UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-Q

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

For the quarterly period ended August 1, 2020

OR

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

Ollie’s Bargain Outlet Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-37501 **(Commission File Number)**	**80-0848819** **(IRS Employer Identification No.)**
6295 Allentown Boulevard **Suite 1** **Harrisburg, Pennsylvania** **(Address of principal executive offices)**	**17112** **(Zip Code)**

(717) 657-2300
(Registrant’s telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	OLLI	The NASDAQ Stock Market LLC

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant’s common stock, $0.001 par value, outstanding as of August 27, 2020 was 65,375,794.

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ITEM 1 – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OLLIE’S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Net sales	$ 529,313	$ 333,865	$ 878,676	$ 658,719
Cost of sales	322,471	209,832	531,468	401,952
Gross profit	206,842	124,033	347,208	256,767
Selling, general and administrative expenses	109,149	87,350	198,869	170,682
Depreciation and amortization expenses	4,122	3,512	8,066	6,921
Pre-opening expenses	1,545	2,420	5,267	7,629
Operating income	92,026	30,751	135,006	71,535
Interest income, net	(26)	(372)	(109)	(517)
Income before income taxes	92,052	31,123	135,115	72,052
Income tax (benefit) expense	(7,331)	5,953	2,276	8,165
Net income	$ 99,383	$ 25,170	$ 132,839	$ 63,887
Earnings per common share:				
Basic	$ 1.53	$ 0.40	$ 2.07	$ 1.01
Diluted	$ 1.50	$ 0.38	$ 2.02	$ 0.96
Weighted average common shares outstanding:				
Basic	65,137	63,517	64,093	63,351
Diluted	66,051	66,300	65,641	66,237

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	August 1, 2020	August 3, 2019	February 1, 2020
Assets			
Current assets:			
Cash and cash equivalents	$ 305,110	$ 78,473	$ 89,950
Inventories	327,164	354,576	335,181
Accounts receivable	2,447	1,191	2,840
Prepaid expenses and other assets	22,539	5,403	5,567
Total current assets	657,260	439,643	433,538
Property and equipment, net of accumulated depreciation of $87,810, $68,569 and $77,286, respectively	137,467	105,321	132,084
Operating lease right-of-use assets	369,842	321,428	352,684
Goodwill	444,850	444,850	444,850
Trade name	230,559	230,559	230,559
Other assets	2,462	2,540	2,532
Total assets	$ 1,842,440	$ 1,544,341	$ 1,596,247
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$ 320	$ 269	$ 273
Accounts payable	107,685	91,860	63,223
Income taxes payable	–	1,414	3,906
Current portion of operating lease liabilities	56,062	54,628	53,551
Accrued expenses and other	77,521	58,266	56,732
Total current liabilities	241,588	206,437	177,685
Revolving credit facility	–	–	–
Long-term debt	592	515	527
Deferred income taxes	64,254	55,198	59,401
Long-term operating lease liabilities	317,948	264,715	299,743
Other long-term liabilities	5	7	6
Total liabilities	624,387	526,872	537,362
Stockholders' equity:			
Preferred stock - 50,000 shares authorized at $0.001 par value; no shares issued	–	–	–
Common stock - 500,000 shares authorized at $0.001 par value; 66,005, 63,592 and 63,712 shares issued, respectively	66	64	64
Additional paid-in capital	641,677	611,163	615,350
Retained earnings	616,410	406,328	483,571
Treasury - common stock, at cost; 698, 9 and 698 shares, respectively	(40,100)	(86)	(40,100)
Total stockholders' equity	1,218,053	1,017,469	1,058,885
Total liabilities and stockholders' equity	$ 1,842,440	$ 1,544,341	$ 1,596,247

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

Thirteen weeks ended August 1, 2020 and August 3, 2019

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of May 2, 2020	63,859	$ 64	(698)	$ (40,100)	$ 617,188	$ 517,027	$ 1,094,179
Stock-based compensation expense	–	–	–	–	1,727	–	1,727
Proceeds from stock options exercised	2,146	2	–	–	22,765	–	22,767
Common shares withheld for taxes	–	–	–	–	(3)	–	(3)
Net income	–	–	–	–	–	99,383	99,383
Balance as of August 1, 2020	66,005	$ 66	(698)	$ (40,100)	$ 641,677	$ 616,410	$ 1,218,053
Balance as of May 4, 2019	63,492	$ 63	(9)	$ (86)	$ 607,241	$ 381,158	$ 988,376
Stock-based compensation expense	–	–	–	–	2,432	–	2,432
Proceeds from stock options exercised	99	1	–	–	1,490	–	1,491
Vesting of restricted stock	1	–	–	–	–	–	–
Net income	–	–	–	–	–	25,170	25,170
Balance as of August 3, 2019	63,592	$ 64	(9)	$ (86)	$ 611,163	$ 406,328	$ 1,017,469

Twenty-six weeks ended August 1, 2020 and August 3, 2019

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of February 1, 2020	63,712	$ 64	(698)	$ (40,100)	$ 615,350	$ 483,571	$ 1,058,885
Stock-based compensation expense	–	–	–	–	3,046	–	3,046
Proceeds from stock options exercised	2,246	2	–	–	24,083	–	24,085
Vesting of restricted stock	64	–	–	–	–	–	–
Common shares withheld for taxes	(17)	–	–	–	(802)	–	(802)
Net income	–	–	–	–	–	132,839	132,839
Balance as of August 1, 2020	66,005	$ 66	(698)	$ (40,100)	$ 641,677	$ 616,410	$ 1,218,053
Balance as of February 2, 2019	63,015	$ 63	(9)	$ (86)	$ 600,234	$ 342,441	$ 942,652
Stock-based compensation expense	–	–	–	–	4,625	–	4,625
Proceeds from stock options exercised	536	1	–	–	7,571	–	7,572
Vesting of restricted stock	57	–	–	–	–	–	–
Common shares withheld for taxes	(16)	–	–	–	(1,267)	–	(1,267)
Net income	–	–	–	–	–	63,887	63,887
Balance as of August 3, 2019	63,592	$ 64	(9)	$ (86)	$ 611,163	$ 406,328	$ 1,017,469

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Twenty-six weeks ended	
	August 1, 2020	August 3, 2019
Cash flows from operating activities:		
Net income	$ 132,839	$ 63,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	10,921	8,369
Amortization of debt issuance costs	128	168
Loss (gain) on sale of assets	46	(13)
Deferred income tax provision (benefit)	4,853	(215)
Stock-based compensation expense	3,046	4,625
Changes in operating assets and liabilities:		
Inventories	8,017	(58,169)
Accounts receivable	393	(621)
Prepaid expenses and other assets	(17,030)	(586)
Accounts payable	45,760	14,140
Income taxes payable	(3,906)	(5,979)
Accrued expenses and other liabilities	25,127	(6,967)
Net cash provided by operating activities	210,194	18,639
Cash flows from investing activities:		
Purchases of property and equipment	(18,077)	(40,351)
Proceeds from sale of property and equipment	32	42,693
Net cash (used in) provided by investing activities	(18,045)	2,342
Cash flows from financing activities:		
Repayments on finance leases	(272)	(202)
Payment of debt issuance costs	–	(552)
Proceeds from stock option exercises	24,085	7,572
Common shares withheld for taxes	(802)	(1,267)
Net cash provided by financing activities	23,011	5,551
Net increase in cash and cash equivalents	215,160	26,532
Cash and cash equivalents at the beginning of the period	89,950	51,941
Cash and cash equivalents at the end of the period	$ 305,110	$ 78,473
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 161	$ 208
Income taxes	$ 19,537	$ 14,357
Non-cash investing activities:		
Accrued purchases of property and equipment	$ 2,482	$ 5,425

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
August 1, 2020 and August 3, 2019
(Unaudited)

(1) Organization and Summary of Significant Accounting Policies

(a) Description of Business

Ollie's Bargain Outlet Holdings, Inc. and subsidiaries (collectively referred to as the "Company" or "Ollie's") principally buys overproduced, overstocked, and closeout merchandise from manufacturers, wholesalers and other retailers. In addition, the Company augments its name-brand closeout deals with directly sourced private label products featuring names exclusive to Ollie's in order to provide consistently value-priced goods in select key merchandise categories.

Since its first store opened in 1982, the Company has grown to 366 retail locations in 25 states as of August 1, 2020. Ollie's Bargain Outlet retail locations are located in Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia and West Virginia.

(b) Fiscal Year

Ollie's follows a 52/53-week fiscal year, which ends on the Saturday nearer to January 31 of the following calendar year. References to the thirteen weeks ended August 1, 2020 and August 3, 2019 refer to the thirteen weeks from May 3, 2020 to August 1, 2020 and from May 5, 2019 to August 3, 2019, respectively. References to year-to-date periods ended August 1, 2020 and August 3, 2019 refer to the twenty-six weeks from February 2, 2020 to August 1, 2020 and from February 3, 2019 to August 3, 2019, respectively. References to "2019" refer to the fiscal year ended February 1, 2020 and references to "2020" refer to the fiscal year ending January 30, 2021. Both periods consist of 52 weeks.

(c) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated financial statements reflect all normal recurring adjustments which management believes are necessary to present fairly the Company's results of operations, financial condition, and cash flows for all periods presented. The condensed consolidated balance sheets as of August 1, 2020 and August 3, 2019, and the condensed consolidated statements of income and stockholders' equity for the thirteen and twenty-six weeks ended August 1, 2020 and August 3, 2019, and the condensed consolidated statements of cash flows for the twenty-six weeks ended August 1, 2020 and August 3, 2019 have been prepared by the Company and are unaudited. The Company's business is seasonal in nature and results of operations for the interim periods presented are not necessarily indicative of operating results for 2020 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The Company's balance sheet as of February 1, 2020, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K filed with the SEC on March 25, 2020 ("Annual Report"), but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for 2019 and footnotes thereto included in the Annual Report.

For purposes of the disclosure requirements for segments of a business enterprise, it has been determined that the Company is comprised of one operating segment.

(d) Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Fair Value Disclosures

Fair value is defined as the price which the Company would receive to sell an asset or pay to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In determining fair value, GAAP establishes a three-level hierarchy used in measuring fair value, as follows:

- Level 1 inputs are quoted prices available for identical assets and liabilities in active markets.
- Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets or other inputs which are observable or can be corroborated by observable market data.
- Level 3 inputs are less observable and reflect the Company's assumptions.

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and its credit facilities. The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of their short maturities. The carrying amount of the Company’s credit facilities approximates its fair value because the interest rates are adjusted regularly based on current market conditions.

(f) Immaterial Correction of Prior Period Financial Statements

During the fourth quarter of fiscal 2019, the Company identified that it had been incorrectly recording the activity within one of its cash accounts as borrowings and repayments on its revolving credit facility within the consolidated statements of cash flows although there were no actual borrowings or repayments on the revolving credit facility during the periods. The error had no impact to total net cash used in financing activities or the Company's condensed consolidated balance sheets or condensed consolidated statements of income. The Company corrected the presentation for the prior period in the accompanying condensed consolidated statement of cash flows.

(g) Impact of the Novel Coronavirus ("COVID-19")

The outbreak of the novel coronavirus COVID-19, which was declared a global pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies. The outbreak of COVID-19 and related measures to quell the outbreak have impacted the Company's inventory supply chain, operations and customer demand. The Company's stores and distribution centers have continued to operate as an essential business during the COVID-19 pandemic and the Company is committed to maintaining a safe work and shopping environment. The COVID-19 pandemic could further affect the Company's operations and the operations of its suppliers and vendors as a result of continuing restrictions and limitations on travel, shelter-in-place orders, limitations on store or facility operations up to and including closures, and other governmental, business or consumer actions. The extent to which the COVID-19 pandemic will impact the Company's operations, liquidity or financial results in subsequent periods is uncertain, but such impact could be material.

(2) Net Sales

Ollie's recognizes retail sales in its stores when merchandise is sold and the customer takes possession of merchandise. Also included in net sales is revenue allocated to certain redeemed discounts earned via the Ollie's Army loyalty program and gift card breakage. Net sales are presented net of returns and sales tax. The Company provides an allowance for estimated retail merchandise returns based on prior experience.

Revenue Recognition

Revenue is deferred for the Ollie's Army loyalty program where members accumulate points that can be redeemed for discounts on future purchases. The Company has determined it has an additional performance obligation to Ollie's Army members at the time of the initial transaction. The Company allocates the transaction price to the initial transaction and the discount awards based upon its relative standalone selling price, which considers historical redemption patterns for the award. Revenue is recognized as those discount awards are redeemed. Discount awards issued upon the achievement of specified point levels are subject to expiration. Unless temporarily extended, the maximum redemption period is 45 days. At the end of each fiscal period, unredeemed discount awards and accumulated points to earn a future discount award are reflected as a liability. Discount awards are combined in one homogeneous pool and are not separately identifiable. Therefore, the revenue recognized consists of discount awards redeemed that were included in the deferred revenue balance at the beginning of the period as well as discount awards issued during the current period. The following table is a reconciliation of the liability related to this program (in thousands):

	Twenty-six weeks ended	
	August 1, 2020	August 3, 2019
Beginning balance	$ 8,254	$ 9,055
Revenue deferred	9,070	8,028
Revenue recognized	(7,807)	(7,142)
Ending balance	$ 9,517	$ 9,941

Gift card breakage for gift card liabilities not subject to escheatment is recognized as revenue in proportion to the redemption of gift cards. Gift cards do not expire. The rate applied to redemptions is based upon a historical breakage rate. Gift cards are combined in one homogenous pool and are not separately identifiable. Therefore, the revenue recognized consists of gift cards that were included in the liability at the beginning of the period as well as gift cards that were issued during the period. The following table is a reconciliation of the gift card liability (in thousands):

	Twenty-six weeks ended	
	August 1, 2020	August 3, 2019
Beginning balance	$ 1,679	$ 1,448
Gift card issuances	1,854	2,253
Gift card redemption and breakage	(1,876)	(2,285)
Ending balance	$ 1,657	$ 1,416

(3) Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding after giving effect to the potential dilution, if applicable, from the assumed exercise of stock options into shares of common stock as if those stock options were exercised and the assumed lapse of restrictions on restricted stock units.

The following table summarizes those effects for the diluted earnings per common share calculation (in thousands, except per share amounts):

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Net income	$ 99,383	$ 25,170	$ 132,839	$ 63,887
Weighted average number of common shares outstanding - Basic	65,137	63,517	64,093	63,351
Dilutive impact of stock options and restricted stock units	914	2,783	1,548	2,886
Weighted average number of common shares outstanding - Diluted	66,051	66,300	65,641	66,237
Earnings per common share - Basic	$ 1.53	$ 0.40	$ 2.07	$ 1.01
Earnings per common share - Diluted	$ 1.50	$ 0.38	$ 2.02	$ 0.96

The effect of the weighted average assumed exercise of stock options outstanding totaling 196,750 and 281,328 for the thirteen weeks ended August 1, 2020 and August 3, 2019, respectively, and 459,221 and 213,506 for the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

The effect of weighted average non-vested restricted stock units outstanding totaling 0 and 219 for the thirteen weeks ended August 1, 2020 and August 3, 2019, respectively, and 23,896 and 14,673 for the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

(4) Commitments and Contingencies

Commitments

The Company accounts for leases in accordance with Accounting Standards Update ("ASU") 2016-02, *Leases*, which was adopted as of February 3, 2019. Pursuant to the adoption of the new standard, the Company elected the practical expedients upon transition that did not require it to reassess existing contracts to determine if they contain leases under the new definition of a lease, or to reassess historical lease classification or initial direct costs. The Company also adopted the practical expedient to not separate lease and non-lease components for new leases after adoption of the new standard. In addition, the Company applied a policy election to exclude leases with an initial term of 12 months or less from balance sheet recognition. The Company did not adopt the hindsight practical expedient and, therefore, will continue to utilize lease terms determined under previous lease guidance for leases existing at the date of adoption that are not subsequently modified.

Ollie's generally leases its stores, offices and distribution facilities under operating leases that expire at various dates through 2034. These leases generally provide for fixed annual rentals; however, several provide for minimum annual rentals plus contingent rentals based on a percentage of annual sales. A majority of the Company's leases also require a payment for all or a portion of common-area maintenance, insurance, real estate taxes, water and sewer costs and repairs, on a fixed or variable payment basis, the cost of which, for leases existing as of the adoption of ASU 2016-02, is charged to the related expense category rather than being accounted for as rent expense. For leases entered into after the adoption of ASU 2016-02, the Company accounts for lease components together with non-lease components as a single component for all classes of underlying assets. Most of the leases contain options to renew for three to five successive five-year periods. The Company is generally not reasonably certain to exercise renewal options; therefore, the options are not considered in determining the lease term, and associated potential option payments are excluded from the lease payments. Ollie's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

Store and office lease costs are classified in selling, general and administrative expenses and distribution center lease costs are classified in cost of goods sold on the condensed consolidated statements of income.

The following table summarizes the maturity of the Company's operating lease liabilities as of August 1, 2020 (in thousands):

2020	$ 31,741
2021	77,089
2022	71,454
2023	68,566
2024	51,879
Thereafter	132,333
Total undiscounted lease payments (1)	433,062
Less: Imputed interest	(59,052)
Total lease obligations	374,010
Less: Current obligations under leases	(56,062)
Long-term lease obligations	$ 317,948

(1) Lease obligations exclude $37.8 million of minimum lease payments for leases signed, but not commenced.

The following table summarizes other information related to the Company's operating leases as of and for the respective periods (dollars in thousands):

	Twenty-six weeks ended	
	August 1, 2020	August 3, 2019
Cash paid for operating leases	$ 37,663	$ 31,846
Operating lease cost	37,688	31,678
Variable lease cost	2,341	727
Non-cash right-of-use assets obtained in exchange for lease obligations	33,632	56,461
Weighted-average remaining lease term	6.9 years	7.2 years
Weighted-average discount rate	4.3%	4.5%

Related Party Leases

The Company has entered into five non-cancelable operating leases with related parties for office and store locations that expire at various dates through 2033. Ollie's made $0.8 million and $0.7 million in rent payments to such related parties during the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively. The lease payments are included in the operating lease disclosures stated above.

Contingencies

From time to time the Company may be involved in claims and legal actions that arise in the ordinary course of its business. The Company cannot predict the outcome of any litigation or suit to which it is a party. However, the Company does not believe that an unfavorable decision of any of the current claims or legal actions against it, individually or in the aggregate, will have a material adverse effect on its financial position, results of operations, liquidity or capital resources.

Sale-Leaseback

On May 31, 2019, OBO Ventures, Inc. ("OBO"), a wholly owned subsidiary of the Company, entered into a sale-leaseback transaction with an unaffiliated third-party involving 12 former Toys "R" Us store locations which were acquired by OBO on August 29, 2018. OBO received approximately $42.0 million for the 12 locations, which resulted in no net gain or loss. Each of the 12 leased location has 15-year lease terms with options for renewal and are included in operating lease liabilities in the accompanying condensed consolidated balance sheets.

(5) Accrued Expenses and Other

Accrued expenses and other consists of the following (in thousands):

	August 1, 2020	August 3, 2019	February 1, 2020
Compensation and benefits	$ 23,612	$ 11,985	$ 11,375
Deferred revenue	11,174	11,357	9,933
Freight	7,050	4,528	3,363
Sales and use taxes	6,718	4,529	4,590
Insurance	5,766	4,572	4,864
Real estate related	5,196	4,173	4,787
Advertising	1,353	1,374	2,486
Other	16,652	15,748	15,334
	$ 77,521	$ 58,266	$ 56,732

(6) Debt Obligations and Financing Arrangements

Long-term debt consists of finance leases as of August 1, 2020, August 3, 2019 and February 1, 2020.

The Company's prior credit facilities consisted of a $200.0 million term loan, which was fully paid as of February 2, 2019, and a $100.0 million revolving credit facility.

On May 22, 2019, the Company completed a transaction in which it refinanced its credit facility (the "Credit Facility"). The Credit Facility provides for a five-year $100.0 million revolving credit facility, which includes a $45.0 million sub-facility for letters of credit and a $25.0 million sub-facility for swingline loans (the "Revolving Credit Facility"). The loans under the Revolving Credit Facility mature on May 22, 2024. In addition, the Company may at any time add term loan facilities or additional revolving commitments up to $150.0 million pursuant to terms and conditions set out in the Credit Facility.

The interest rates for the Credit Facility are calculated as follows: for Base Rate Loans, the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50% or the Eurodollar Rate plus 1.0%, plus the Applicable Margin, or, for Eurodollar Loans, the Eurodollar Rate plus the Applicable Margin. The Applicable Margin will vary from 0.00% to 0.50% for a Base Rate Loan and 1.00% to 1.50% for a Eurodollar Loan, based on availability under the Credit Facility. The Eurodollar Rate is subject to a 0% floor.

Under the terms of the Revolving Credit Facility, as of August 1, 2020, the Company could borrow up to 90.0% of the most recent appraised value (valued at cost, discounted for the current net orderly liquidation value) of its eligible inventory, as defined, up to $100.0 million.

As of August 1, 2020, the Company had no outstanding borrowings under the Revolving Credit Facility, with $92.0 million of borrowing availability, outstanding letters of credit commitments of $7.8 million and $0.2 million of rent reserves. The Revolving Credit Facility also contains a variable unused line fee ranging from 0.125% to 0.250% per annum.

The Credit Facility is collateralized by the Company's assets and equity and contains a financial covenant, as well as certain business covenants, including restrictions on dividend payments, which the Company must comply with during the term of the agreement. The financial covenant is a consolidated fixed charge coverage ratio test of at least 1.0 to 1.0 applicable during a covenant period, based on reference to availability. The Company was in compliance with all terms of the Credit Facility during and as of the twenty-six weeks ended August 1, 2020.

The provisions of the Credit Facility restrict all of the net assets of the Company's consolidated subsidiaries, which constitutes all of the net assets on the Company's condensed consolidated balance sheet as of August 1, 2020, from being used to pay any dividends or make other restricted payments to the Company without prior written consent from the financial institutions that are a party to the Credit Facility, subject to material exceptions including proforma compliance with the applicable conditions described in the Credit Facility.

(7) Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective tax rates for the thirteen and twenty-six weeks ended August 1, 2020 were (8.0)% and 1.7%, respectively. The effective tax rates for the thirteen and twenty-six weeks ended August 3, 2019 were 19.1% and 11.3%, respectively. The effective tax rates during the thirteen and twenty-six weeks ended August 1, 2020 were affected by excess tax benefits related to stock-based compensation of $30.5 million and $31.7 million, respectively, primarily due to the exercise of stock options by the estate of a former executive of the Company, as further discussed in Note 8. The thirteen and twenty-six weeks ended August 3, 2019 included a similar discrete tax benefit of $1.7 million and $9.8 million, respectively.

(8) Equity Incentive Plans

During 2012, Ollie's established an equity incentive plan (the "2012 Plan"), under which stock options were granted to executive officers and key employees as deemed appropriate under the provisions of the 2012 Plan, with an exercise price at the fair value of the underlying stock on the date of grant. The vesting period for options granted under the 2012 Plan is five years (20% ratably per year). Options granted under the 2012 Plan are subject to employment for vesting, expire 10 years from the date of grant and are not transferable other than upon death. As of July 15, 2015, the date of the pricing of the Company's initial public offering, no additional equity grants will be made under the 2012 Plan.

In connection with its initial public offering, the Company adopted the 2015 equity incentive plan (the "2015 Plan") pursuant to which the Company's Board of Directors may grant stock options, restricted shares or other awards to employees, directors and consultants. The 2015 Plan allows for the issuance of up to 5,250,000 shares. Awards will be made pursuant to agreements and may be subject to vesting and other restrictions as determined by the Board of Directors or the Compensation Committee of the Board. The Company uses authorized and unissued shares to satisfy share award exercises. As of August 1, 2020, there were 2,811,100 shares available for grant under the 2015 Plan.

Stock Options

The exercise price for stock options is determined at the fair value of the underlying stock on the date of grant. The vesting period for awards granted under the 2015 Plan is generally set at four years (25% ratably per year). Awards are subject to employment for vesting, expire 10 years from the date of grant, and are not transferable other than upon death.

A summary of the Company's stock option activity and related information for the twenty-six weeks ended August 1, 2020 follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at February 1, 2020	3,228,692	$ 19.83	
Granted	512,706	41.20	
Forfeited	(52,338)	46.29	
Exercised	(2,246,515)	10.72	
Outstanding at August 1, 2020	1,442,545	40.61	7.5
Exercisable at August 1, 2020	588,041	25.12	5.2

In December 2019, the Company announced the unexpected passing of Mark Butler, the then Chairman of the Board President and Chief Executive Officer of the Company. During the thirteen weeks ended August 1, 2020, the estate of Mark Butler exercised 1.9 million vested stock options and the Company received $17.1 million in proceeds.

The weighted average grant date fair value per option for options granted during the twenty-six weeks ended August 1, 2020 and August 3, 2019 was $13.13 and $24.97, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that used the weighted average assumptions in the following table:

	Twenty-six weeks ended	
	August 1, 2020	August 3, 2019
Risk-free interest rate	0.77%	2.42%
Expected dividend yield	-	-
Expected term (years)	6.25 years	6.25 years
Expected volatility	30.49%	25.88%

The expected life of stock options is estimated using the "simplified method," as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock option grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses its historical information since its initial public offering as well as comparable public companies as a basis for its expected volatility to calculate the fair value of option grants. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option.

Restricted Stock Units

Restricted stock units ("RSUs") are issued at a value not less than the fair market value of the common stock on the date of the grant. RSUs granted to date vest ratably over three or four years or cliff vest in one or four years. Awards are subject to employment for vesting and are not transferable other than upon death.

A summary of the Company's RSU activity and related information for the twenty-six weeks ended August 1, 2020 is as follows:

	Number of shares	Weighted average grant date fair value
Non-vested balance at February 1, 2020	177,546	$ 48.78
Granted	62,998	42.29
Forfeited	(21,926)	51.56
Vested	(63,744)	33.34
Non-vested balance at August 1, 2020	154,874	52.10

Stock-Based Compensation Expense

The compensation cost for stock options and RSUs which have been recorded within selling, general and administrative expenses related to the Company's equity incentive plans was $1.7 million and $2.4 million for the thirteen weeks ended August 1, 2020 and August 3, 2019, respectively, and $3.0 million and $4.6 million for the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively.

As of August 1, 2020, there was $17.8 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.9 years. Compensation costs related to awards are recognized using the straight-line method.

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

The following discussion and analysis of the financial condition and results of our operations should be read together with the financial statements and related notes of Ollie's Bargain Outlet Holdings, Inc. included in Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 25, 2020 ("Annual Report"). As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "Ollie's," the "Company," "we," "our" and "us" refer to Ollie's Bargain Outlet Holdings, Inc. and subsidiaries.

We operate on a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday nearer to January 31 of the following year. References to "2020" refer to the 52-week period of February 2, 2020 to January 30, 2021. References to "2019" refer to the 52-week period of February 3, 2019 to February 1, 2020. References to the "second quarter of fiscal 2020" and the "second quarter of fiscal 2019" refer to the thirteen weeks of May 3, 2020 to August 1, 2020 and May 5, 2019 to August 3, 2019, respectively. Year-to-date periods ended August 1, 2020 and August 3, 2019 refer to the twenty-six weeks of February 2, 2020 to August 1, 2020 and February 3, 2019 to August 3, 2019, respectively. Historical results are not necessarily indicative of the results to be expected for any future period and results for any interim period may not necessarily be indicative of the results that may be expected for a full year.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "could," "may," "might," "will," "likely," "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "continues," "projects" and similar references to future periods, prospects, financial performance and industry outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions, including, but not limited to, legislation, national trade policy, and the following: our failure to adequately procure and manage our inventory or anticipate consumer demand; changes in consumer confidence and spending; risks associated with intense competition; our failure to open new profitable stores, or successfully enter new markets, on a timely basis or at all; the risks associated with doing business with international manufacturers and suppliers including, but not limited to, potential increases in tariffs on imported goods; outbreak of viruses or widespread illness, including the continued impact of COVID-19 and regulatory responses thereto; our inability to operate our stores due to civil unrest and related protests or disturbances; our failure to hire and retain key personnel and other qualified personnel; our inability to obtain favorable lease terms for our properties; the failure to timely acquire, develop and open, the loss of, or disruption or interruption in the operations of, our centralized distribution centers; fluctuations in comparable store sales and results of operations, including on a quarterly basis; risks associated with our lack of operations in the growing online retail marketplace; risks associated with litigation, the expense of defense, and potential for adverse outcomes; our inability to successfully develop or implement our marketing, advertising and promotional efforts; the seasonal nature of our business; risks associated with the timely and effective deployment, protection, and defense of computer networks and other electronic systems, including e-mail; changes in government regulations, procedures and requirements; and our ability to service indebtedness and to comply with our financial covenants together with each of the other factors set forth under "Item 1A - Risk Factors" contained herein and in our filings with the SEC, including our Annual Report. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which such statement is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. You are advised, however, to consult any further disclosures we make on related subjects in our public announcements and SEC filings.

Overview

Ollie's is a highly differentiated and fast-growing, extreme value retailer of brand name merchandise at drastically reduced prices. Known for our assortment of products offered as "Good Stuff Cheap," we offer customers a broad selection of brand name products, including housewares, food, books and stationery, bed and bath, flooring, toys and hardware. Our differentiated go-to market strategy is characterized by a unique, fun and engaging treasure hunt shopping experience, compelling customer value proposition and witty, humorous in-store signage and advertising campaigns.

Impact of COVID-19

The outbreak of the novel coronavirus COVID-19, which was declared a global pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies. The outbreak of COVID-19 and related measures to quell the outbreak have impacted our supply chain, operations and customer demand. The COVID-19 pandemic could further affect our operations and the operations of our suppliers and vendors as a result of continued restrictions and limitations on travel, shelter-in-place orders, limitations on store or facility operations up to and including closures, and other governmental, business or consumer actions.

Our stores and distribution centers have continued to operate as an essential business during the COVID-19 pandemic and we are committed to maintaining a safe work and shopping environment. During the second quarter of fiscal 2020, we effectively responded to changing consumer needs and benefited from increased consumer spending that coincided with economic stimulus provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and having our stores open during the quarter while several other retailers were closed for a portion of the period. Our net sales significantly increased as store traffic and customer demand increased. We incurred additional SG&A expenses during the quarter in response to operating during the pandemic as we closely managed other controllable expenses.

Our top priorities in responding to the pandemic have been and continue to be the safety and well-being of our associates and customers. In response to COVID-19, we have taken a number of actions, including the following:

- Implemented procedures for social distancing, cleaning, sanitation, and use of protective personal equipment in our stores, distribution centers, and store support center to adhere to the appropriate CDC and local guidelines.

- Implemented temporary premium pay for our in-store associates, store leadership, and distribution center employees.

- Supported our communities by raising money to provide much needed funding to local food banks through a partnership with Feeding America.

As a result of these efforts, we have incurred and expect to continue to incur higher payroll expenses at our stores and distribution facilities and incremental cleaning and safety costs at all of our facilities.

We continue to actively monitor developments that may cause us to take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our associates, customers, suppliers and stockholders.

While our results of operations in the second quarter of fiscal 2020 benefited from increased customer demand and traffic, we expect sales to moderate as we progress through the second half of the fiscal year. There remains significant uncertainty related to the economic impact of COVID-19 and the long-term impact of the pandemic is unknown at this time. We expect the impact of the COVID-19 pandemic on our financial condition, results of operations and cash flows will largely depend on the extent and duration of the pandemic, the governmental and public actions taken in response, and the effect the pandemic will have on the U.S. economy. Moreover, the significant uncertainty surrounding the COVID-19 pandemic and its effects may result in impacts or consequences that we do not anticipate at this time or that develop in unexpected ways, which makes it more challenging for management to estimate future performance of our business, including the cadence of new store openings, particularly over the near term.

Our Growth Strategy

Since the founding of Ollie’s in 1982, we have grown organically by backfilling existing markets and leveraging our brand awareness, marketing and infrastructure to expand into new markets in contiguous states. We have expanded to 366 stores located in 25 states as of August 1, 2020.

Our stores are supported by three distribution centers, one each in York, PA, Commerce, GA and our newest facility in Lancaster, TX, which commenced operations in February 2020. We believe our distribution capabilities can support a range of 500 to 600 stores over the next several years.

We have invested in our associates, infrastructure, distribution network and information systems to allow us to continue to rapidly grow our store footprint, including:

- growing our merchant buying team to increase our access to brand name/closeout merchandise;
- adding members to our senior management team;
- expanding the capacity of our distribution centers to their current 2.2 million square feet; and
- investing in information technology, accounting, and warehouse management systems.

Our business model has produced consistent and predictable store growth over the past several years, during both strong and weaker economic cycles. We plan to continue to enhance our competitive positioning and drive growth in sales and profitability by executing on the following strategies:

- growing our store base;
- increasing our offerings of great bargains; and
- leveraging and expanding Ollie’s Army, our customer loyalty program.

We have a proven portable, flexible, and highly profitable store model that has produced consistent financial results and returns. Our new store model targets a store size between 25,000 to 35,000 square feet and an average initial cash investment of approximately $1.0 million, which includes store fixtures and equipment, store-level and distribution center inventory (net of payables) and pre-opening expenses. We target new store sales of approximately $4 million.

While we are focused on driving comparable store sales and managing our expenses, our revenue and profitability growth will primarily come from opening new stores. The core elements of our business model are procuring great deals, offering extreme values to our customers and creating consistent, predictable store growth and margins. In addition, our new stores generally open strong, immediately contributing to the growth in net sales and profitability of our business. We plan to achieve continued net sales growth, including comparable stores sales, by adding stores to our store base and by continuing to provide quality merchandise at a value for our customers as we scale and gain more access to purchase directly from major manufacturers. We also plan to leverage and expand our Ollie’s Army database marketing strategies. In addition, we plan to continue to manage our selling, general and administrative expenses (“SG&A”) by continuing to make process improvements and by maintaining our standard policy of reviewing our operating costs.

Our ability to grow and our results of operations may be impacted by additional factors and uncertainties, such as consumer spending habits, which are subject to macroeconomic conditions and changes in discretionary income. Our customers' discretionary income is primarily impacted by gas prices, wages and consumer trends and preferences, which fluctuate depending on the environment. The potential consolidation of our competitors or other changes in our competitive landscape could also impact our results of operations or our ability to grow, even though we compete with a broad range of retailers.

Our key competitive advantage is our direct buying relationships with many major manufacturers, wholesalers, distributors, brokers and retailers for our brand name and closeout products and unbranded goods. We also augment our product mix with private label brands. As we continue to grow, we believe our increased scale will provide us with even greater access to brand name and closeout products as major manufacturers seek a single buyer to acquire an entire deal.

How We Assess the Performance of Our Business and Key Line Items

We consider a variety of financial and operating measures in assessing the performance of our business. The key measures we use are number of new stores, net sales, comparable store sales, gross profit and gross margin, SG&A, pre-opening expenses, operating income, EBITDA and Adjusted EBITDA.

Number of New Stores

The number of new stores reflects the number of stores opened during a particular reporting period. Before we open new stores, we incur pre-opening expenses described below under "Pre-Opening Expenses" and we make an initial investment in inventory. We also make initial capital investments in fixtures and equipment, which we amortize over time.

We expect new store growth to be the primary driver of our sales growth. Our initial lease terms are approximately seven years with options to renew for three to five successive five-year periods. Our portable and predictable real estate model focuses on backfilling existing markets and entering new markets in contiguous states. Our new stores often open with higher sales levels as a result of greater advertising and promotional spend in connection with grand opening events, but decline shortly thereafter to our new store model levels.

Net Sales

Ollie's recognizes retail sales in its stores when merchandise is sold and the customer takes possession of the merchandise. Also included in net sales is revenue allocated to certain redeemed discounts earned via the Ollie's Army loyalty program and gift card breakage. Net sales are presented net of returns and sales tax. Net sales consist of sales from comparable stores and non-comparable stores, described below under "Comparable Store Sales." Growth of our net sales is primarily driven by expansion of our store base in existing and new markets. As we continue to grow, we believe we will have greater access to brand name and closeout merchandise and an increased deal selection, resulting in more potential offerings for our customers. Net sales are impacted by product mix, merchandise mix and availability, as well as promotional activities and the spending habits of our customers. Our broad selection of offerings across diverse product categories supports growth in net sales by attracting new customers, which results in higher spending levels and frequency of shopping visits from our customers, including Ollie's Army members.

The spending habits of our customers are subject to macroeconomic conditions and changes in discretionary income. Our customers' discretionary income is primarily impacted by gas prices, wages, and consumer trends and preferences, which fluctuate depending on the environment. However, because we offer a broad selection of merchandise at extreme values, we believe we are less impacted than other retailers by economic cycles. These cycles correspond with declines in general consumer spending habits and we benefit from periods of increased consumer spending.

Comparable Store Sales

Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. Comparable store sales consists of net sales from our stores beginning on the first day of the sixteenth full fiscal month following the store's opening, which is when we believe comparability is achieved. Comparable store sales are impacted by the same factors that impact net sales.

We define comparable stores to be stores that:

- have been remodeled while remaining open;
- are closed for five or fewer days in any fiscal month;
- are closed temporarily and relocated within their respective trade areas; and
- have expanded, but are not significantly different in size, within their current locations.

Non-comparable store sales consist of new store sales and sales for stores not open for a full 15 months. Stores which are closed temporarily, but for more than five days in any fiscal month, are included in non-comparable store sales beginning in the fiscal month in which the temporary closure begins until the first full month of operation once the store re-opens, at which time they are included in comparable store sales.

Opening new stores is the primary component of our growth strategy and as we continue to execute on our growth strategy, we expect a significant portion of our sales growth will be attributable to non-comparable store sales. Accordingly, comparable store sales are only one measure we use to assess the success of our growth strategy.

Gross Profit and Gross Margin

Gross profit is equal to our net sales less our cost of sales. Cost of sales includes merchandise costs, inventory markdowns, shrinkage and transportation, distribution and warehousing costs, including depreciation. Gross margin is gross profit as a percentage of our net sales. Gross margin is a measure used by management to indicate whether we are selling merchandise at an appropriate gross profit.

In addition, our gross margin is impacted by product mix, as some products generally provide higher gross margins, by our merchandise mix and availability, and by our merchandise cost, which can vary.

Our gross profit is variable in nature and generally follows changes in net sales. We regularly analyze the components of gross profit, as well as gross margin. Specifically, our product margin and merchandise mix is reviewed by our merchant team and senior management, ensuring strict adherence to internal margin goals. Our disciplined buying approach has produced consistent gross margins and we believe helps to mitigate adverse impacts on gross profit and results of operation.

The components of our cost of sales may not be comparable to the components of cost of sales or similar measures of our competitors and other retailers. As a result, our gross profit and gross margin may not be comparable to similar data made available by our competitors and other retailers.

Selling, General and Administrative Expenses

SG&A are comprised of payroll and benefits for store, field support and support center associates. SG&A also include marketing and advertising, occupancy, utilities, supplies, credit card processing fees, insurance and professional services. The components of our SG&A remain relatively consistent per store and for each new store opening. The components of our SG&A may not be comparable to the components of similar measures of other retailers. Consolidated SG&A generally increase as we grow our store base and as our net sales increase. A significant portion of our expenses is primarily fixed in nature, and we expect to continue to maintain strict discipline while carefully monitoring SG&A as a percentage of net sales. We expect that our SG&A will continue to increase in future periods with future growth.

Depreciation and Amortization Expenses

Property and equipment are stated at original cost less accumulated depreciation and amortization. Depreciation and amortization are calculated over the estimated useful lives of the related assets, or in the case of leasehold improvements, the lesser of the useful lives or the remaining term of the lease. Expenditures for additions, renewals, and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization is computed on the straight-line method for financial reporting purposes. Depreciation as it relates to our distribution centers is included within cost of sales on the condensed consolidated statements of income.

Pre-Opening Expenses

Pre-opening expenses consist of expenses of opening new stores and distribution centers, as well as store closing costs. For opening new stores, pre-opening expenses include grand opening advertising costs, payroll expenses, travel expenses, employee training costs, rent expenses and store setup costs. Pre-opening expenses for new stores are expensed as they are incurred, which is typically within 30 to 45 days of opening a new store. For opening distribution centers, pre-opening expenses primarily include inventory transportation costs, employee travel expenses and occupancy costs. Store closing costs primarily consist of insurance deductibles, rent and store payroll.

Operating Income

Operating income is gross profit less SG&A, depreciation and amortization and pre-opening expenses. Operating income excludes net interest income or expense and income tax expense. We use operating income as an indicator of the productivity of our business and our ability to manage expenses.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are key metrics used by management and our Board to assess our financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to evaluate our performance in connection with compensation decisions and to compare our performance against that of other peer companies using similar measures. Management believes it is useful to investors and analysts to evaluate these non-GAAP measures on the same basis as management uses to evaluate the Company's operating results. We believe that excluding items from operating income, net income and net income per diluted share that may not be indicative of, or are unrelated to, our core operating results, and that may vary in frequency or magnitude, enhances the comparability of our results and provides a better baseline for analyzing trends in our business.

We define EBITDA as net income before net interest income or expense, depreciation and amortization expenses and income taxes. Adjusted EBITDA represents EBITDA as further adjusted for non-cash stock-based compensation expense and the gain from an insurance settlement. EBITDA and Adjusted EBITDA are non-GAAP measures and may not be comparable to similar measures reported by other companies. EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In the future we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items. For further discussion of EBITDA and Adjusted EBITDA and for reconciliations of EBITDA and Adjusted EBITDA to net income, the most directly comparable GAAP measure, see "Results of Operations."

Factors Affecting the Comparability of our Results of Operations

Our results over the past two years have been affected by the following factors, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

Store Openings and Closings

We opened six and eight new stores in the second quarters of fiscal 2020 and fiscal 2019, respectively. In connection with these store openings, we incurred pre-opening expenses of $1.5 million and $2.4 million for the second quarters of fiscal 2020 and fiscal 2019, respectively. We opened 23 new stores and closed two stores, one as planned and one closed temporarily due to smoke damage from a fire at an adjacent tenant, in the twenty-six weeks ended August 1, 2020. We opened 29 new stores in the twenty-six weeks ended August 3, 2019. In connection with these store openings and closings, we incurred pre-opening expenses of $5.3 million and $7.6 million for the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively.

Seasonality

Our business is seasonal in nature and demand is generally the highest in our fourth fiscal quarter due to the holiday sales season. To prepare for the holiday sales season, we must order and keep in stock more merchandise than we carry during other times of the year and generally engage in additional marketing efforts. We expect inventory levels, along with accounts payable and accrued expenses, to reach their highest levels in our third and fourth fiscal quarters in anticipation of increased net sales during the holiday sales season. As a result of this seasonality, and generally because of variation in consumer spending habits, we experience fluctuations in net sales and working capital requirements during the year. Because we offer a broad selection of merchandise at extreme values, we believe we are less impacted than other retailers by economic cycles which correspond with declines in general consumer spending habits and we believe we still benefit from periods of increased consumer spending.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales.

We derived the condensed consolidated statements of income for the thirteen and twenty-six weeks ended August 1, 2020 and August 3, 2019 from our unaudited condensed consolidated financial statements and related notes. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
	(dollars in thousands)			
Condensed consolidated statements of income data:				
Net sales	$ 529,313	$ 333,865	$ 878,676	$ 658,719
Cost of sales	322,471	209,832	531,468	401,952
Gross profit	206,842	124,033	347,208	256,767
Selling, general and administrative expenses	109,149	87,350	198,869	170,682
Depreciation and amortization expenses	4,122	3,512	8,066	6,921
Pre-opening expenses	1,545	2,420	5,267	7,629
Operating income	92,026	30,751	135,006	71,535
Interest income, net	(26)	(372)	(109)	(517)
Income before income taxes	92,052	31,123	135,115	72,052
Income tax (benefit) expense	(7,331)	5,953	2,276	8,165
Net income	$ 99,383	$ 25,170	$ 132,839	$ 63,887
Percentage of net sales (1):				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.9	62.8	60.5	61.0
Gross profit	39.1	37.2	39.5	39.0
Selling, general and administrative expenses	20.6	26.2	22.6	25.9
Depreciation and amortization expenses	0.8	1.1	0.9	1.1
Pre-opening expenses	0.3	0.7	0.6	1.2
Operating income	17.4	9.2	15.4	10.9
Interest income, net	—	(0.1)	—	(0.1)
Income before income taxes	17.4	9.3	15.4	10.9
Income tax (benefit) expense	(1.4)	1.8	0.3	1.2
Net income	18.8%	7.5%	15.1%	9.7%
Select operating data:				
New store openings	6	8	23	29
Number of closed stores	—	—	(2)	—
Number of stores open at end of period	366	332	366	332
Average net sales per store (2)	$ 1,454	$ 1,018	$ 2,441	$ 2,050
Comparable stores sales change	43.3%	(1.7)%	20.2%	(0.5)%

(1) Components may not add to totals due to rounding.
(2) Average net sales per store represents the weighted average of total net weekly sales divided by the number of stores open at the end of each week for the respective periods presented.

The following table provides a reconciliation of our net income to Adjusted EBITDA for the periods presented:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
	(dollars in thousands)			
Net income	$ 99,383	$ 25,170	$ 132,839	$ 63,887
Interest income, net	(26)	(372)	(109)	(517)
Depreciation and amortization expenses [1]	5,653	4,337	11,063	8,536
Income tax (benefit) expense	(7,331)	5,953	2,276	8,165
EBITDA	97,679	35,088	146,069	80,071
Gain from insurance settlement	-	-	-	(565)
Non-cash stock-based compensation expense	1,727	2,432	3,046	4,625
Adjusted EBITDA	$ 99,406	$ 37,520	$ 149,115	$ 84,131

(1) Includes depreciation and amortization relating to our distribution centers, which is included within cost of sales on our condensed consolidated statements of income.

Second Quarter 2020 Compared to Second Quarter 2019

Net Sales

Net sales increased to $529.3 million in the second quarter of fiscal 2020 from $333.9 million in the second quarter of fiscal 2019, an increase of $195.4 million, or 58.5%. The increase was the result of a comparable store sales increase of $133.2 million, or 43.3%, and a non-comparable store sales increase of $62.3 million. The increase in non-comparable store sales was driven by strong sales from new stores that have not been open for a full 15 months.

Comparable store sales increased 43.3% for the second quarter of fiscal 2020. We experienced robust comparable store sales growth throughout the period, driven by a significantly larger average basket per customer and higher traffic levels. We effectively responded to changing consumer needs in the quarter, creating a strong alignment between a value-driven merchandise assortment and customer demand. We also benefited from consumer spending associated with federal stimulus funds for the COVID-19 pandemic and having our stores open during the quarter while other retailers were closed for a portion of the period.

The increase in comparable store sales in the second quarter of fiscal 2020 consisted of increases in both the average transaction size and number of customer transactions. Sales were strong across merchandise categories, particularly driven by growth in the health and beauty aids, housewares, bed and bath, floor coverings and electronics departments.

Gross Profit and Gross Margin

Gross profit increased to $206.8 million in the second quarter of fiscal 2020 from $124.0 million in the second quarter of fiscal 2019, an increase of $82.8 million, or 66.8%. Gross margin returned to historical levels for the period, increasing 190 basis points to 39.1% in the second quarter of fiscal 2020 from 37.2% in the second quarter of fiscal 2019. The increase in gross margin in the second quarter of fiscal 2020 was due to improvements in both merchandise margin, driven by increased markup, and leveraging of supply chain costs as a percentage of net sales.

Selling, General and Administrative Expenses

SG&A increased to $109.1 million in the second quarter of fiscal 2020 from $87.4 million in the second quarter of fiscal 2019, an increase of $21.8 million, or 25.0%, primarily driven by an increased number of stores and higher store payroll and variable selling expenses to support the significant increase in sales. As a percentage of net sales, SG&A decreased 560 basis points to 20.6% in the second quarter of fiscal 2020 from 26.2% in the second quarter of fiscal 2019. The decrease was primarily due to significant leverage in payroll and occupancy as well as other fixed costs from the strong increase in comparable store sales as well as continued tight expense controls. This leverage was partially offset by certain increased expenses, such as premium pay of approximately $3.6 million to qualifying in-store associates and store leadership, as a result of operating throughout the COVID-19 pandemic.

Pre-Opening Expenses

Pre-opening expenses for new stores decreased to $1.5 million in the second quarter of fiscal 2020 from $2.4 million in the second quarter of fiscal 2019 due to the comparative number and timing of new store openings. We opened six and eight new stores in the second quarters of fiscal 2020 and fiscal 2019, respectively. As a percentage of net sales, pre-opening expenses decreased 40 basis points to 0.3% in the second quarter of fiscal 2020 from 0.7% in the second quarter of fiscal 2019.

Interest Income, Net

Net interest income was $26,000 and $0.4 million in the second quarter of fiscal 2020 and the second quarter of fiscal 2019, respectively.

Income Tax (Benefit) Expense

Income tax benefit in the second quarter of fiscal 2020 was $7.3 million compared to income tax expense of $6.0 million in the second quarter of fiscal 2019, a net variance of $13.3 million in the current year. The effective tax rates for the second quarters of fiscal 2020 and fiscal 2019 were (8.0)% and 19.1%, respectively. The decreased effective tax rate in the second quarter of fiscal 2020 was primarily the result of an increase in excess tax benefits related to stock-based compensation, largely due to the exercise of stock options, including exercises by the estate of Mark Butler, our former Chairman of the Board, President and Chief Executive Officer, as described in Note 8 of the accompanying unaudited condensed consolidated financial statements. These discrete tax benefits totaled $30.5 million and $1.7 million for the second quarter of fiscal 2020 and the second quarter of fiscal 2019, respectively.

Net Income

As a result of the foregoing, net income increased to $99.4 million in the second quarter of fiscal 2020 from $25.2 million in the second quarter of fiscal 2019, an increase of $74.2 million, or 294.8%.

Adjusted EBITDA

Adjusted EBITDA increased to $99.4 million in the second quarter of fiscal 2020 from $37.5 million in the second quarter of fiscal 2019, an increase of $61.9 million, or 164.9%.

Twenty-Six Weeks 2020 Compared to Twenty-Six Weeks 2019

Net Sales

Net sales increased to $878.7 million in the twenty-six weeks ended August 1, 2020 from $658.7 million in the twenty-six weeks ended August 3, 2019, an increase of $220.0 million, or 33.4%. The increase was the result of a comparable store sales increase of $123.3 million, or 20.2%, and a non-comparable store sales increase of $96.7 million. The increase in non-comparable store sales was driven by strong sales from new stores that have not been open for a full 15 months.

Comparable store sales increased 20.2% for the twenty-six weeks ended August 1, 2020, driven by the robust comparable store sales growth in the second quarter of fiscal 2020. The increase in comparable store sales in the twenty-six weeks ended August 1, 2020 consisted of increases in both the average transaction size and number of customer transactions. Top performing merchandise categories include the health and beauty aids, housewares, floor coverings, bed and bath, and lawn and garden departments. Sales growth was partially offset by declines in our book, luggage and candy departments.

Gross Profit and Gross Margin

Gross profit increased to $347.2 million in the twenty-six weeks ended August 1, 2020 from $256.8 million in the twenty-six weeks ended August 3, 2019, an increase of $90.4 million, or 35.2%. Gross margin increased 50 basis points to 39.5% in the twenty-six weeks ended August 1, 2020 from 39.0% in the twenty-six weeks ended August 3, 2019. The increase in gross margin in the twenty-six weeks ended August 1, 2020 was due to the leveraging of supply chain costs as a percentage of net sales and an increase in the merchandise margin.

Selling, General and Administrative Expenses

SG&A increased to $198.9 million in the twenty-six weeks ended August 1, 2020 from $170.7 million in the twenty-six weeks ended August 3, 2019, an increase of $28.2 million, or 16.5%, primarily driven by an increased number of stores and higher store payroll and variable selling expenses to support the significant increase in sales. As a percentage of net sales, SG&A decreased 330 basis points to 22.6% in the twenty-six weeks ended August 1, 2020 from 25.9% in the twenty-six weeks ended August 3, 2019. The decrease was primarily due to the leveraging of payroll and various fixed costs as a result of the comparable store sales increase and tight expense controls. This leverage was partially offset by certain increased expenses, such as premium pay of approximately $5.0 million to qualifying in-store associates and store leadership, as a result of operating throughout the COVID-19 pandemic.

Pre-Opening Expenses

Pre-opening expenses for new stores decreased to $5.3 million in the twenty-six weeks ended August 1, 2020 from $7.6 million in the twenty-six weeks ended August 3, 2019 due to the comparative number and timing of new store openings. During the twenty-six weeks ended August 1, 2020, we opened 23 stores and closed two stores, one as planned and one closed temporarily due to smoke damage from a fire at an adjacent tenant. We opened 29 stores in the twenty-six weeks ended August 3, 2019. As a percentage of net sales, pre-opening expenses decreased 60 basis points to 0.6% in the twenty-six weeks ended August 1, 2020 from 1.2% in the twenty-six weeks ended August 3, 2019.

Interest Income, Net

Net interest income was $0.1 million in the twenty-six weeks ended August 1, 2020 compared to net interest income of $0.5 million in the twenty-six weeks ended August 3, 2019.

Income Tax Expense

Income tax expense for the twenty-six weeks ended August 1, 2020 was $2.3 million compared to $8.2 million for the twenty-six weeks ended August 3, 2019, a decrease of $5.9 million, or 72.1%. The effective tax rates for the twenty-six weeks ended August 1, 2020 and August 3, 2019 were 1.7% and 11.3%, respectively. The decreased effective tax rate in the twenty-six weeks ended August 1, 2020 was primarily the result of an increase in excess tax benefits related to stock-based compensation, largely due to the exercise of stock options, including exercises by the estate of Mark Butler, our former Chairman of the Board, President and Chief Executive Officer. These discrete tax benefits totaled $31.7 million and $9.8 million for the twenty-six weeks ended August 1, 2020 and August 3, 2019, respectively.

Net Income

As a result of the foregoing, net income increased to $132.8 million in the twenty-six weeks ended August 1, 2020 from $63.9 million in the twenty-six weeks ended August 3, 2019, an increase of $69.0 million, or 107.9%.

Adjusted EBITDA

Adjusted EBITDA increased to $149.1 million in the twenty-six weeks ended August 1, 2020 from $84.1 million in the twenty-six weeks ended August 3, 2019, an increase of $65.0 million, or 77.2%.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash flows provided by operating activities and available borrowings under our Revolving Credit Facility. Our primary cash needs are for capital expenditures and working capital. As of August 1, 2020, we had $92.0 million available to borrow under our Revolving Credit Facility and $305.1 million of cash and cash equivalents on hand. On May 22, 2019, we amended and restated our Revolving Credit Facility to effect several amendments thereto and extend the maturity thereunder to May 22, 2024. For further information, see Note 6 under "Notes to Unaudited Condensed Consolidated Financial Statements."

Our capital expenditures are primarily related to new store openings, store resets, which consist of improvements to stores as they are needed, expenditures related to our distribution centers, and infrastructure-related investments, including investments related to upgrading and maintaining our information technology systems. We spent $5.7 million and $20.2 million for capital expenditures during the second quarter of fiscal 2020 and the second quarter of fiscal 2019, respectively. For the twenty-six weeks ended August 1, 2020, we spent $18.1 million for capital expenditures compared to $40.4 million for the twenty-six weeks ended August 3, 2019. The prior year included expenditures of approximately $9.7 million and $19.8 million in the second quarter of fiscal 2019 and the twenty-six weeks ended August 3, 2019, respectively, invested in the construction of the Company's new distribution center. We expect to fund capital expenditures from net cash provided by operating activities. We opened 23 new stores during the twenty-six weeks ended August 1, 2020 and expect to open 46 stores, including one relocation, during 2020. However, we may experience delays in construction and permitting of new stores due to COVID-19.

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash flows from operations.

Our primary working capital requirements are for the purchase of inventory, payroll, rent, other store operating costs, distribution costs and general and administrative costs. Our working capital requirements fluctuate during the year, rising in our third fiscal quarter as we increase quantities of inventory in anticipation of our peak holiday sales season in our fourth fiscal quarter. Fluctuations in working capital are also driven by the timing of new store openings.

We believe our cash and cash equivalents position, net cash provided by operating activities and availability under our Revolving Credit Facility will be adequate to finance our planned capital expenditures, working capital requirements, debt service and other financing activities over the next 12 months. If cash provided by operating activities and borrowings under our Revolving Credit Facility are not sufficient or available to meet our capital requirements, we will then be required to obtain additional equity or debt financing in the future. There can be no assurance equity or debt financing will be available to us when needed or, if available, the terms will be satisfactory to us and not dilutive to our then-current stockholders.

We are not currently receiving, and do not currently intend to apply for, loans under any federal or state programs implemented as a result of the COVID-19 pandemic, including the CARES Act.

Share Repurchase Program

On March 26, 2019, the Board of Directors of the Company authorized the repurchase of up to $100.0 million of shares of our common stock. The shares to be repurchased may be purchased from time to time in open market conditions (including blocks or in privately negotiated transactions). The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of our shares, general market, economic, and business conditions, and other corporate considerations. Repurchases may be made pursuant to plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, which could allow us to purchase our shares during periods when we otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Repurchases are expected to be funded from cash on hand or through the utilization of our Revolving Credit Facility. The repurchase authorization does not require the purchase of a specific number of shares, has a two-year term, and is subject to suspension or termination by our Board of Directors at any time.

During 2019, we repurchased 689,457 shares of our common stock for $40.0 million, inclusive of transaction costs, pursuant to our share repurchase program. These expenditures were funded by cash generated from operations. As of August 1, 2020, we had $60.0 million remaining under our share repurchase authorization. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

	Twenty-six weeks ended	
	August 1, 2020	**August 3, 2019**
	(in thousands)	
Net cash provided by operating activities	$ 210,194	$ 18,639
Net cash (used in) provided by investing activities	(18,045)	2,342
Net cash provided by financing activities	23,011	5,551
Net increase in cash and cash equivalents	$ 215,160	$ 26,532

Cash Provided by Operating Activities

Net cash provided by operating activities was $210.2 million for the twenty-six weeks ended August 1, 2020 compared to $18.6 million for the twenty-six weeks ended August 3, 2019. The increase in net cash provided by operating activities for the twenty-six weeks ended August 1, 2020 was primarily due to the increase in net income and favorable comparative adjustments to working capital, particularly in our inventories.

Cash (Used in) Provided by Investing Activities

Net cash used in investing activities for the twenty-six weeks ended August 1, 2020 was $18.0 million compared to net cash provided by investing activities of $2.3 million for the twenty-six weeks ended August 3, 2019. Prior year net cash inflow is primarily related to proceeds from a sale-leaseback transaction of approximately $42 million as described in Note 4 of the accompanying unaudited condensed consolidated financial statements, partially offset by the investment in our Texas distribution center of $19.8 million. Capital expenditures in both the current and prior year twenty-six week periods included investments for new stores, information technology and other typical expenditures.

Cash Provided by Financing Activities

Net cash provided by financing activities was $23.0 million in the twenty-six weeks ended August 1, 2020 compared to $5.6 million in the twenty-six weeks ended August 3, 2019. The increase in cash provided by financing activities is due to an increase in the proceeds from stock option exercises in the current year.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily operating leases. Except as set forth in Note 4 of the accompanying unaudited condensed consolidated financial statements, there have been no material changes to our contractual obligations as disclosed in our Annual Report, other than those which occur in the ordinary course of business.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. There have been no significant changes in our significant accounting policies and estimates.

Recently Issued Accounting Pronouncements

Not applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our Revolving Credit Facility, which bears interest at variable rates. As of August 1, 2020, we had no outstanding variable rate debt.

As of August 1, 2020, there were no material changes in the market risks described in the "Quantitative and Qualitative Disclosure of Market Risks" section of our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q are effective at a reasonable assurance level in ensuring that information required to be disclosed in our Exchange Act reports is: (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all errors and all fraud. While our disclosure controls and procedures are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the thirteen weeks ended August 1, 2020 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 17, 2019, a purported shareholder class action lawsuit captioned Robert Stirling et al. v. Ollie's Bargain Outlet Holdings, Inc. et al., Civ. No. 1:19-cv-08647-JPO was filed in the United States District Court for the Southern District of New York against the Company, Mark Butler (then serving as the Company's Chief Executive Officer and Chairman of the Board of Directors), Jay Stasz (the Company's Chief Financial Officer), and John Swygert (then serving as the Company's Chief Operational Officer). The complaint alleges that, in public statements between June 6, 2019, and August 28, 2019, the defendants made materially false and misleading statements and/or failed to disclose material information about the Company's earnings, projections, supply chain, and inventory. The plaintiffs seek unspecified monetary damages and other relief. On December 5, 2019, the Court appointed lead plaintiffs Bernard L. Maloney and Nathan Severe to act on behalf of the putative class of Ollie's stockholders. On February 20, 2020, the lead plaintiffs filed an amended complaint extending the class period to March 26, 2019 through August 28, 2019, alleging substantially similar claims as the initial complaint, and seeking the same relief. On March 6, 2020, the court ordered that Michael L. Bangs, Executor of the Estate of Mark L. Butler be substituted as party for Mark Butler. On May 8, 2020, Ollie's and the individual defendants moved to dismiss the action in its entirety. As of July 22, 2020, the motion to dismiss is fully briefed. We believe the case to be without merit.

From time to time we may be involved in claims and legal actions that arise in the ordinary course of our business. We cannot predict the outcome of any litigation or suit to which we are a party. However, we do not believe that an unfavorable decision of any of the current claims or legal actions against us, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

ITEM 1A. RISK FACTORS

The risk factor below updates those disclosed in Item 1A in our Annual Report on Form 10-K.

Our business, operations and financial performance may be adversely affected by an epidemic or pandemic outbreak such as COVID-19 (coronavirus).

The occurrence of epidemic outbreaks, including the COVID-19 pandemic, in regions where our stores are located may adversely affect our business and financial performance. Considerable uncertainty exists regarding the extent to which the COVID-19 pandemic will continue, as well as the scope and duration of measures directed at the containment and remediation of COVID-19. The pandemic and public health measures have caused us to take actions that we determine are in the best interests of our associates and our customers. If we do not respond appropriately to the pandemic, or if our response is perceived to be inadequate, we could suffer damage to our reputation and our brand, which could materially adversely affect our business. The COVID-19 pandemic has contributed to economic uncertainties, governmental orders including travel bans, quarantines, and shelter-in-place orders, among other things.

In addition to the factors above, the COVID-19 pandemic has subjected our business to additional risk, including, but not limited to:

- *Increased Costs of Operation.* In response to COVID-19, we have taken actions that focus on providing a safe work and shopping environment. As a result of these actions, we have incurred and expect to continue to incur higher payroll expenses at our stores and distribution facilities and incremental cleaning and safety costs at all of our facilities.

- *Supply Chain Disruptions*. Governmental orders or other challenges could impact one or more of our key suppliers or result in the closure of one or more of our centralized distribution centers, our stores or our corporate headquarters and we may be unable to maintain delivery schedules or provide other support functions to our stores.

- *Economic Uncertainty*. Widespread volatility and deteriorations in consumer spending, economic and market conditions, the risk of significant recession and a record rise in unemployment could adversely impact our sales.

- *Consumer Shopping Trends*. The adoption of travel bans, quarantines, shelter-in-place orders, among other things could cause a shift in consumer attitudes with respect to in-person shopping and may decrease foot traffic in our stores.

At this time, we cannot assess the ultimate economic impact of the COVID-19 pandemic on our business, operations or financial performance, which will be determined by, among other things, the duration, severity and magnitude of such circumstances and governmental responses and requirements relating to the pandemic, nor can we predict the long-term effects of governmental and public responses to changing conditions. The extent to which the COVID-19 pandemic will impact our operations, liquidity or financial results in subsequent periods is uncertain, but such impact could be material. If the COVID-19 pandemic becomes prolonged, and/or more severe, it could have negative impacts on our business and results of operations and may also heighten many of the other risks described in the “Risk Factors” section of our Form 10-K for the period ended February 1, 2020. It is also possible that any adverse business and other financial impacts of the pandemic and public health measures may continue once the pandemic is controlled and those measures are lifted.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101.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.

* Filed herewith.

** Submitted electronically with this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC.

Date: September 1, 2020

/s/ Jay Stasz

Jay Stasz
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, John Swygert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ollie’s Bargain Outlet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 1, 2020

/s/ John Swygert
John Swygert
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jay Stasz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ollie's Bargain Outlet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 1, 2020

/s/ Jay Stasz

Jay Stasz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Ollie's Bargain Outlet Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended August 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Swygert, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 1, 2020

/s/ John Swygert
John Swygert
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the quarterly report of Ollie’s Bargain Outlet Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended August 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay Stasz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 1, 2020

/s/ Jay Stasz
Jay Stasz
Chief Financial Officer