2021, respectively, and represent the fair value of the short-term portions of the contingent earnout booked through the purchase price allocation.

On August 25, 2021, the Board instituted a quarterly cash dividend program with the first cash dividend payment made on September 9, 2021, at $0.25 per share of common stock outstanding as of the record date. During the fiscal year ended January 29, 2022, we paid cash dividends of $10.9 million under two declarations; both at $0.25 per share of common stock outstanding as of the record date.

Financing activities also consisted of proceeds from stock option exercises and employee stock plan purchases. As stock options are exercised and shares are purchased through our employee stock purchase plan, we will continue to receive proceeds and expect a tax deduction; however, the amounts and timing cannot be predicted.

At January 29, 2022, we had one unsecured credit facility, the 2021 Credit Facility, with Regions Bank, which allows for borrowings up to $100.0 million and has an expiration date of July 9, 2026. The 2021 Credit Facility includes an annual commitment fee, payable quarterly in arrears, in an amount between 15 and 20 basis points of the unused portion of the line of credit as determined on a daily basis, dependent on the amount of debt outstanding. In addition, the Company is subject to certain financial covenants which include:

- Advance limitation of 55% of the net book value of the Company's inventory;
- A Consolidated Lease-Adjusted Leverage Ratio comparing lease-adjusted funded debt (funded debt plus all lease liabilities) to EBITDAR (as defined in the 2021 Credit Facility) with a maximum of 3.5x; and
- A Consolidated Fixed Coverage Charge Ratio comparing EBITDAR to fixed charges and certain current liabilities (as defined in the 2021 Credit Facility) with a minimum of 1.2x.

As of January 29, 2022, we were in compliance with these covenants.

As of January 29, 2022, a total of $100.0 million was available to us from the 2021 Credit Facility.

Purchase obligations, which include all legally binding contracts such as software license commitments and service contracts were $28.1 million and $14.8 million at January 29, 2022 and January 30, 2021, respectively. These purchase obligations are primarily due within five years and are recorded as liabilities when goods are received or services rendered.

We issue inventory purchase orders in the ordinary course of business, which represent authorizations to purchase that are cancellable by their terms. We do not consider purchase orders to be firm inventory commitments.

**Other Economic Factors**

Our ability to provide quality imported merchandise on a profitable basis may be subject to political and economic factors and influences that we cannot control. National or international events, including changes in government trade, geopolitical conflicts or other policies, could increase our merchandise costs and other costs that are critical to our operations. Consumer spending could also decline because of economic pressures.

**Our Critical Accounting Policies**

Our significant accounting policies are described in Item 8, Note 1–Basis of Presentation and Significant Accounting Policies. Critical accounting policies are those that we believe are both (i) most important to the portrayal of our financial condition and results of operations and (ii) require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of such policies may result in materially different amounts being reported under different conditions or using different assumptions.

We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements. Our critical accounting policies reflected in the consolidated financial statements are detailed below.

***Revenue Recognition.*** We recognize revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, when control of the merchandise is transferred to our customer. Sales are recorded net of expected returns at the time the customer takes possession of the merchandise. Net sales exclude sales taxes because we are a pass-through conduit for collecting and remitting these taxes.

The net deferred revenue liability for gift cards, customer orders and layaways at January 29, 2022 and January 30, 2021, was $9.6 million and $8.8 million, respectively, recognized in accounts payable on our consolidated balance sheets. In Fiscal 2022, Fiscal 2021 and Fiscal 2020, gift card breakage income was recognized in net sales in proportion to the redemption pattern of rights exercised by the customer and was immaterial for all years.

During the fiscal years ended January 29, 2022, January 30, 2021, and February 1, 2020, $1.4 million, $1.2 million and $1.7 million of gift card deferred revenue from prior periods was realized, respectively.

*Loyalty Program:* We offer the Hibbett Rewards program whereby upon registration and in accordance with the terms of the program, customers earn points on certain purchases. Points convert into rewards at defined thresholds. The short-term future performance obligation liability is estimated at each reporting period based on historical conversion and redemption patterns. The liability is included in other accrued expenses on our consolidated balance sheets and was $3.7 million and $3.4 million at January 29, 2022 and January 30, 2021, respectively.

*Return Sales*: The liability for return sales is estimated at each reporting period based on historical return patterns and is recognized at the transaction price. The liability is included in accounts payable on our consolidated balance sheets. The return asset and corresponding adjustment to cost of goods sold for our right to recover the merchandise returned by the customer is immaterial.

***Inventories.*** Inventories are valued using the lower of weighted average cost or net realizable value method. Items are removed from inventory using the weighted average cost method.

*Lower of Cost and Net Realizable Value:* We regularly review inventories to determine if the carrying value exceeds net realizable value, and we record an accrual to reduce the carrying value to net realizable value as necessary. We account for obsolescence as part of our lower of cost and net realizable value accrual based on historical trends and specific identification. As of January 29, 2022 and January 30, 2021, the accrual was $5.3 million and $6.2 million, respectively. A determination of net realizable value requires significant judgment.

*Shrink Reserves:* We accrue for inventory shrinkage based on the actual historical results of our physical inventory counts. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Physical inventory counts are performed on a cyclical basis. As of January 29, 2022 and January 30, 2021, the accrual was $0.9 million and $1.9 million, respectively.

*Inventory Purchase Concentration:* Our business is dependent to a significant degree upon close relationships with our vendors. Our largest vendor, Nike, represented 61.0%, 65.0% and 67.7% of our purchases for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. Our second largest vendor, adidas, represented 6.9%, 6.6% and 7.2% of our purchases for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

***Goodwill and Indefinite-Lived Intangible Assets.*** Goodwill and the City Gear tradename are indefinite-lived intangible assets which are not amortized, but rather tested for impairment at least annually, or on an interim basis if events and circumstances have occurred that indicate that is more likely than not that an asset is impaired. Such events or circumstances could include, but are not limited to, significant negative industry or economic trends, unanticipated changes in the competitive environment and a significant sustained decline in the market price of our stock. If an asset is impaired, an impairment test is performed and the amount by which the carrying value exceeds the fair value is recorded as an impairment charge to current income.

Due to the macroeconomic impact of the COVID-19 pandemic, we determined that indicators of impairment were present during the first quarter of Fiscal 2021. As a result, we performed interim impairment testing on goodwill and the City Gear tradename as of April 15, 2020, using updated assumptions around prospective financial information, growth rates, discount rates applied to future cash flows and comparable multiples from publicly traded companies in our industry.

In valuing goodwill, we use a combination of the Discounted Cash Flow methodology and the Guideline Public Company methodology, which require assumptions be made related to future cash flows, discount rate and comparable public companies. In the first quarter of Fiscal 2021, we determined that goodwill of our City Gear reporting unit was fully impaired and recognized a non-cash impairment charge of $19.7 million. No impairment related to goodwill was recognized during Fiscal 2020.

A reconciliation of goodwill from February 1, 2020 to January 30, 2021 consists of the following:

| | (in thousands) |
|---|---|
| Goodwill balance at February 1, 2020 | $ 19,661 |
| Impairment losses | (19,661) |
| Goodwill balance at January 30, 2021 | $ — |

In valuing the tradename intangible, we use the Relief from Royalty method which requires assumptions related to future revenues, royalty rate and discount rate. In the first quarter of Fiscal 2021, we determined that the City Gear tradename was partially impaired and recognized a non-cash impairment charge of $8.9 million in store operating, selling and administrative expenses on our condensed consolidated statement of operations. No impairment related to the tradename was recognized during Fiscal 2022 and Fiscal 2020.

A reconciliation of tradename from February 1, 2020 to January 29, 2022 consists of the following:

| | (in thousands) |
|---|---|
| Tradename intangible asset balance at February 1, 2020 | $ 32,400 |
| Impairment losses | (8,900) |
| Tradename intangible asset balance at January 30, 2021 | $ 23,500 |
| Impairment losses | — |
| Tradename intangible asset balance at January 29, 2022 | $ 23,500 |

***Long-Lived Assets.*** Long-lived assets, including lease assets, are evaluated for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation for long-lived assets is performed at the lowest level of identifiable cash flows, which is generally the individual store level. When evaluating long-lived assets for impairment, we first compare the carrying value of the asset or asset group to its estimated undiscounted future cash flows. Our estimate of undiscounted future cash flows is based on historical operations and predictions of future profitability. Significant assumptions are required to estimate cash inflows and outflows directly resulting from the use of assets in operations, including margin on net sales, occupancy costs, payroll and related costs, and other costs to operate a store. If the estimated future cash flows are less than the carrying value of the related asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the related asset or asset group to its estimated fair value, which may be based on an estimated future cash flow model, quoted market value, or other valuation technique, as appropriate. We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. For depreciable long-lived assets, the new cost basis will be depreciated (amortized) over the remaining estimated useful life of that asset. Impairment loss calculations require significant judgment to estimate future cash flows and asset fair values.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

### Investment and Credit Availability Risk

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we may purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity.

Additionally, Regions Bank is committed to provide loans under our 2021 Credit Facility. There is a risk that Regions Bank cannot deliver against these obligations. See "Risk Factors."

### Interest Rate Risk

Our net exposure to interest rate risk results primarily from interest rate fluctuations on our credit facility, which bears interest at a rate that varies with LIBOR, prime or federal funds rates. At the end of Fiscal 2022 and Fiscal 2021, we had no borrowings outstanding under our credit facility. A 125-basis point increase or decrease in the interest rate on borrowings under our credit facility would not result in a material impact to our results of operations at current borrowing levels.

There were 21 days during the 52-weeks ended January 29, 2022, where we incurred borrowings against our credit facilities for an average and maximum borrowing of $2.0 million and $18.7 million, respectively, and an average interest rate of 1.3%.

There were 97 days during the 52-weeks ended January 30, 2021, where we incurred borrowings against our credit facilities for an average and maximum borrowing of $43.3 million and $50.0 million, respectively, and an average interest rate of 3.5%.

### Quarterly and Seasonal Fluctuations

We experience seasonal fluctuations in our net sales and results of operations. We typically experience higher net sales in early spring due to spring sports and annual tax refunds, late summer due to back-to-school shopping and winter due to holiday shopping, although the COVID-19 pandemic has resulted in some shifts of normal seasonal patterns during the last two fiscal years. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including weather fluctuations, the timing of high demand footwear launches, demand for merchandise driven by local interest in sporting events, back-to-school sales and the timing of sales tax holidays and annual income tax refunds.

## Item 8. Consolidated Financial Statements and Supplementary Data.

The following consolidated financial statements of our Company are included in response to this item:



All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Hibbett, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Hibbett, Inc. and subsidiaries (the Company) as of January 29, 2022 and January 30, 2021, the related consolidated statements of operations, stockholders' investment and cash flows for each of the two years in the period ended January 29, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 29, 2022 and January 30, 2021, and the results of its operations and its cash flows for each of the two years in the period ended January 29, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 29, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 25, 2022 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

| | **Inventory Valuation** |
|---|---|
| *Description of the Matter* | At January 29, 2022, the Company's inventories, net balance was $221.2 million. As discussed in Note 1 of the consolidated financial statements, the Company values inventories using the lower of weighted average cost or net realizable value method. Adjustments to reduce inventories to their net realizable value are determined by management based on historical trends, specific identification, and anticipated demand. |

Auditing management’s assessment of net realizable value for inventories was challenging due to the estimation uncertainty in determining the forecasted sales of the Company’s inventory, which are impacted by a number of factors that are affected by market and economic conditions outside the Company’s control, such as customer forecasts and industry supply and demand.

*How We Addressed the Matter in our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s inventory valuation process, including controls related to the determination of the net realizable value of inventories.

To test the net realizable value of inventories, our audit procedures included, among others, evaluating the reasonableness of management’s key assumptions and judgments by testing the accuracy and completeness of the underlying data used to determine the amounts of inventory carrying value adjustments. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses over the significant assumptions to evaluate the changes in the net realizable value inventory estimates that would result from changes in the underlying assumptions.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2020.
Birmingham, Alabama
March 25, 2022

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors of Hibbett, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Hibbett, Inc. and subsidiaries' internal control over financial reporting as of January 29, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion Hibbett, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 29, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Hibbett, Inc. as of January 29, 2022 and January 30, 2021, the related consolidated statements of operations, stockholders' investment and cash flows for each of the two years in the period ended January 29, 2022, and the related notes and our report dated March 25, 2022 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Birmingham, Alabama
March 25, 2022

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors
Hibbett, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of operations, stockholders' investment, and cash flows of Hibbett, Inc. (formerly Hibbett Sports, Inc.) and subsidiaries (the Company) for the year ended February 1, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended February 1, 2020, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2002 to 2020.

Birmingham, Alabama
April 16, 2020

**Hibbett, Inc. and Subsidiaries**
**Consolidated Balance Sheets**
**(In thousands, except share and per share information)**

| ASSETS | January 29, 2022 | January 30, 2021 |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $ 17,054 | $ 209,290 |
| Receivables, net | 13,607 | 11,905 |
| Inventories, net | 221,219 | 202,038 |
| Other current assets | 25,134 | 16,567 |
| Total current assets | 277,014 | 439,800 |
| Property and equipment, net | 145,967 | 107,159 |
| Operating right-of-use assets | 243,751 | 216,224 |
| Finance right-of-use assets, net | 2,186 | 3,285 |
| Tradename intangible asset | 23,500 | 23,500 |
| Deferred income taxes, net | 7,187 | 14,625 |
| Other assets, net | 3,612 | 3,573 |
| Total Assets | $ 703,217 | $ 808,166 |
| **LIABILITIES AND STOCKHOLDERS' INVESTMENT** | | |
| Current Liabilities: | | |
| Accounts payable | $ 85,647 | $ 107,215 |
| Operating lease obligations | 68,521 | 58,613 |
| Finance lease obligations | 975 | 956 |
| Accrued payroll expenses | 26,320 | 29,948 |
| Other accrued expenses | 13,401 | 28,588 |
| Total current liabilities | 194,864 | 225,320 |
| Operating lease obligations | 212,349 | 186,133 |
| Finance lease obligations | 1,427 | 2,599 |
| Unrecognized tax benefits | 546 | 725 |
| Other liabilities | 2,516 | 2,353 |
| Total liabilities | 411,702 | 417,130 |
| Stockholders' Investment: | | |
| Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued | — | — |
| Common stock, $0.01 par value, 80,000,000 shares authorized, 39,611,163 and 39,379,865 shares issued at January 29, 2022 and January 30, 2021, respectively | 396 | 394 |
| Paid-in capital | 202,729 | 194,534 |
| Retained earnings | 1,022,317 | 858,951 |
| Treasury stock, at cost, 26,317,947 and 22,901,101 shares repurchased at January 29, 2022 and January 30, 2021, respectively | (933,927) | (662,843) |
| Total stockholders' investment | 291,515 | 391,036 |
| Total Liabilities and Stockholders' Investment | $ 703,217 | $ 808,166 |

**See accompanying notes to consolidated financial statements.**

**Hibbett, Inc. and Subsidiaries**
**Consolidated Statements of Operations**
**(In thousands, except per share information)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Net sales | $ 1,691,184 | $ 1,419,657 | $ 1,184,234 |
| Cost of goods sold | 1,044,777 | 915,169 | 800,783 |
| Gross margin | 646,407 | 504,488 | 383,451 |
| | | | |
| Store operating, selling and administrative expenses | 382,414 | 356,856 | 318,011 |
| Goodwill impairment | — | 19,661 | — |
| Depreciation and amortization | 35,827 | 29,583 | 29,323 |
| Operating income | 228,166 | 98,388 | 36,117 |
| | | | |
| Interest income | 43 | 127 | 1,225 |
| Interest expense | (317) | (563) | (1,014) |
| Interest income (expense), net | (274) | (436) | 211 |
| Income before provision for income taxes | 227,892 | 97,952 | 36,328 |
| | | | |
| Provision for income taxes | 53,579 | 23,686 | 8,984 |
| Net income | $ 174,313 | $ 74,266 | $ 27,344 |
| | | | |
| Basic earnings per share | $ 11.63 | $ 4.49 | $ 1.54 |
| Diluted earnings per share | $ 11.19 | $ 4.36 | $ 1.52 |
| | | | |
| Weighted average shares outstanding: | | | |
| Basic | 14,993 | 16,547 | 17,746 |
| Diluted | 15,582 | 17,037 | 17,957 |

**See accompanying notes to consolidated financial statements.**

**Hibbett, Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**(In thousands)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **January 29, 2022 (52-weeks)** | **January 30, 2021 (52-weeks)** | **February 1, 2020 (52-weeks)** |
| **Cash Flows From Operating Activities:** | | | |
| Net income | $ 174,313 | $ 74,266 | $ 27,344 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 35,827 | 29,583 | 29,323 |
| Contingent earnout, net | (13,761) | (1,296) | 15,057 |
| Impairment charges | 2,915 | 37,109 | 1,011 |
| Amortization of inventory step-up | — | — | 956 |
| Deferred income taxes and unrecognized income tax benefit, net | 7,259 | (5,774) | (5,143) |
| (Gain) loss on disposal of assets, net | (1,501) | (3,076) | 518 |
| Stock-based compensation | 5,540 | 3,799 | 2,653 |
| Other non-cash adjustments | — | (135) | (2,578) |
| Changes in operating assets and liabilities: | | | |
| Receivables, net | (1,694) | (3,768) | 1,938 |
| Inventories, net | (19,181) | 85,973 | (8,680) |
| Prepaid expenses and other | (2,078) | (2,763) | (662) |
| Other assets | 1,092 | 1,493 | (570) |
| Accounts payable | (25,580) | (26,261) | 24,347 |
| Accrued expenses and other | (3,663) | 8,566 | 6,775 |
| **Net cash provided by operating activities** | 159,488 | 197,716 | 92,289 |
| **Cash Flows From Investing Activities:** | | | |
| Capital expenditures | (71,153) | (34,760) | (17,326) |
| Proceeds from sale of property and equipment | 1,147 | 841 | 530 |
| Other | (155) | 949 | (210) |
| **Net cash used in investing activities** | (70,161) | (32,970) | (17,006) |
| **Cash Flows From Financing Activities:** | | | |
| Proceeds under credit facilities | 38,259 | 117,535 | 81,780 |
| Repayments under credit facilities | (38,259) | (117,535) | (116,780) |
| Stock repurchases | (267,826) | (16,717) | (34,904) |
| Payment of cash dividends | (10,939) | — | — |
| Payment of contingent earnout | (1,239) | (4,761) | — |
| Payments of finance lease obligations | (960) | (1,017) | (977) |
| Settlement of net share equity awards | (3,257) | (897) | (555) |
| Proceeds from options exercised and purchase of shares under the employee stock purchase plan | 2,658 | 1,858 | 475 |
| **Net cash used in financing activities** | (281,563) | (21,534) | (70,961) |
| Net (decrease) increase in cash and cash equivalents | (192,236) | 143,212 | 4,322 |
| Cash and cash equivalents, beginning of year | 209,290 | 66,078 | 61,756 |
| Cash and cash equivalents, end of year | $ 17,054 | $ 209,290 | $ 66,078 |

**Hibbett, Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows (continued)**
**(In thousands)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **January 29, 2022 (52-weeks)** | **January 30, 2021 (52-weeks)** | **February 1, 2020 (52-weeks)** |
| **Supplemental Disclosures of Cash Flow Information:** | | | |
| Cash paid during the year for: | | | |
| Interest | $ 243 | $ 560 | $ 993 |
| Income taxes, net of refunds | $ 52,899 | $ 33,654 | $ 15,438 |
| Operating cash flows from operating leases | $ 76,400 | $ 77,439 | $ 74,992 |
| Operating cash flows from finance leases | $ 136 | $ 179 | $ 223 |
| Financing cash flows from finance leases | $ 960 | $ 1,017 | $ 977 |
| | | | |
| **Supplemental Schedule of Non-Cash Activities:** | | | |
| Non-cash accruals for capital expenditures | $ 4,012 | $ 1,814 | $ — |
| Operating leases obtained in exchange for lease liabilities, net | $ 91,325 | $ 57,357 | $ 46,890 |
| Finance leases obtained in exchange for lease liabilities, net | $ (407) | $ 1,985 | $ 574 |

**See accompanying notes to consolidated financial statements.**

## Hibbett, Inc. and Subsidiaries
## Consolidated Statements of Stockholders' Investment
## (in thousands)

| | Common Stock | | | | Treasury Stock | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Paid-In Capital | Retained Earnings | Number of Shares | Amount | Total Stockholders' Investment |
| **Balance-February 2, 2019** | 38,983 | $ 390 | $ 185,752 | $ 759,677 | 20,686 | $ (609,770) | $ 336,049 |
| Net income | — | — | — | 27,344 | — | — | 27,344 |
| Issuance of shares through the Company's equity plans | 158 | 1 | 474 | — | — | — | 475 |
| Adjustment for adoption of accounting standard(1) | — | — | — | (2,079) | — | — | (2,079) |
| Purchase of shares under the stock repurchase program | — | — | — | — | 1,565 | (34,904) | (34,904) |
| Settlement of net share equity awards | — | — | — | — | 29 | (555) | (555) |
| Stock-based compensation | — | — | 2,653 | — | — | — | 2,653 |
| **Balance-February 1, 2020** | 39,141 | 391 | 188,879 | 784,942 | 22,280 | (645,229) | 328,983 |
| Net income | — | — | — | 74,266 | — | — | 74,266 |
| Issuance of shares through the Company's equity plans | 239 | 3 | 1,855 | — | — | — | 1,858 |
| Adjustment for adoption of accounting standard(2) | — | — | — | (256) | — | — | (256) |
| Purchase of shares under the stock repurchase program | — | — | — | — | 578 | (16,717) | (16,717) |
| Settlement of net share equity awards | — | — | — | — | 43 | (897) | (897) |
| Stock-based compensation | — | — | 3,799 | — | — | — | 3,799 |
| **Balance-January 30, 2021** | 39,380 | 394 | 194,534 | 858,951 | 22,901 | (662,843) | 391,036 |
| Net income | — | — | — | 174,313 | — | — | 174,313 |
| Issuance of shares through the Company's equity plans | 231 | 2 | 2,656 | — | — | — | 2,658 |
| Declaration of dividends ($0.25 per common share) | — | — | — | (10,949) | — | — | — |
| Purchase of shares under the stock repurchase program | — | — | — | — | 3,371 | (267,826) | (267,826) |
| Settlement of net share equity awards | — | — | — | — | 46 | (3,257) | (3,257) |
| Stock-based compensation | — | — | 5,540 | — | — | — | 5,540 |
| **Balance-January 29, 2022** | 39,611 | $ 396 | $ 202,729 | $1,022,317 | 26,318 | $ (933,927) | $ 291,515 |

(1) Adoption of ASU 2016-02, Topic 842, *Leases*. See Note 2, Recent Accounting Pronouncements, in our Annual Report on Form 10-K filed on April 16, 2020.
(2) Adoption of ASU 2016-13, Topic 326, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. See Note 2, Recent Accounting Pronouncements, in our Annual Report on Form 10-K filed on April 7, 2021.

**See accompanying notes to consolidated financial statements.**

## NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF CRITICAL AND SIGNIFICANT ACCOUNTING POLICIES

### Business

Hibbett, Inc. is a leading athletic-inspired fashion retailer primarily located in small and mid-sized communities across the country. References to "we," "our," "us," "Hibbett" and the "Company" refer to Hibbett, Inc. and its subsidiaries as well as its predecessors. Our fiscal year ends on the Saturday closest to January 31 of each year. The consolidated statements of operations for Fiscal 2022, Fiscal 2021 and Fiscal 2020 all include 52-weeks of operations. Our merchandise assortment features a core selection of brand name merchandise emphasizing athletic footwear, athletic and fashion apparel, related accessories, and team sports equipment. We complement this core assortment with a selection of localized footwear, apparel, and accessories designed to appeal to a wide range of customers within each market.

### Principles of Consolidation

The consolidated financial statements of our Company include its accounts and the accounts of all wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Occasionally, certain reclassifications are made to conform previously reported data to the current presentation. Such reclassifications have no impact on total assets, total liabilities, net income or stockholders' investment in any of the years presented.

### Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and the disclosure of intangible assets and contingent liabilities at the date of the financial statements. We believe our estimates are reasonable; however, the assumptions used by management could change significantly in future estimates due to changes in circumstances and actual results could differ materially from those estimates.

### Reportable Segments

Hibbett, Inc., through its subsidiaries, has approximately 1,100 stores operating under the Hibbett and City Gear brands and an omni-channel platform. We identify our operating segments according to how our business activities are managed and evaluated by our chief executive officer, who is our chief operating decision maker. Our shopping channels primarily include store locations, website, and mobile apps. Store sales are primarily filled from the store's inventory but may also be shipped from a different store location or our logistics network if an item is not available at the original store. Direct-to-consumer orders are generally shipped to our customers from a store, our logistics network, or some combination thereof, depending on the availability of the desired item.

Given the economic similarity of the store formats, the products offered for sale, the type of customers, the methods of distribution, and how our Company is managed, our operations constitute only one reportable segment.

### Vendor Arrangements

We enter into arrangements with some of our vendors that entitle us to a partial refund of the cost of merchandise purchased during the year or reimbursement of certain costs we incur to advertise or otherwise promote their product. Volume-based rebates, supported by vendor agreements, are estimated throughout the year and reduce the cost of inventories and cost of goods sold during the year. This estimate is regularly monitored and adjusted for sales activity and current or anticipated changes in purchase levels.

We also receive consideration from vendors through a variety of other programs, including markdown reimbursements, vendor compliance charges, and defective merchandise credits. If the payment is a reimbursement for costs incurred, it is recognized as an offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise. Markdown reimbursements related to merchandise that has been sold are negotiated by our merchandising teams and are credited directly to cost of goods sold in the period received. If vendor funds are received prior to merchandise being sold, they are recorded as a reduction of merchandise cost. Vendor compliance charges and defective merchandise credits reduce the cost of inventories.

**Marketing**

We expense marketing costs when incurred. We participate in various marketing cooperative programs with our vendors, who, under these programs, reimburse us for certain costs incurred.

The following table presents the components of our marketing expense (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Gross marketing costs | $ 32,964 | $ 23,576 | $ 18,408 |
| Marketing reimbursements | (4,525) | (1,524) | (2,938) |
| Net marketing costs | $ 28,439 | $ 22,052 | $ 15,470 |

**Cost of Goods Sold**

We include merchandise costs, store occupancy costs, logistics-related occupancy and operating costs, and ship-to-home freight in cost of goods sold.

**Stock Repurchase Program**

On May 26, 2021, our Board of Directors (the "Board") authorized the expansion and extension of our existing Stock Repurchase Program (the "Repurchase Program") by $500.0 million to a total of $800.0 million to repurchase our common stock through February 1, 2025. The Repurchase Program's original authorization was approved in November 2015 in the amount of $300.0 million and prior to the Board's action, was scheduled to expire on January 29, 2022.

The Repurchase Program authorizes repurchases of our common stock in open market or negotiated transactions, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management. In addition to the Repurchase Program, we also acquire shares of our common stock from holders of restricted stock unit awards to satisfy withholding tax requirements due at vesting. Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements do not reduce the authorized amounts of repurchases under the Repurchase Program.

The number of shares repurchased under the Repurchase Program and acquired from holders of restricted stock unit awards to satisfy tax withholding requirements were as follows:

| | 52-Weeks Ended | | |
|---|---|---|---|
| | January 29, 2022 | January 30, 2021 | February 1, 2020 |
| Common stock repurchased under the Repurchase Program | 3,370,751 | 620,785 | 1,594,074 |
| Aggregate cost of repurchases under the Repurchase Program (in thousands) | $ 267,826 | $ 17,615 | $ 35,459 |
| Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements | 46,095 | 42,449 | 29,432 |
| Tax withholding requirements from holders of restricted stock unit awards (in thousands) | $ 3,257 | $ 897 | $ 555 |

Historically, under all stock repurchase authorizations and including shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements, we have repurchased a total of 26.3 million shares of our common stock at an approximate cost of $933.9 million as of January 29, 2022 and had approximately $368.5 million remaining under the Repurchase Program authorization. Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements do not reduce the authorization.

Subsequent to January 29, 2022, we repurchased 0.3 million shares of our common stock as of March 22, 2022 at a cost of $12.6 million, including 8,277 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of $0.4 million.

**Dividends**

On August 25, 2021, the Board instituted a quarterly cash dividend program with the first cash dividend payment made on September 9, 2021. During the fiscal year ended January 29, 2022, we paid cash dividends of $10.9 million under three declarations at $0.25 per share of common stock outstanding as of the record date.

While we currently pay a quarterly dividend of $0.25 per share and expect to pay comparable cash dividends in the future, the declaration of dividends and the establishment of the per share amount, record dates and payment dates for any such future dividends are subject to the final determination of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant. There can be no assurance that we will continue to declare dividends in any particular amounts or at all, and changes in our dividend policy could adversely affect the market price of our common stock.

Subsequent to January 29, 2022, the Board declared a cash dividend of $0.25 per common share, payable on March 29, 2022, to stockholders of record at the close of business on March 17, 2022. The estimated payment is expected to be $3.3 million.

**Cash and Cash Equivalents**

We consider all short-term, highly liquid investments with original maturities of 90 days or less, including commercial paper and money market funds, to be cash equivalents. Amounts due from third-party credit card processors for the settlement of debit and credit card transactions are included as cash equivalents as they are generally collected within three business days. Cash equivalents related to credit and debit card transactions at January 29, 2022 and January 30, 2021 were $6.6 million and $6.9 million, respectively.

**Inventories**

Inventories are valued using the lower of weighted average cost or net realizable value method. Items are removed from inventory using the weighted average cost method.

*Lower of Cost and Net Realizable Value:* We regularly review inventories to determine if the carrying value exceeds net realizable value, and we record an accrual to reduce the carrying value to net realizable value as necessary. We account for obsolescence as part of our lower of cost and net realizable value accrual based on historical trends and specific identification. As of January 29, 2022 and January 30, 2021, the accrual was $5.3 million and $6.2 million, respectively. A determination of net realizable value requires significant judgment.

*Shrink Reserves:* We accrue for inventory shrinkage based on the actual historical results of our physical inventory counts. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Physical inventory counts are performed on a cyclical basis. As of January 29, 2022 and January 30, 2021, the accrual was $0.9 million and $1.9 million, respectively.

*Inventory Purchase Concentration:* Our business is dependent to a significant degree upon close relationships with our vendors. Our largest vendor, Nike, represented 61.0%, 65.0%, and 67.7% of our purchases for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. Our second largest vendor, adidas, represented 6.9%, 6.6%, and 7.2% of our purchases for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

### Property and Equipment

Property and equipment are recorded at cost. Finance lease assets are shown as right-of-use (ROU) assets and are excluded from property and equipment. (See Note 6, Leases).

Property and equipment consists of the following (in thousands):

| | January 29, 2022 | January 30, 2021 |
|---|---|---|
| Land | $ 7,277 | $ 7,277 |
| Buildings | 22,247 | 21,505 |
| Equipment | 119,505 | 104,431 |
| Furniture and fixtures | 59,137 | 42,448 |
| Leasehold improvements | 137,279 | 109,220 |
| Construction in progress | 4,086 | 1,470 |
| Total property and equipment | 349,531 | 286,351 |
| Less: accumulated depreciation and amortization | 203,564 | 179,192 |
| Total property and equipment, net | $ 145,967 | $ 107,159 |

Depreciation on property and equipment utilizes the straight-line method generally over the following estimated service lives:

| | |
|---|---|
| Buildings | 39 years |
| Leasehold improvements | 3 – 10 years |
| Furniture and fixtures | 7 years |
| Equipment | 3 – 7 years |

In the case of leasehold improvements, we calculate depreciation using the shorter of the term of the underlying leases or the estimated economic lives of the improvements. The term of the lease includes option periods when exercise of the option is reasonably certain. We continually reassess the remaining useful life of leasehold improvements in light of store closing plans.

Construction in progress has historically been comprised primarily of property and equipment related to unopened stores and amounts associated with technology upgrades.

Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold, retired or otherwise disposed of are removed from property and equipment and the related gain or loss is credited or charged to net income, net of proceeds received.

### Goodwill and Indefinite-Lived Intangible Assets

Goodwill and the City Gear tradename are indefinite-lived intangible assets which are not amortized, but rather tested for impairment at least annually, or on an interim basis if events and circumstances have occurred that indicate that is more likely than not that an asset is impaired. Such events or circumstances could include, but are not limited to, significant negative industry or economic trends, unanticipated changes in the competitive environment and a significant sustained decline in the market price of our stock. If an asset is impaired, the amount that the carrying value exceeds the fair value is recorded as an impairment charge to current income.

Due to the macroeconomic impact of the COVID-19 pandemic, we determined that indicators of potential impairment were present during the first quarter of Fiscal 2021. As a result, we performed interim impairment testing on goodwill and the City Gear tradename as of April 15, 2020, using updated assumptions around prospective financial information, growth rates, discount rates applied to future cash flows, and comparable multiples from publicly traded companies in our industry.

In valuing goodwill, we use a combination of the Discounted Cash Flow methodology and the Guideline Public Company methodology, which require assumptions related to future cash flows, discount rate, and comparable public company entities. In the first quarter of Fiscal 2021, we determined that goodwill of our City Gear reporting unit was fully impaired and recognized a non-cash impairment charge of $19.7 million. No impairment related to goodwill was recognized during Fiscal 2022 or Fiscal 2020.

A reconciliation of goodwill is as follows (in thousands):

| | | |
|---|---|---|
| Goodwill balance at February 1, 2020 | $ | 19,661 |
| Impairment losses | | (19,661) |
| Goodwill balance at January 30, 2021 | $ | — |

In valuing the tradename intangible, we use the Relief from Royalty method which requires assumptions related to future revenues, royalty rate, and discount rate. In the first quarter of Fiscal 2021, we determined that the City Gear tradename was partially impaired and recognized a non-cash impairment charge of $8.9 million in store operating, selling, and administrative expenses. No impairment related to the tradename was recognized during Fiscal 2022 or Fiscal 2020.

A reconciliation of the tradename intangible for Fiscal 2021 is as follows (in thousands):

| | | |
|---|---|---|
| Tradename intangible asset balance at February 1, 2020 | $ | 32,400 |
| Impairment losses | | (8,900) |
| Tradename intangible asset balance at January 30, 2021 | $ | 23,500 |

**Long-Lived Assets**

Long-lived assets, including lease assets, are evaluated for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation for long-lived assets is performed at the lowest level of identifiable cash flows, which is generally the individual store level. When evaluating long-lived assets for impairment, we first compare the carrying value of the asset or asset group to its estimated undiscounted future cash flows. Our estimate of undiscounted future cash flows is based on historical operations and predictions of future profitability. Significant assumptions are required to estimate cash inflows and outflows directly resulting from the use of assets in operations, including margin on net sales, occupancy costs, payroll and related costs, and other costs to operate a store. If the estimated future cash flows are less than the carrying value of the related asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the related asset or asset group to its estimated fair value, which may be based on an estimated future cash flow model, quoted market value, or other valuation technique, as appropriate. We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. For depreciable long-lived assets, the new cost basis will be depreciated (amortized) over the remaining estimated useful life of that asset. Impairment loss calculations require significant judgment to estimate future cash flows and asset fair values.

**Revenue Recognition**

We recognize revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers,* when control of the merchandise is transferred to our customer which is at delivery. Sales are recorded net of expected returns at the time the customer takes possession of the merchandise. Net sales exclude sales taxes because we are a pass-through conduit for collecting and remitting these taxes.

The net deferred revenue liability for gift cards, customer orders, and layaways at January 29, 2022 and January 30, 2021 was $9.6 million and $8.8 million, respectively, recognized in accounts payable on our consolidated balance sheets. We recognize revenue when a gift card is redeemed by the customer and recognize gift card breakage income in net sales in proportion to the redemption pattern of rights exercised by the customer. In Fiscal 2022, Fiscal 2021 and Fiscal 2020, gift card breakage income was immaterial for all years.

During the fiscal years ended January 29, 2022, January 30, 2021, and February 1, 2020, $1.4 million, $1.2 million and $1.7 million of gift card deferred revenue from prior periods was realized, respectively.

*Loyalty Program:* We offer the Hibbett Rewards program whereby upon registration and in accordance with the terms of the program, customers earn points on certain purchases. Points convert into rewards at defined thresholds. The short-term future performance obligation liability is estimated at each reporting period based on historical conversion and redemption patterns. The liability is included in other accrued expenses on our consolidated balance sheets and was $3.7 million and $3.4 million at January 29, 2022 and January 30, 2021, respectively.

*Return Sales*: The liability for return sales is estimated at each reporting period based on historical return patterns and is recognized at the transaction price. The liability is included in accounts payable on our consolidated balance sheets. The return asset and corresponding adjustment to cost of goods sold for our right to recover the merchandise returned by the customer is immaterial.

Revenues disaggregated by major product categories are as follows (in thousands):

| | Fiscal 2022 (52-weeks) | Fiscal 2021 (52-weeks) | Fiscal 2020 (52-weeks) |
|---|---|---|---|
| Footwear | $ 1,044,191 | $ 911,789 | $ 735,613 |
| Apparel | 483,236 | 384,431 | 307,600 |
| Equipment | 163,757 | 123,437 | 141,021 |
| | $ 1,691,184 | $ 1,419,657 | $ 1,184,234 |

**Store Opening and Closing Costs**

New store opening costs, including pre-opening costs, are charged to expense as incurred. Store opening costs primarily include payroll expenses, training costs and straight-line rent expenses. All pre-opening costs are included in store operating, selling and administrative expenses as a part of operating expenses.

We generally consider individual store closings to be a normal part of operations and regularly review store performance against expectations. Costs associated with store closings are recognized at the time of closing or when a liability has been incurred. These costs were not material in Fiscal 2022, Fiscal 2021 or Fiscal 2020.

**NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS**

*Standards that were adopted*

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*," as part of its overall simplification initiative. ASU 2019-12 was issued in order to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to financial statement users. The amendments remove certain exceptions to the general provisions of Topic 740 and provide simplification in other areas of Topic 740. We adopted ASU 2019-12 on January 31, 2021, with no material impact to our consolidated financial statements.

We adopted ASU 2016-13, Topic 326, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as of February 2, 2020. ASU 2016-13 revised the measurement of credit losses for financial assets measured at amortized cost from an incurred loss methodology to an expected loss methodology. Historical experience, current economic conditions and reasonable supportable forecasts are considered in establishing an allowance for credit losses which is shown on the consolidated balance sheet in receivables, net. The adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements.

*Standards that are not yet adopted*

We continuously monitor and review all current accounting pronouncements and standards from the FASB for applicability to our operations. As of January 29, 2022, there were no other new pronouncements or interpretations that had or were expected to have a significant impact on our operations.

**NOTE 3. STOCK-BASED COMPENSATION**

At January 29, 2022, we had four stock-based compensation plans:

(a) The Amended and Restated 2015 Equity Incentive Plan (EIP) provides that the Board may grant equity awards to certain employees of the Company at its discretion. The EIP was adopted effective July 1, 2015 and subsequently amended and restated effective May 28, 2020. Including shares added in the amendment and restatement, the EIP authorizes grants of equity awards of up to 2,500,000 authorized but unissued shares of common stock. At January 29, 2022, there were 1,510,547 shares available for grant under the EIP.

(b) The 2015 Employee Stock Purchase Plan (ESPP) allows for qualified employees to participate in the purchase of up to 300,000 shares of our common stock at a price equal to 85% of the lower of the closing price at the beginning or end of each quarterly stock purchase period. The ESPP was adopted effective July 1, 2015. At January 29, 2022, there were 152,096 shares available for purchase under the ESPP.

(c) The 2015 Director Deferred Compensation Plan (Deferred Plan) allows non-employee directors an election to defer all or a portion of their fees into stock units or stock options. The Deferred Plan was adopted effective July 1, 2015 and authorizes grants up to 150,000 authorized but unissued shares of common stock. At January 29, 2022, there were 121,194 shares available for grant under the Deferred Plan.

(d) The 2012 Non-Employee Director Equity Plan (DEP) provides for grants of equity awards to non-employee directors. The DEP was adopted effective May 24, 2012 and authorizes grants of equity awards of up to 500,000 authorized but unissued shares of common stock. At January 29, 2022, there were 104,828 shares available for grant under the DEP.

Our plans allow for a variety of equity awards including stock options, restricted stock awards, stock appreciation rights and performance awards. As of January 29, 2022, we had only granted awards in the form of stock options, restricted stock units (RSUs) and performance-based units (PSUs) to our employees. The annual grants made for Fiscal 2022, Fiscal 2021 and Fiscal 2020 to employees consisted solely of RSUs. We have also awarded PSUs to our Named Executive Officers (NEOs) and expect the Compensation Committee of the Board will continue to grant PSUs to our NEOs in the future. Due to the economic uncertainties at the onset of the COVID-19 pandemic, coupled with the timing of our annual equity awards , the Board elected to award only service-based units to our NEOs in Fiscal 2021.

As of January 29, 2022, we had only granted awards in the form of stock, stock options and deferred stock units (DSUs) to our Board members. Under the DEP, Board members currently receive an annual value of $75,000 worth of equity in the form of stock options or RSUs upon election to the Board and a value of $110,000 worth of equity in any form allowed within the DEP, for each full year of service, pro-rated for Directors who have served less than one full year. The Chairman of the Board receives an annual value of $135,000 of equity in any form allowed within the DEP. Due to the economic uncertainties at the onset of the COVID-19 pandemic, coupled with the timing of our annual equity awards, the Board elected to reduce the value of the annual equity award to each applicable Director in Fiscal 2021.

The terms and vesting schedules for stock-based awards vary by type of grant and generally vest upon time-based conditions. Under the DEP, Directors have the option with certain equity forms to set vesting dates. Upon exercise, stock-based compensation awards are settled with authorized but unissued company stock. All of our awards are classified as equity awards.

The compensation cost for these plans was as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Stock-based compensation expense by type: | | | |
| Stock options | $ 174 | $ 90 | $ 92 |
| Restricted stock units | 5,111 | 3,495 | 2,370 |
| Employee stock purchases | 199 | 120 | 97 |
| Director deferred compensation | 56 | 94 | 94 |
| Total stock-based compensation expense | 5,540 | 3,799 | 2,653 |
| Income tax benefit recognized | 1,316 | 882 | 622 |
| Stock-based compensation expense, net of income tax | $ 4,224 | $ 2,917 | $ 2,031 |

Stock-based and deferred stock compensation expenses are included in store operating, selling and administrative expenses. There is no capitalized stock-based compensation cost.

The income tax benefit recognized in our consolidated financial statements, as disclosed above, is based on the amount of compensation expense recorded for book purposes. The actual income tax benefit realized in our income tax return is based on the intrinsic value, or the excess of the market value over the exercise or purchase price, of stock options exercised and restricted stock unit awards vested during the period. The actual income tax benefit realized for the deductions considered on our income tax returns for Fiscal 2022, Fiscal 2021 and Fiscal 2020 was from option exercises and restricted stock unit releases and totaled $3.2 million, $1.0 million and $0.6 million, respectively.

***Stock Options***

Stock options are granted with an exercise price equal to the closing market price of our common stock on the business day immediately preceding the date of grant. Vesting and expiration provisions vary between equity plans, but options granted to employees under the EIP typically vest over a four or five-year period in equal installments beginning on the first anniversary of the grant date and typically expire on the eighth or tenth anniversary of the date of grant. Grants awarded to tenured outside directors under the DEP and Deferred Plan vest immediately upon grant. Grants awarded to outside directors upon appointment to our Board under the DEP vest in full on the first anniversary of the date of grant. Grants awarded to outside directors upon appointment to our Board under the Deferred Plan vest immediately upon grant. All grants awarded to outside directors expire on the tenth anniversary of the date of grant.

During Fiscal 2022, we had one stock option grant dated March 22, 2021 to directors. A total of 4,384 stock options were granted at an exercise price of $76.04 per share. The fair value of the grants was $39.73 per share, which was estimated on the date of grant using the Black-Scholes pricing model assuming an expected life of 4.63 years, expected volatility of 64.75%, a risk-free interest rate of 0.77% with no dividend yield.

We calculate the expected term for our stock options based on the historical exercise behavior of our participants. The volatility used to value stock options is based on historical volatility. We calculate historical volatility using an average calculation methodology based on daily price intervals as measured over the expected term of the option. We have consistently applied this methodology since our adoption of the provisions of ASC Topic 718, *Stock Compensation*. In accordance with ASC Topic 718, we base the risk-free interest rate on the annual continuously compounded risk-free rate with a term equal to the option's expected term. The dividend yield was zero since we had not historically declared dividends when the award was granted.

Activity for our option plans during Fiscal 2022 was as follows:

| | Number of Shares | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | | Aggregate Intrinsic Value ($000's) |
|---|---|---|---|---|---|---|
| Options outstanding at January 30, 2021 | 227,258 | $ | 37.15 | 4.39 | $ | 4,407 |
| Granted | 4,384 | | 76.04 | | | |
| Exercised | (65,716) | | 29.45 | | | |
| Forfeited, cancelled or expired | — | | — | | | |
| Options outstanding at January 29, 2022 | 165,926 | $ | 41.28 | 3.66 | $ | 3,106 |
| | | | | | | |
| Exercisable at January 29, 2022 | 165,926 | $ | 41.28 | 3.66 | $ | 3,106 |

The weighted average grant-date fair value of options granted during Fiscal 2022, Fiscal 2021 and Fiscal 2020 was $39.73, $3.33 and $5.46, respectively.

The total intrinsic value of stock options exercised during Fiscal 2022, Fiscal 2021 and Fiscal 2020 was $2.7 million, $0.8 million and $9.6 thousand, respectively. The total cash received from these stock option exercises during Fiscal 2022, Fiscal 2021 and Fiscal 2020 was $4.7 million, $1.8 million and $0.1 million, respectively. As of January 29, 2022, there was no unamortized unrecognized compensation cost related to stock options.

***Restricted Stock and Performance-Based Units***

RSUs and PSUs are granted with a fair value equal to the closing market price of our common stock on the date of grant. All PSUs have been awarded in the form of restricted stock units. An award may vest completely at a point in time (cliff-vest) or in increments over time (graded-vest). The majority of awards, including PSUs, are subject to cliff-vest provisions. A small portion of awards to our executive officers are subject to graded vest provisions. Generally, RSUs vest over two to four years with the exception of awards to our Board of Directors who can choose the vest date for their annual award. PSUs provide for awards based on achievement of certain predetermined corporate performance goals and typically cliff-vest in three years from the date of grant after achievement of stated performance criterion and upon meeting stated service conditions.

Compensation cost is recognized on a straight-line basis over the vesting period for cliff-vest awards and, in the case of PSUs, at the estimated percentage of achievement. For graded-vest awards, the award is divided into vesting tranches and the compensation cost is recognized on a straight-line basis for each tranche separately.

The following table summarizes the restricted stock unit awards activity under all our plans during Fiscal 2022:

| | RSUs | | | PSUs | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Awards | | Weighted Average Grant-Date Fair Value | Number of Awards | | Weighted Average Grant-Date Fair Value | Number of Awards | | Weighted Average Grant-Date Fair Value |
| Nonvested at January 30, 2021 | 655,031 | $ | 17.98 | 19,060 | $ | 19.56 | 674,091 | $ | 18.02 |
| Granted | 62,031 | | 76.28 | 22,492 | | 76.04 | 84,523 | | 76.22 |
| PSU adjustment (1) | — | | — | 3,900 | | 22.55 | 3,900 | | 22.55 |
| Vested | (140,075) | | 22.23 | (10,335) | | 22.55 | (150,410) | | 22.25 |
| Forfeited, cancelled or expired | (21,489) | | 21.43 | — | | — | (21,489) | | 21.54 |
| Nonvested at January 29, 2022 | 555,498 | $ | 23.28 | 35,117 | $ | 55.19 | 590,615 | $ | 25.18 |

(1) PSU adjustment represents the net RSUs awarded to our NEOs above or below their target grants resulting from the achievement of performance goals above or below the performance targets established at grant. One grant goal was achieved at 200% of its target based on Fiscal 2019 through Fiscal 2021 financial results.

The weighted average grant date fair value of our RSUs granted was $76.22, $12.42 and $18.68 for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. There were 84,523, 337,749 and 296,583 RSUs awarded during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

During Fiscal 2022, 150,410 RSU awards, including 10,335 PSU awards, vested with an intrinsic value of $10.5 million. The total intrinsic value of our RSU awards outstanding and unvested at January 29, 2022, January 30, 2021 and February 1, 2020 was $35.2 million, $38.1 million and $14.5 million, respectively. As of January 29, 2022, there was approximately $7.0 million of total unamortized unrecognized compensation cost related to RSU awards. This cost is expected to be recognized over a weighted average period of 2.0 years.

***Employee Stock Purchase Plan***

The Company's ESPP allows eligible employees the right to purchase shares of our common stock, subject to certain limitations, at 85% of the lesser of the market value at the end of each calendar quarter (purchase date) or the beginning of each calendar quarter. Our employee purchases of common stock and the average price per share through the ESPP were as follows:

| **Fiscal Year Ended** | **Shares Purchased** | **Average Price Per Share** |
|---|---|---|
| January 29, 2022 | 14,447 | $ 50.01 |
| January 30, 2021 | 36,059 | $ 11.99 |
| February 1, 2020 | 26,116 | $ 15.02 |

The assumptions used in the option pricing model were as follows:

| | **Fiscal Year Ended** | | |
|---|---|---|---|
| | **January 29, 2022** | **January 30, 2021** | **February 1, 2020** |
| Weighted average fair value at date of grant | $14.33 | $4.18 | $4.18 |
| Expected life (years) | 0.25 | 0.25 | 0.25 |
| Expected volatility | 49.2% - 50.4% | 41.4% - 50.2% | 34.3% - 36.5% |
| Risk-free interest rate | 0.11% - 0.33% | 0.20% - 3.60% | 4.24% - 5.73% |
| Dividend yield | 1.12% - 1.41% | None | None |

The expense related to the ESPP was determined using the Black-Scholes option pricing model and the provisions of ASC Topic 718 as it relates to accounting for certain employee stock purchase plans with a look-back option. The compensation expense included in store operating, selling and administrative expenses and recognized during each of Fiscal 2022, Fiscal 2021 and Fiscal 2020 was $0.2 million, $0.1 million, and $0.1 million, respectively.

***Director Deferred Compensation***

Under the Deferred Plan, non-employee directors can elect to defer all or a portion of their Board and Board Committee fees into cash, stock options or deferred stock units. Those fees deferred into stock options are subject to the same provisions as provided for in the DEP and are expensed and accounted for accordingly. Director fees deferred into stock units are calculated and expensed each calendar quarter by taking deferred fees earned during the calendar quarter and dividing by the closing price of our common stock on the last day of the calendar quarter, rounded to the nearest whole share. Director fees deferred into stock units are calculated and expensed each calendar quarter by taking deferred fees earned during the calendar quarter and dividing by the closing price of our common stock on the business day immediately preceding the last day of the calendar quarter, rounded to the nearest whole share. The total annual retainer, Board and Board Committee fees for non-employee directors that are not deferred into stock options, but which includes amounts deferred into stock units under the Deferred Plan, are expensed as incurred in all periods presented. A total of 729, 4,368 and 4,174 stock units were deferred under this plan in Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. One director has elected to defer all or a portion of her compensation into stock units in calendar 2022.

**NOTE 4. EARNINGS PER SHARE**

The computation of basic earnings per share (EPS) is based on the number of weighted average common shares outstanding during the period. The computation of diluted EPS is based on the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options and issuance of restricted stock. The number of incremental shares is calculated by applying the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share in thousands:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
| Net income | $ 174,313 | $ 74,266 | $ 27,344 |
| | | | |
| Weighted average number of common shares outstanding | 14,993 | 16,547 | 17,746 |
| Dilutive stock options | 130 | 77 | 11 |
| Dilutive restricted stock units | 459 | 413 | 200 |
| Weighted average number of common shares outstanding and dilutive shares | 15,582 | 17,037 | 17,957 |
| | | | |
| Basic earnings per share | $ 11.63 | $ 4.49 | $ 1.54 |
| Diluted earnings per share | $ 11.19 | $ 4.36 | $ 1.52 |

In calculating diluted earnings per share, no options to purchase shares of common stock outstanding as of the end of the period were excluded in the computations of diluted earnings per share due to their anti-dilutive effect in Fiscal 2022. In calculating diluted earnings per share, 95,724 and 148,821 options to purchase shares of common stock outstanding as of the end of the period were excluded in the computations of diluted earnings per share due to their anti-dilutive effect in Fiscal 2021 and Fiscal 2020, respectively.

At January 29, 2022, we excluded 55,084 non-vested stock awards granted to certain employees from the computation of diluted weighted average common shares and common share equivalents outstanding, because they are subject to performance-based annual vesting conditions which had not been achieved by the end of Fiscal 2022. Assuming the performance criteria had been achieved at target as of January 29, 2022, the incremental dilutive impact would have been 20,757 shares.

**NOTE 5. DEBT**

In October 2018, we entered into amended agreements with Bank of America, N.A. and Regions Bank providing for an aggregate amount of credit available to us under each line of credit of $50.0 million.

On April 16, 2020, we entered into the Second Amended and Restated Note with Regions Bank (the "Amended Credit Facility") that provides for an aggregate amount of credit available to us of $75.0 million. The Amended Credit Facility superseded the Regions Bank credit agreement dated October 2018, with a maturity date of April 19, 2021, and was secured by all assets of the Company with the exception of real property. Simultaneous to the execution of the Amended Credit Facility, the $50.0 million outstanding under the previous credit agreements was paid in full, the Bank of America credit agreement dated October 2018, was terminated and we incurred borrowings under the Amended Credit Facility of $50.0 million. On June 5, 2020, we entered into a Note Modification Agreement that extended the maturity date of the Amended Credit Facility from April 19, 2021 to July 18, 2021. No other provisions of the Amended Credit Facility were affected.

On July 9, 2021, we executed a new unsecured Credit Agreement (the "2021 Credit Facility") between the Company and its subsidiaries and Regions Bank, which supersedes the Amended Credit Facility, provides an unsecured line of credit of up to $100.0 million. The 2021 Credit Facility is effective through July 9, 2026 with an interest rate of one-month LIBOR plus 1.0% to 1.8% depending on specified leverage levels.

The 2021 Credit Facility includes an annual commitment fee, payable quarterly in arrears, in an amount between 15 and 20 basis points of the unused portion of the line of credit as determined on a daily basis, dependent on the amount of debt outstanding. In addition, the Company is subject to certain financial covenants which include:

- Advance limitation of 55% of the net book value of the Company's inventory;
- A Consolidated Lease-Adjusted Leverage Ratio comparing lease-adjusted funded debt (funded debt plus all lease liabilities) to EBITDAR (as defined in the 2021 Credit Facility) with a maximum of 3.5x; and
- A Consolidated Fixed Coverage Charge Ratio comparing EBITDAR to fixed charges and certain current liabilities (as defined in the 2021 Credit Facility) with a minimum of 1.2x.

As of January 29, 2022, we were in compliance with these covenants.

Given the International Exchange Benchmark Administration’s announced phase-out of LIBOR, the 2021 Credit Facility includes a LIBOR phase-out provision. If, during the term of the 2021 Credit Facility, the lender determines that LIBOR is unavailable, impracticable or unreliable for use, the variable interest rate will be determined based on a substitute index which may be Term SOFR, Daily Simple SOFR, or an alternate rate index that has been selected by the Lender as the replacement for LIBOR. The replacement index will then become the operative interest rate index for borrowings under the 2021 Credit Facility, subject to provisions set forth in the 2021 Credit Facility.

There were 21 days during the 52-weeks ended January 29, 2022, where we incurred borrowings against our credit facility for an average and maximum borrowing of $2.0 million and $18.7 million, respectively, and an average interest rate of 1.35%. At January 29, 2022, a total of $100.0 million was available to us from the 2021 Credit Facility.

There were 97 days during the 52-weeks ended January 30, 2021, where we incurred borrowings against our prior credit facilities for an average and maximum borrowing of $43.3 million and $50.0 million, respectively, and an average interest rate of 3.45%.

**NOTE 6. LEASES**

We lease our retail store locations, nearly all of which are operating leases. Store leases typically provide for initial terms of five to ten years. Many of our leases contain the following provisions:

- scheduled increases in rent payments over the lease term;
- tenant inducements;
- free rent periods;
- contingent rent based on net sales in excess of stipulated amounts;
- one or more renewal options at our discretion; and
- payments for common area maintenance, insurance and real estate taxes, most of which are variable in nature.

Most of our store leases contain provisions that allow for early termination between the third and fifth year of the term if predetermined sales levels are not met, or upon the occurrence of other specified contingent events. When we have the option to extend the lease term (including by not exercising an available termination option) or purchase the leased asset, and it is reasonably certain that we will do so, we consider these options in determining the classification and measurement of the lease. However, generally at lease commencement, it is not reasonably certain that we will exercise an extension or purchase option. For contingent termination provisions, we consider both the likelihood of the contingency occurring in addition to the economic factors we consider when assessing any other termination or renewal option.

We also lease certain office, transportation and technology equipment under operating and finance leases. Generally, these leases have initial terms of two to six years.

We determine whether an arrangement is a lease at inception. We have lease agreements that contain both lease and non-lease components. For store leases, we account for the lease components together with the non-lease components, such as common area maintenance. For office and transportation equipment leases, we separate the non-lease components from the lease components.

Operating lease liabilities are recognized based on the present value of remaining fixed lease payments over the lease term. Operating lease ROU assets are recognized based on the calculated lease liability, adjusted for lease prepayments, initial direct costs and tenant inducements. Because the implicit rate is generally not readily determinable for our leases, we use our estimated incremental borrowing rate, on a collateralized basis over a similar term, as the discount rate to measure operating lease liabilities. Due to the absence of an independently published credit rating, our estimated incremental borrowing rate is determined based on a synthetic credit rating. We use a blend of a financial ratio analysis and a Z-spread analysis to calculate our synthetic credit rating. Our most recent debt instrument terms and interest rates are also considered. The collateralized synthetic credit rating is then used to determine the yield most consistent with the tenor of our portfolio lease term and is adjusted on an ongoing basis by the movement in the market rates. The collateralized synthetic credit rating is reevaluated periodically as needed based on company-specific and market conditions. Operating lease cost for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are generally expensed as incurred.

ROU lease assets are periodically reviewed for impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine when to evaluate assets and asset groups, including ROU assets, for impairment and to calculate any impairment loss to be recognized. Asset group impairment charges of approximately $2.9 million, $8.5 million and $1.5 million were recognized during Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

In April 2020, FASB issued interpretive guidance to respond to some frequently asked questions about accounting for lease concessions related to the effects of the COVID-19 pandemic. Under current U.S. GAAP, subsequent changes to lease payments that are not stipulated in the original lease are generally accounted for as lease modifications under ASC Topic 842. The interpretive guidance grants relief by allowing companies to make an accounting policy election to not evaluate lease concessions related to the effects of the COVID-19 pandemic as lease modifications. We elected not to utilize this exception and accounted for the COVID-19 pandemic related lease concessions as modifications triggering lease remeasurement.

Store operating lease cost and logistics-related transportation equipment operating lease cost are included in cost of goods sold in the consolidated statements of operations. Office equipment and other transportation equipment operating lease cost is included in store operating, selling and administrative expenses in the consolidated statements of operations.

| | **January 29, 2022 (52-weeks)** | **January 30, 2021 (52-weeks)** | **February 1, 2020 (52-weeks)** |
|---|---|---|---|
| Operating lease cost | $ 68,359 | $ 67,030 | $ 71,096 |
| Finance lease cost: | | | |
| Amortization of assets | 849 | 913 | 943 |
| Interest on lease liabilities | 136 | 179 | 223 |
| Variable lease cost [1] | 18,379 | 13,328 | 11,757 |
| | $ 87,723 | $ 81,450 | $ 84,019 |

[1] Includes rent based on a percent of sales, common area maintenance, insurance and property tax.

Short-term leases are not recorded on our consolidated balance sheet and short-term lease cost is immaterial.

Finance right-of-use assets on the consolidated balance sheet at January 29, 2022 and January 30, 2021 are shown net of accumulated amortization of $2.5 million and $1.7 million, respectively.

The following table provides supplemental balance sheet information related to leases:

| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) |
|---|---|---|
| Weighted average remaining lease term (in years): | | |
| Operating leases | 5 | 5 |
| Finance leases | 3 | 4 |
| | | |
| Weighted average discount rate: | | |
| Operating leases | 3.0 % | 3.5 % |
| Finance leases | 5.1 % | 5.5 % |

Maturities of lease liabilities (in thousands):

| | January 29, 2022 (52-Weeks) | | |
|---|---|---|---|
| | Operating | Finance | Total |
| Fiscal 2023 | $ 75,809 | $ 1,060 | $ 76,869 |
| Fiscal 2024 | 66,530 | 992 | $ 67,522 |
| Fiscal 2025 | 53,542 | 282 | $ 53,824 |
| Fiscal 2026 | 39,749 | 201 | $ 39,950 |
| Fiscal 2027 | 28,173 | — | $ 28,173 |
| Thereafter | 39,058 | — | $ 39,058 |
| Total minimum lease payments | 302,861 | 2,535 | 305,396 |
| Less amount representing interest | 21,991 | 133 | 22,124 |
| | $ 280,870 | $ 2,402 | $ 283,272 |

As of January 29, 2022, we have entered into operating leases of approximately $7.7 million related to future store locations that have not yet commenced.

**NOTE 7. DEFINED CONTRIBUTION BENEFIT PLANS**

We maintain the Hibbett, Inc. 401(k) Plan (the "401(k) Plan") for the benefit of our employees. The 401(k) Plan covers all employees who have completed one year of service. Participants of the 401(k) Plan may voluntarily contribute from 1% to 100% of their compensation subject to certain yearly dollar limitations as allowed by law. These elective contributions are made under the provisions of Section 401(k) of the Internal Revenue Code, which allows deferral of income taxes on the amount contributed to the 401(k) Plan and which operates under the Safe Harbor provisions. For Fiscal 2022, Fiscal 2021 and Fiscal 2020, we matched 100% of the first 3% of eligible compensation and 50% of the next 3% of eligible compensation for a total possible match of 4.5% of the first 6% of eligible compensation. Contribution expense incurred under the 401(k) Plan for Fiscal 2022, Fiscal 2021 and Fiscal 2020 was $2.0 million, $2.1 million and $1.6 million, respectively.

We maintain the Hibbett, Inc. Supplemental 401(k) Plan (the "Supplemental Plan") for the purpose of supplementing the employer matching contribution and salary deferral opportunity available to highly compensated employees whose ability to receive Company matching contributions and defer salary under the 401(k) Plan was limited because of certain restrictions applicable to qualified plans. The non-qualified deferred compensation Supplemental Plan allows participants to defer up to 40% of their compensation. Contributions to the Supplemental Plan are not subject to matching provisions; therefore no contribution expense was incurred under the Supplemental Plan for Fiscal 2022, Fiscal 2021 and Fiscal 2020. The Supplemental Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

We maintain a Flexible Spending Account Plan ("FSA") that allows employees to set aside pre-tax amounts for out-of-pocket health care and dependent care expenses. The health care FSA is subject to ERISA, whereas the dependent care FSA is not. Employees are eligible to participate in the FSA upon meeting eligibility requirements or upon a defined qualifying event, and may enroll annually during an open enrollment period. Plan amounts are determined annually by the employee in advance and are subject to IRS dollar limitations. Employee elections, in general, cannot be increased, decreased or discontinued during the election period. Under the health care FSA, participants can rollover up to $500 of unused amounts at the end of the plan year. Under the dependent care FSA, unused amounts at the end of the plan year are subject to forfeiture and such forfeitures can be used to offset administrative expenses. Pursuant to the Consolidated Appropriations Act 2021, participants can rollover any unused amounts from their health care and dependent care FSAs at the end of the plan year for Fiscal 2022 and Fiscal 2021.

**NOTE 8. RELATED-PARTY TRANSACTIONS**

The Company leases one store under a lease arrangement with Preferred Growth Properties, LLC (formerly AL Florence Realty Holdings 2010, LLC), a wholly owned subsidiary of Books-A-Million, Inc. ("BAMM"). One of our Directors, Terrance G. Finley is an executive officer of BAMM. Minimum annual lease payments are $0.1 million, if not in co-tenancy, and the lease termination date is February 2022. In August 2021, the Company exercised an option to extend the term of the lease by five years, with the new term commencing on March 1, 2022 and terminating on February 28, 2027. The minimal annual lease payment of $0.1 million did not change. In each of Fiscal 2022, Fiscal 2021 and Fiscal 2020, minimum lease payments were $0.1 million. Minimum lease payments remaining under this lease at January 29, 2022 were $0.6 million.

The Company honored certain contracts in place for its wholly owned subsidiary, City Gear, LLC, upon acquisition in Fiscal 2019. The following listing represents those contracts of which Michael E. Longo, the Company's President and CEO, has an interest in, either directly or indirectly.

*Memphis Logistics Group ("MLG")*
MLG provided logistics and warehousing services to City Gear. Mr. Longo owned a majority interest in MLG and the initial contract term was effective through June 2020 but has been extended to June 2021. Effective January 29, 2021, Mr. Longo fully divested his ownership interest in MLG and he no longer has any involvement with its management. MLG subsequently reorganized as Riverhorse Logistics, LLC. In Fiscal 2021 and Fiscal 2020, payments to MLG under the contract were $7.9 million and $7.2 million, respectively. The amount outstanding to MLG at January 30, 2021 was $0.3 million, and is included in accounts payable on our consolidated balance sheets.

*T.I.G. Construction ("TIG")*
TIG historically performed the majority of new store and store remodel construction for City Gear and is owned by a close relative of Mr. Longo. In Fiscal 2022, Fiscal 2021 and Fiscal 2020, payments to TIG for their services were $6.7 million, $6.1 million and $3.8 million, respectively. The amount outstanding to TIG at January 29, 2022 and January 30, 2021 was $0.6 million and $26,000, respectively, and is included in accounts payable on our consolidated balance sheets.

*Merchant's Capital ("MC")*
Merchant's Capital owned the office building where City Gear had its corporate offices in Memphis, Tennessee. Mr. Longo is a 33.3% partner in MC. The initial lease term ended on December 31, 2019 but was extended to April 30, 2020 to allow for the transition of City Gear's corporate office to the Company's Birmingham, Alabama location. In Fiscal 2022, there were no minimum lease payments to MC. In Fiscal 2021 and Fiscal 2020, minimum lease payments to MC were $0.1 million and $0.3 million, respectively. There were no amounts outstanding to MC at January 29, 2022 or January 30, 2021.

*Retail Security Gates, LLC ("RSG")*
During the second quarter of Fiscal 2022, a close relative of Mr. Longo purchased a 50% interest in an existing Company vendor, which was reorganized as RSG. We utilize RSG for specially manufactured store front security gates. In Fiscal 2022, payments to RSG for their services were $0.3 million. There were no amounts outstanding to RSG at January 29, 2022.

In addition to the related party interests listed above, Mr. Longo also had a membership interest in two contingent earnouts ("Earnouts") related to the acquisition of City Gear based on City Gear's achievement of certain EBITDA thresholds for the 52-weeks ended February 1, 2020 and January 30, 2021, respectively. The Earnouts were in addition to the aggregate consideration payable to the sellers of City Gear, LLC in November 2018.

Pursuant to the Membership Interest and Warrant Purchase Agreement dated October 29, 2018 and based on Fiscal 2020 and Fiscal 2021 financial results, former members and warrant holders of City Gear were entitled to and paid both Earnouts amounting to a payment of $10.0 million in June 2020 and a payment of $15.0 million in April 2021. Mr. Longo's share of the earnout payments was approximately 22.8% or approximately $2.3 million of the initial earnout payment and approximately $3.4 million of the second earnout payment.

**NOTE 9. INCOME TAXES**

A summary of the components of the provision (benefit) for income taxes is as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **January 29, 2022 (52-weeks)** | **January 30, 2021 (52-weeks)** | **February 1, 2020 (52-weeks)** |
| Federal: | | | |
| Current | $ 37,013 | $ 23,651 | $ 11,724 |
| Deferred | 7,142 | (4,191) | (4,265) |
| | 44,155 | 19,460 | 7,459 |
| State: | | | |
| Current | 9,128 | 5,580 | 1,975 |
| Deferred | 296 | (1,354) | (450) |
| | 9,424 | 4,226 | 1,525 |
| Provision for income taxes | $ 53,579 | $ 23,686 | $ 8,984 |

A reconciliation of the statutory federal income tax rate to the effective tax rate as a percentage of income before provision for income taxes follows:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **January 29, 2022 (52-weeks)** | **January 30, 2021 (52-weeks)** | **February 1, 2020 (52-weeks)** |
| Tax provision computed at the federal statutory rate | 21.00 % | 21.00 % | 21.00 % |
| Effect of state income taxes, net of federal benefits | 3.50 | 3.47 | 3.60 |
| Federal income tax credits | (0.40) | (0.70) | (1.99) |
| Executive compensation limitations | 0.52 | 0.09 | 1.47 |
| Equity compensation tax (excess) deficiencies | (0.97) | 0.17 | 1.71 |
| Other, net | (0.14) | 0.15 | (1.06) |
| | 23.51 % | 24.18 % | 24.73 % |

Deferred income taxes on the consolidated balance sheets result from temporary differences between the amount of assets and liabilities recognized for financial reporting and income tax purposes. The components of the deferred income taxes, net, are as follows (in thousands):

| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) |
|---|---|---|
| Rent | $ 72,452 | $ 64,369 |
| Inventories | 2,795 | 2,362 |
| Accruals | 8,175 | 11,546 |
| Stock-based compensation | 2,704 | 2,398 |
| Other | 85 | 152 |
| Total deferred tax assets | 86,211 | 80,827 |
| Rent | (66,056) | (57,776) |
| Accumulated depreciation and amortization | (10,440) | (6,226) |
| Prepaid expenses | (2,336) | (1,747) |
| State taxes | (192) | (453) |
| Total deferred tax liabilities | (79,024) | (66,202) |
| Deferred income taxes, net | $ 7,187 | $ 14,625 |

Deferred tax assets represent items that will be used as a tax deduction or credit in future tax returns or are items of income that have not been recognized for financial statement purposes but were included in the current or prior tax returns for which we have already properly recorded the tax benefit in the consolidated statements of operations. At least quarterly, we assess the likelihood that the deferred tax assets balance will be recovered. We take into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of a realization of a deferred tax asset. To the extent recovery is not more likely than not, a valuation allowance is established against the deferred tax asset, increasing our income tax expense in the year such determination is made. We have determined that no such allowance is required.

We apply the provisions of ASC Subtopic 740-10 in accounting for uncertainty in income taxes. In accordance with ASC Subtopic 740-10, we recognize a tax benefit associated with an uncertain tax position when, in our judgment based on technical merits, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management.

We file income tax returns in the U.S. federal and various state jurisdictions. A number of years may elapse before a particular matter for which we have recorded a liability related to an unrecognized tax benefit is audited and finally resolved. Generally, we are not subject to changes in income taxes by the U.S. federal taxing jurisdiction for years prior to Fiscal 2019 or by most state taxing jurisdictions for years prior to Fiscal 2018. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecognized tax benefits is adequate. Favorable settlement of an unrecognized tax benefit could be recognized as a reduction in our effective tax rate in the period of resolution. Unfavorable settlement of an unrecognized tax benefit could increase the effective tax rate and may require the use of cash in the period of resolution. Our liability for unrecognized tax benefits is generally presented as non-current. However, if we anticipate paying cash within one year to settle an uncertain tax position, the liability is presented as current.

A reconciliation of the unrecognized tax benefit, excluding estimated interest and penalties, under ASC Subtopic 740-10 follows (in thousands):

| | January 29, 2022 (52-weeks) | January 30, 2021 (52-weeks) | February 1, 2020 (52-weeks) |
|---|---|---|---|
| Unrecognized tax benefits - beginning of year | $ 616 | $ 818 | $ 1,245 |
| Gross increases - tax positions in prior period | — | 3 | — |
| Gross decreases - tax positions in prior period | (51) | — | (234) |
| Gross increases - tax positions in current period | — | — | — |
| Settlements | — | — | — |
| Lapse of statute of limitations | (110) | (205) | (193) |
| Unrecognized tax benefits - end of year | $ 455 | $ 616 | $ 818 |

We classify interest and penalties recognized on unrecognized tax benefits as income tax expense. We have accrued interest and penalties in the amount of $0.1 million, $0.1 million and $0.1 million as of January 29, 2022, January 30, 2021 and February 1, 2020, respectively. During Fiscal 2022, Fiscal 2021 and Fiscal 2020, we recorded $(18,000), $(28,000) and $(19,000), respectively, for the accrual of interest and penalties in the consolidated statement of operations.

Of the unrecognized tax benefits as of January 29, 2022, January 30, 2021 and February 1, 2020, $0.3 million, $0.4 million and $0.6 million, respectively, if recognized, would affect our effective income tax rate.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

*Annual Bonuses and Equity Incentive Awards*

Specified officers and corporate employees of our Company are entitled to annual bonuses, primarily based on measures of Company operating performance. At January 29, 2022 and January 30, 2021, there was $13.0 million and $10.6 million, respectively, of annual bonus-related expense included in accrued payroll expenses.

In addition, the Compensation Committee (Committee) of the Board of Directors places performance criteria on awards of PSUs made in the form of RSUs to our NEOs under the EIP. The performance criteria are tied to performance targets with respect to future sales and operating income over a specified period of time. These PSUs are expensed under the provisions of ASC Topic 718 and are evaluated each quarter to determine the probability that the performance conditions set within will be met. We expect the Committee to continue to place performance criteria on awards of RSUs to our NEOs in the future.

*Legal Proceedings and Other Contingencies*

We are a party to various legal proceedings incidental to our business. Where we are able to reasonably estimate an amount of probable loss in these matters based on known facts, we have accrued that amount as a current liability on our balance sheet. We are not able to reasonably estimate the possible loss or range of loss in excess of the amount accrued for these proceedings based on the information currently available to us, including, among others, (i) uncertainties as to the outcome of pending proceedings (including motions and appeals) and (ii) uncertainties as to the likelihood of settlement and the outcome of any negotiations with respect thereto. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these proceedings will not have a material effect on our results of operations for the period in which they are resolved. At January 29, 2022 and January 30, 2021, the estimated liability is immaterial.

The estimates of our liability for pending and unasserted potential claims do not include litigation costs. It is our policy to accrue legal fees when it is probable that we will have to defend against known claims or allegations and we can reasonably estimate the amount of the anticipated expense.

From time to time, we enter into certain types of agreements that require us to indemnify parties against third-party claims under certain circumstances. Generally, these agreements relate to: (a) agreements with vendors and suppliers under which we may provide customary indemnification to our vendors and suppliers in respect to actions they take at our request or otherwise on our behalf; (b) agreements to indemnify vendors against trademark and copyright infringement claims concerning merchandise manufactured specifically for or on behalf of the Company; (c) real estate leases, under which we may agree to indemnify the lessors from claims arising from our use of the property; and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. We have director and officer liability insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

If we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, *Contingencies*. With respect to any matter, we could change our belief as to whether a loss is probable or estimable, or its estimate of loss, at any time.

**NOTE 11. FAIR VALUE MEASUREMENTS**

ASC Topic 820, *Fair Value Measurement,* establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities.
- Level II – Observable inputs other than quoted prices included in Level I.
- Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value (in thousands):

| | January 29, 2022 | | | January 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Level I | Level II | Level III | Level I | Level II | Level III |
| Short-term investments | $ 129 | $ — | $ — | $ 219 | $ — | $ |
| Long-term investments | 2,352 | — | — | 2,107 | — | |
| Short-term contingent earnout | — | — | — | — | — | 15,00 |
| Total | $ 2,481 | $ — | $ — | $ 2,326 | $ — | $ |

Short-term investments are reported in other current assets while long-term investments are reported in other assets, net, in our consolidated balance sheets. Short-term contingent earnout is reported in other accrued expenses on our consolidated balance sheets.

The short-term contingent earnout represents the fair value of an additional payment outlined in the Purchase Agreement to the members and warrant holders of City Gear if certain financial goals were achieved in Fiscal 2021. The earnout was valued using a Monte Carlo simulation analysis in a risk-neutral framework with assumptions for volatility, risk-free rate and dividend yield. The earnout was re-valued each quarter and any change in valuation flowed through our statements of operations. As a result of the revaluation for the 52-weeks ended January 30, 2021, an increase of $3.9 million was recognized in store operating, selling and administrative expenses.

The table below are reconciliations of the contingent earnout balance for each period presented (in thousands):

| | January 29, 2022 (52-Weeks) | | January 30, 2021 (52-Weeks) | |
|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term |
| Beginning balance | $ 15,000 | $ — | $ 9,958 | $ 11,099 |
| Change in valuation | — | — | 3,943 | — |
| Payment of year one earnout | (15,000) | — | (10,000) | — |
| Reclassification from long-term, net | — | — | 11,099 | (11,099) |
| Ending balance | $ — | $ — | $ 15,000 | $ — |

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the Chief Executive Officer and President (principal executive officer) and Senior Vice President and Chief Financial Officer (principal financial officer), as appropriate, to allow timely decisions regarding the required disclosures.

As of January 29, 2022, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a and 15d-15(e) under the Exchange Act). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of January 29, 2022.

**(b) Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 29, 2022, based on the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of January 29, 2022.

Ernst & Young LLP, our independent registered public accounting firm, has issued an audit report on the Company's internal control over financial reporting as of January 29, 2022 included in Item 8 herein.

**(c) Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during the fourth quarter of Fiscal 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

Not applicable.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

**PART III**

With the exception of the information specifically incorporated by reference from our Proxy Statement for the 2022 Annual Meeting of Stockholders (2022 Proxy Statement) in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K, our 2022 Proxy Statement shall not be deemed to be a part of, or incorporated by reference into, this Annual Report on Form 10-K.

**Item 10. Directors, Executive Officers and Corporate Governance.**

The following information required by this Item is incorporated by reference from the 2022 Proxy Statement:

- Information regarding our directors is found under the heading "The Board of Directors and Corporate Governance Matters."
- Information regarding compliance with Section 16 of the Securities Exchange Act of 1934, as amended, related person transactions and legal proceedings is found under the heading "Delinquent Section 16(a) Reports, Related Person Transactions and Legal Proceedings."
- Information regarding the Company's Audit Committee financial expert(s) is found under the heading "Committees of the Board of Directors-Audit Committee-Audit Committee Financial Experts."
- Information regarding the members of the Audit Committee is found under the heading "Committees of the Board of Directors-Audit Committee."

We have adopted a Code of Business Conduct and Ethics (the "Code") for all Company employees, including our Named Executive Officers as determined for our 2022 Proxy Statement. We have also adopted a set of Corporate Governance Guidelines (the "Guidelines") and charters for all of our Board Committees, including the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. We intend to make all required disclosures regarding any amendment to, or a waiver of, a provision of the Code for senior executive and financial officers as well as any change or amendments to our Guidelines or committee charters by posting such information on our website. The Code, Guidelines and charters are posted on our website, www.hibbett.com under "Investor Relations." Reference to our website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this Annual Report on Form 10-K.

The information concerning our executive officers required by this Item is included in Part I, Item 1 of this Annual Report on Form 10-K under the heading "Information about our Executive Officers," which is included therein in accordance with Instruction to Item 401 of Regulation S-K. Each of our executive officers is elected annually.

**Item 11. Executive Compensation.**

The following information required by this Item is incorporated by reference from the 2022 Proxy Statement:

- Information regarding executive compensation is found under the headings "Compensation Discussion and Analysis" and "Annual Compensation of Named Executive Officers."
- Information regarding the report of the Compensation Committee on executive compensation is found under the heading "Compensation Committee Report."
- Information regarding Compensation Committee interlocks is found under the heading "Compensation Committee Interlocks and Insider Participation."
- Information regarding director compensation is found under the heading "Compensation of Non-Employee Directors."

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item regarding the stock ownership of directors, executive officers and five percent beneficial owners is found under the heading "Security Ownership of Certain Beneficial Owners and Management" in the 2022 Proxy Statement and is incorporated herein by reference.

**Equity Compensation Plan Information**

The following table provides information on the equity securities of the Company that are authorized for issuance under its equity compensation plans as of January 29, 2022:

| Plan Category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | (b) Weighted average exercise price of outstanding options | (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (2) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 769,355 | $ 41.28 | 1,888,665 |
| Equity compensation plans not approved by security holders | — | — | — |
| TOTAL | 769,355 | $ 41.28 | 1,888,665 |

(1) Includes 87,092 RSUs and 12,814 DSUs that will be awarded at a future date elected by the participant. It also includes 468,406 RSUs that may be awarded if service periods are met and 35,117 PSUs that may be awarded if specified targets and service periods are met. The weighted average exercise price of outstanding options does not include these awards.

(2) Includes 152,096 shares remaining under our ESPP and 121,194 shares remaining under our Deferred Plan without consideration of shares subject to purchase in the purchasing period ending March 31, 2022.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information regarding related party transactions and director independence required by this Item is found under the headings “Related Person Transactions” and “Our Board of Directors and Corporate Governance Matters-Board Composition-Director Independence” in the 2022 Proxy Statement and is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services.**

The information regarding principal accountant fees and services required by this Item is found under the headings “Audit Matters-Fees Paid to Independent Registered Public Accounting Firm” and “Audit Matters-Policy on Pre-Approval of Audit and Permissible Non-Audit Services” in the 2022 Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) Documents filed as part of this report:

| Number | | Description | Page |
|---|---|---|---|
| 1. | | *Financial Statements.* | |
| | | The following Consolidated Financial Statements and Supplementary Data of the Company and Independent Registered Public Accounting Firm's Report on such Consolidated Financial Statements are included in Part II, Item 8 of this report: | |
| | | | |
| | | Report of Independent Registered Public Accounting Firm | 45 |
| | | Consolidated Balance Sheets as of January 29, 2022 and January 30, 2021 | 49 |
| | | Consolidated Statements of Operations for the fiscal years ended January 29, 2022, January 30, 2021 and February 1, 2020 | 50 |
| | | Consolidated Statements of Cash Flows for the fiscal years ended January 29, 2022, January 30, 2021 and February 1, 2020 | 51 |
| | | Consolidated Statements of Stockholders' Investment for the fiscal years ended January 29, 2022, January 30, 2021 and February 1, 2020 | 53 |
| | | Notes to Consolidated Financial Statements | 54 |
| | | | |
| 2. | | *Financial Statement Schedules.* | |
| | | All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted. | |
| | | | |
| 3. | | *Exhibits.* | |
| | | The Exhibits listed below are the exhibits of Hibbett, Inc. and its wholly owned subsidiaries and are filed as part of, or incorporated by reference into, this report. | |
| | | | |
| | | **Certificates of Incorporation and By-Laws** | |
| 3.1 | | Certificate of Incorporation of the Registrant; incorporated herein by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012. | |
| 3.2 | | Certificate of Amendment to the Certificate of Incorporation of the Registrant; incorporated herein by reference to Exhibit 3.1 of the Registrant's Form Current Report on Form 8-K filed with the Securities and Exchange Commission on June 24, 2021. | |
| 3.3 | | Bylaws of the Registrant, as amended; incorporated herein by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 24, 2021. | |
| | | | |
| | | **Instruments Defining the Rights of Securities Holders** | |
| 4.1 | | Form of Stock Certificate; attached as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 24, 2021. | |
| 4.2 | * | Description of Securities. | |
| | | | |
| | | **Material Contracts** | |
| 10.1 | | Membership Interest and Warrant Purchase Agreement; incorporated herein by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2018. | |
| 10.2 | *† | Hibbett, Inc. 2012 Non-Employee Director Equity Plan. | |

| Number | | Description | Page |
|---|---|---|---|
| 10.3 | *† | Hibbett, Inc. Non-Employee Director Non-Qualified Option Agreement (Initial Grant, Service Requirement). | |
| 10.4 | *† | Hibbett, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Initial Grant, Service Requirement). | |
| 10.5 | *† | Hibbett, Inc. Non-Employee Director Non-Qualified Option Agreement (Annual Grant; Fully Vested). | |
| 10.6 | *† | Hibbett, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Annual Grant; Fully Vested). | |
| 10.7 | | Amended and Restated Agreement of Lease between Hibbett Sporting Goods, Inc. (n/k/a/ Hibbett Retail, Inc.) and AL Florence Realty Holdings 2010, LLC, dated October 3, 2011; incorporated herein by reference to Exhibit 10.1 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 2012. | |
| 10.8 | *† | Change in Control Severance Agreement. | |
| 10.9 | *† | Hibbett, Inc. Amended and Restated 2015 Equity Incentive Plan. | |
| 10.10 | *† | Hibbett, Inc. 2016 Executive Officer Cash Bonus Plan. | |
| 10.11 | *† | Hibbett, Inc. Executive Voluntary Deferral Plan. | |
| 10.12 | *† | Hibbett, Inc. 2015 Employee Stock Purchase Plan. | |
| 10.13 | *† | Hibbett, Inc. 2015 Director Deferred Compensation Plan. | |
| 10.14 | *† | Standard Restricted Stock Unit Award Agreement. | |
| 10.15 | *† | Executive Restricted Stock Unit Award Agreement. | |
| 10.16 | † | Employment Agreement between Hibbett Sporting Goods, Inc. (n/k/a Hibbett Retail, Inc.) and Michael E. Longo, effective December 16, 2019; incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2019. | |
| 10.17 | † | Change in Control Severance Agreement, between Hibbett Sports, Inc. (n/k/a Hibbett, Inc.) and Michael E. Longo, effective December 16, 2019; incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2019. | |
| 10.18 | | Credit Agreement, dated as of July 9, 2021, among Hibbett, Inc. as Borrower, subsidiaries of Borrower, as Guarantors, and Regions Bank, as Lender; incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on September 7, 2021. | |
| | | | |
| | | **Subsidiaries of the Registrant** | |
| 21 | | List of Company’s Subsidiaries:<br>1) Hibbett Retail, Inc., a Delaware Corporation<br>2) City Gear, LLC, a Tennessee Limited Liability Company<br>3) Hibbett Digital Management, LLC, an Alabama Limited Liability Company<br>4) Gift Card Services, LLC, a Virginia Limited Liability Company<br>5) Hibbett Wholesale, Inc., an Alabama Corporation | |
| | | | |
| | | **Consents of Experts and Counsel** | |
| 23.1 | * | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm | |
| 23.2 | * | Consent of KPMG LLP, Independent Registered Public Accounting Firm | |
| | | | |
| | | **Certifications** | |
| 31.1 | * | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer | |
| 31.2 | * | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer | |

| Number | | Description | Page |
|---|---|---|---|
| 32.1 | * | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | |
| | | | |
| | | **Interactive Data Files** | |
| 101.INS | * | XBRL Instance Document | |
| 101.SCH | * | XBRL Taxonomy Extension Schema Document | |
| 101.CAL | * | XBRL Taxonomy Extension Calculation Linkbase Document | |
| 101.DEF | * | XBRL Taxonomy Extension Definition Linkbase Document | |
| 101.LAB | * | XBRL Taxonomy Extension Label Linkbase Document | |
| 101.PRE | * | XBRL Taxonomy Extension Presentation Linkbase Document | |
| 104 | * | The cover page for the Registrant's Annual Report on Form 10-K for the fiscal year ended January 29, 2022, has been formatted in Inline XBRL. | |
| | | | |
| | * | Filed Within | |
| | † | Management Contract or Compensatory Plan or Arrangement | |

**Item 16. Form 10-K Summary.**

Not applicable.

**SIGNATURES.**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**HIBBETT, INC.**

Date: March 25, 2022

By: /s/ Robert Volke

Robert Volke
SVP and Chief Financial Officer (*Principal Financial and Accounting Officer*)

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Michael E. Longo<br>Michael E. Longo | Chief Executive Officer, President and Director<br>(*Principal Executive Officer)* | March 25, 2022 |
| /s/ Robert Volke<br>Robert Volke | SVP and Chief Financial Officer<br>(*Principal Financial and Accounting Officer)* | March 25, 2022 |
| /s/ Anthony F. Crudele<br>Anthony F. Crudele | Chairman of the Board | March 25, 2022 |
| /s/ Karen S. Etzkorn<br>Karen S. Etzkorn | Director | March 25, 2022 |
| /s/ Terry G. Finley<br>Terry G. Finley | Director | March 25, 2022 |
| /s/ Dorlisa K. Flur<br>Dorlisa K. Flur | Director | March 25, 2022 |
| /s/ James A. Hilt<br>James A. Hilt | Director | March 25, 2022 |
| /s/ Linda Hubbard<br>Linda Hubbard | Director | March 25, 2022 |
| /s/ Lorna E. Nagler<br>Lorna E. Nagler | Director | March 25, 2022 |
| /s/ Jamere Jackson<br>Jamere Jackson | Director | March 25, 2022 |
| /s/ Alton E. Yother<br>Alton E. Yother | Director | March 25, 2022 |

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# CORPORATE INFORMATION

**Corporate Offices**
2700 Milan Court
Birmingham, AL 35211
(205) 942-4292
www.hibbett.com

**Stock Transfer Agent and Registrar**
Computershare Investor Services
P.O. Box 505000
Louisville, KY 40233-5000
(800) 368-5948

Stockholders seeking information concerning stock transfers, change of address, and lost certificates should contact Computershare directly.

**Annual Meeting**
The 2022 Annual Meeting of Stockholders will be held as a virtual meeting on Wednesday, May 25, 2022, at 11:00 A.M., local time.

**Company Counsel**
Bass, Berry & Sims PLC
Nashville, TN

**Independent Registered Public Accounting Firm**
Ernst & Young LLP
Birmingham, AL

**Annual Report on Form 10-K**
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022, as filed with the Securities and Exchange Commission, may be obtained without charge upon written request to the Company's Investor Relations department.

# BOARD OF DIRECTORS

**Anthony F. Crudele**
Chairman of the Board,
Hibbett, Inc.

**Karen S. Etzkorn**
Chief Information Officer,
Qurate Retail Group

**Terrance G. Finley**
Chief Executive Officer,
Books-A-Million, Inc.

**Dorlisa K. Flur**
Independent Advisor

**James A. Hilt**
Independent Advisor

**Linda Hubbard**
President and Chief
Operating Officer,
Carhartt, Inc.

**Jamere Jackson**
Executive Vice President
and Chief Financial Officer,
AutoZone, Inc.

**Michael E. Longo**
Chief Executive Officer,
President and Principal
Executive Officer,
Hibbett, Inc.

**Lorna E. Nagler**
Independent Advisor

**Alton E. Yother**
Senior Executive Vice
President and Chief
Financial Officer (Retired),
Regions Financial
Corporation

# OFFICERS

**Michael E. Longo**
Chief Executive Officer,
President and Principal
Executive Officer

**Jared S. Briskin**
Executive Vice President,
Merchandising

**David M. Benck**
Senior Vice President,
General Counsel

**Ronald P. Blahnik**
Senior Vice President,
Chief Information Officer

**Benjamin A. Knighten**
Senior Vice President,
Store Operations

**Michael C. McAbee**
Senior Vice President,
Supply Chain and Store
Development

**William G. Quinn**
Senior Vice President,
Marketing and Digital

**Jonalin S. Smith**
Senior Vice President,
Merchandising

**Robert J. Volke**
Senior Vice President,
Chief Financial Officer

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