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 July 29, 2023

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 29, 2023 was 61,704,315.

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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	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	$ 514,509	$ 452,482	$ 973,663	$ 859,148
Cost of sales	317,825	308,872	598,408	574,213
Gross profit	196,684	143,610	375,255	284,935
Selling, general, and administrative expenses	134,623	118,466	264,891	234,739
Depreciation and amortization expenses	6,655	5,579	13,138	10,826
Pre-opening expenses	2,869	3,020	6,150	5,680
Operating income	52,537	16,545	91,076	33,690
Interest income, net	(3,402)	(123)	(6,077)	(14)
Income before income taxes	55,939	16,668	97,153	33,704
Income tax expense	13,758	2,571	23,992	7,084
Net income	$ 42,181	$ 14,097	$ 73,161	$ 26,620
Earnings per common share:				
Basic	$ 0.68	$ 0.23	$ 1.18	$ 0.42
Diluted	$ 0.68	$ 0.22	$ 1.18	$ 0.42
Weighted average common shares outstanding:				
Basic	61,768	62,584	61,869	62,650
Diluted	62,055	62,818	62,131	62,838

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)

Assets	July 29, 2023	January 28, 2023	July 30, 2022
Current assets:			
Cash and cash equivalents	$ 181,416	$ 210,596	$ 218,043
Short-term investments	128,769	60,165	-
Inventories	498,331	470,534	494,133
Accounts receivable	2,935	2,374	3,086
Prepaid expenses and other current assets	6,810	10,627	9,410
Total current assets	818,261	754,296	724,672
Property and equipment, net of accumulated depreciation of $165,791, $150,386 and $135,777, respectively	202,889	175,947	158,374
Operating lease right-of-use assets	455,452	436,326	438,538
Goodwill	444,850	444,850	444,850
Trade name	230,559	230,559	230,559
Other assets	2,145	2,118	2,193
Total assets	$ 2,154,156	$ 2,044,096	$ 1,999,186
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$ 575	$ 430	$ 470
Accounts payable	121,144	90,204	96,643
Income taxes payable	3,741	3,056	-
Current portion of operating lease liabilities	90,540	88,636	79,150
Accrued expenses and other current liabilities	82,295	76,959	77,849
Total current liabilities	298,295	259,285	254,112
Revolving credit facility	-	-	-
Long-term debt	1,081	858	960
Deferred income taxes	70,950	70,632	65,242
Long-term portion of operating lease liabilities	368,850	351,251	366,677
Other long-term liabilities	-	1	2
Total liabilities	739,176	682,027	686,993
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; 66,858, 66,672 and 66,652 shares issued, respectively	67	67	67
Additional paid-in capital	686,438	677,694	672,107
Retained earnings	1,059,673	986,512	910,342
Treasury - common stock, at cost; 5,156, 4,664 and 4,054 shares, respectively	(331,198)	(302,204)	(270,323)
Total stockholders' equity	1,414,980	1,362,069	1,312,193
Total liabilities and stockholders' equity	$ 2,154,156	$ 2,044,096	$ 1,999,186

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 July 29, 2023 and July 30, 2022

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of April 29, 2023	66,778	$ 67	(4,880)	$ (314,484)	$ 680,881	$ 1,017,492	$ 1,383,956
Stock-based compensation expense	-	-	-	-	3,141	-	3,141
Proceeds from stock options exercised	75	-	-	-	2,545	-	2,545
Vesting of restricted stock	7	-	-	-	-	-	-
Common shares withheld for taxes	(2)	-	-	-	(129)	-	(129)
Shares repurchased	-	-	(276)	(16,714)	-	-	(16,714)
Net income	-	-	-	-	-	42,181	42,181
Balance as of July 29, 2023	66,858	$ 67	(5,156)	$ (331,198)	$ 686,438	$ 1,059,673	$ 1,414,980
Balance as of April 30, 2022	66,558	$ 67	(3,816)	$ (260,372)	$ 666,495	$ 896,245	$ 1,302,435
Stock-based compensation expense	-	-	-	-	2,335	-	2,335
Proceeds from stock options exercised	93	-	-	-	3,295	-	3,295
Vesting of restricted stock	1	-	-	-	-	-	-
Common shares withheld for taxes	-	-	-	-	(18)	-	(18)
Shares repurchased	-	-	(238)	(9,951)	-	-	(9,951)
Net income	-	-	-	-	-	14,097	14,097
Balance as of July 30, 2022	66,652	$ 67	(4,054)	$ (270,323)	$ 672,107	$ 910,342	$ 1,312,193

Twenty-six weeks ended July 29, 2023 and July 30, 2022

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of January 28, 2023	66,672	$ 67	(4,664)	$ (302,204)	$ 677,694	$ 986,512	$ 1,362,069
Stock-based compensation expense	-	-	-	-	6,004	-	6,004
Proceeds from stock options exercised	117	-	-	-	4,137	-	4,137
Vesting of restricted stock	93	-	-	-	-	-	-
Common shares withheld for taxes	(24)	-	-	-	(1,397)	-	(1,397)
Shares repurchased	-	-	(492)	(28,994)	-	-	(28,994)
Net income	-	-	-	-	-	73,161	73,161
Balance as of July 29, 2023	66,858	$ 67	(5,156)	$ (331,198)	$ 686,438	$ 1,059,673	$ 1,414,980
Balance as of January 29, 2022	66,516	$ 67	(3,816)	$ (260,372)	$ 664,293	$ 883,722	$ 1,287,710
Stock-based compensation expense	-	-	-	-	4,723	-	4,723
Proceeds from stock options exercised	103	-	-	-	3,593	-	3,593
Vesting of restricted stock	44	-	-	-	-	-	-
Common shares withheld for taxes	(11)	-	-	-	(502)	-	(502)
Shares repurchased	-	-	(238)	(9,951)	-	-	(9,951)
Net income	-	-	-	-	-	26,620	26,620
Balance as of July 30, 2022	66,652	$ 67	(4,054)	$ (270,323)	$ 672,107	$ 910,342	$ 1,312,193

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	
	July 29, 2023	July 30, 2022
Cash Flows from Operating Activities:		
Net income	$ 73,161	$ 26,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	16,269	13,658
Amortization of debt issuance costs	138	128
Gain on sale of assets	(211)	(125)
Deferred income tax benefit (provision)	318	(937)
Stock-based compensation expense	6,004	4,723
Changes in operating assets and liabilities:		
Inventories	(27,797)	(26,827)
Accounts receivable	603	420
Prepaid expenses and other assets	3,652	1,645
Accounts payable	33,502	(9,243)
Income taxes payable	685	(2,556)
Accrued expenses and other liabilities	3,441	(3,551)
Net cash provided by operating activities	109,765	3,955
Cash Flows from Investing Activities:		
Purchases of property and equipment	(45,240)	(23,652)
Proceeds from sale of property and equipment	286	149
Purchases of short-term investments	(160,709)	-
Maturities of short-term investments	92,105	-
Net cash used in investing activities	(113,558)	(23,503)
Cash Flows from Financing Activities:		
Repayments on finance leases	(594)	(392)
Proceeds from stock option exercises	2,973	1,459
Common shares withheld for taxes	(1,397)	(502)
Payment for shares repurchased	(26,369)	(9,951)
Net cash used in financing activities	(25,387)	(9,386)
Net decrease in cash and cash equivalents	(29,180)	(28,934)
Cash and cash equivalents, beginning of the period	210,596	246,977
Cash and cash equivalents, end of the period	$ 181,416	$ 218,043
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 218	$ 187
Income taxes	$ 23,008	$ 14,116
Non-cash investing activities:		
Accrued purchases of property and equipment	$ 5,002	$ 3,658
Non-cash financing activities		
Accrued shares repurchased	$ 2,625	$ -
Receivable from exercise of stock options	$ 1,164	$ 2,134

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
July 29, 2023 and July 30, 2022
(Unaudited)

(1) Basis of Presentation 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 482 retail locations in 29 states as of July 29, 2023. Ollie's Bargain Outlet retail locations are located in Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, and West Virginia.

(b) Fiscal Year

Ollie's follows a 52/53-week fiscal year, which ends on the Saturday nearer to January 31st of the following calendar year. References to the thirteen weeks ended July 29, 2023 and July 30, 2022 refer to the thirteen weeks from April 30, 2023 to July 29, 2023 and from May 1, 2022 to July 30, 2022, respectively. References to the year-to-date periods ended July 29, 2023 and July 30, 2022 refer to the twenty-six weeks from January 29, 2023 to July 29, 2023 and from January 30, 2022 to July 30, 2022, respectively. References to "2022" refer to the fiscal year ended January 28, 2023, references to "2023" refer to the fiscal year ending February 3, 2024, and references to "2024" refer to the fiscal year ending February 1, 2025. Fiscal year 2022 consists of 52 weeks, fiscal year 2023 consists of 53-weeks, and fiscal year 2024 consists 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 July 29, 2023 and July 30, 2022, and the condensed consolidated statements of income and stockholders' equity for the thirteen and twenty-six weeks ended July 29, 2023 and July 30, 2022, and the condensed consolidated statements of cash flows for the twenty-six weeks ended July 29, 2023 and July 30, 2022 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 2023 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The Company's balance sheet as of January 28, 2023, 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 24, 2023 ("Annual Report"), but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for 2022 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 that are observable or can be corroborated by observable market data.
- Level 3 inputs are unobservable, developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The Company's financial instruments consist of cash and cash equivalents, investment securities, accounts receivable, accounts payable and the Company's credit facilities. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair value because of their short-term nature. 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. Under the fair value hierarchy, the fair market values of cash equivalents and the investments in treasury bonds are Level 1 while the investments in municipal bonds are Level 2. Since quoted prices in active markets for identical assets are not available, these prices are determined by the third-party pricing service using observable market information such as quotes from less active markets and quoted prices of similar securities.

As of July 29, 2023 and January 28, 2023, the Company's investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following:

	As of July 29, 2023 (in thousands)			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Short-term:				
Treasury Bonds	$ 88,891	$ -	$ (813)	$ 88,078
Municipal bonds	39,878	-	(473)	39,405
Total	$ 128,769	$ -	$ (1,286)	$ 127,483

	As of January 28, 2023 (in thousands)			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Short-term:				
Treasury Bonds	$ 55,274	$ -	$ (83)	$ 55,191
Municipal bonds	4,891	-	(8)	4,883
Total	$ 60,165	$ -	$ (91)	$ 60,074

Short-term investment securities as of July 29, 2023 and January 28, 2023 all mature in one year or less.

(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:

	Twenty-six weeks ended	
	July 29, 2023	July 30, 2022
	(in thousands)	
Beginning balance	$ 8,130	$ 7,782
Revenue deferred	7,425	7,200
Revenue recognized	(6,348)	(7,039)
Ending balance	$ 9,207	$ 7,943

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:

	Twenty-six weeks ended	
	July 29, 2023	July 30, 2022
	(in thousands)	
Beginning balance	$ 2,527	$ 2,291
Gift card issuances	2,078	2,168
Gift card redemption and breakage	(2,269)	(2,284)
Ending balance	$ 2,336	$ 2,175

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
July 29, 2023 and July 30, 2022
(Unaudited)

(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:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	(in thousands, except per share amounts)			
Net income	$ 42,181	$ 14,097	$ 73,161	$ 26,620
Weighted average number of common shares outstanding - Basic	61,768	62,584	61,869	62,650
Incremental shares from the assumed exercise of outstanding stock options and vesting of restricted stock units	287	234	262	188
Weighted average number of common shares outstanding - Diluted	62,055	62,818	62,131	62,838
Earnings per common share - Basic	$ 0.68	$ 0.23	$ 1.18	$ 0.42
Earnings per common share - Diluted	$ 0.68	$ 0.22	$ 1.18	$ 0.42

The effect of the weighted average assumed exercise of stock options outstanding totaling 515,627 and 834,077 for the thirteen weeks ended July 29, 2023 and July 30, 2022, respectively, and 678,573 and 923,074 for the twenty-six weeks ended July 29, 2023 and July 30, 2022, 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 19,897 and 36,146 for the thirteen weeks ended July 29, 2023 and July 30, 2022, respectively, and 23,069 and 46,613 for the twenty-six weeks ended July 29, 2023 and July 30, 2022, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

(4) Leases

Effective February 3, 2019, the Company accounts for its leases under ASC 842, Leases (Topic 842). Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease, if available. The Company's lessors do not provide an implicit rate, nor is one readily available, therefore the Company uses its incremental borrowing rate based on the portfolio approach, which applies one rate to leases within a given period. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recorded when incurred.

In calculating the right-of-use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term. The Company does not act as a lessor.

Ollie's generally leases its stores, offices, and distribution facilities under operating leases that expire at various dates through 2035. 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 ASC 842, is charged to the related expense category rather than being accounted for as rent expense. For leases entered into after the adoption of ASC 842, 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 sales on the condensed consolidated statements of income.

The following table summarizes the maturity of the Company's operating lease liabilities by fiscal year as of July 29, 2023:

	July 29, 2023
	(in thousands)
Remainder of 2023	$ 45,094
2024	101,066
2025	82,710
2026	77,102
2027	64,947
Thereafter	143,934
Total undiscounted lease payments (1)	514,853
Less: Imputed interest	(55,463)
Total lease obligations	459,390
Less: Current obligations under leases	(90,540)
Long-term lease obligations	$ 368,850

(1) Lease obligations exclude $26.3 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:

	Twenty-six weeks ended	
	July 29, 2023	July 30, 2022
	(dollars in thousands)	
Cash paid for operating leases	$ 51,209	$ 46,214
Operating lease cost	50,359	46,464
Variable lease cost	5,847	4,955
Non-cash right-of-use assets obtained in exchange for lease obligations	32,264	31,017
Weighted-average remaining lease term	6.3 years	6.6 years
Weighted-average discount rate	3.5%	3.4%

(5) Commitments and Contingencies

Contingencies

Legal Matters

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.

(6) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	July 29, 2023	January 28, 2023	July 30, 2022
		(in thousands)	
Compensation and benefits	$ 20,387	$ 14,751	$ 18,527
Deferred revenue	11,543	10,657	10,118
Insurance	9,775	9,141	9,836
Sales and use taxes	9,420	6,567	8,260
Real estate	6,016	6,283	7,618
Advertising	4,371	6,582	2,929
Freight	1,253	2,641	2,928
Other	19,530	20,337	17,633
	$ 82,295	$ 76,959	$ 77,849

(7) Debt Obligations and Financing Arrangements

Long-term debt consists of finance leases.

The Company's 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"). 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.

As a result of the anticipated discontinuation of LIBOR in 2023, on January 24, 2023, the Company amended its Credit Facility to replace the LIBOR-based interest rates included therein with SOFR-based interest rates and to modify the provisions for determining an alternative rate of interest upon the occurrence of certain events relating to the availability of interest rate benchmarks. The interest rates for the Credit Facility are calculated as follows: for ABR Loans, the highest of the Prime Rate, the Federal Funds Effective Rate plus 0.50% and Term SOFR with a term of one-month in effect on such day plus the SOFR Spread Adjustment plus 1.0%, plus the Applicable Margin, or, for SOFR Loans, the SOFR Loan Rate plus the Applicable Margin plus the SOFR Spread Adjustment. The Applicable Margin will vary from 0.00% to 0.50% for an ABR Loan and 1.00% to 1.50% for a SOFR Loan, based on availability under the Credit Facility. The SOFR Loan Rate is subject to a 0% floor.

Under the terms of the Revolving Credit Facility, as of July 29,2023, 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 July 29, 2023, the Company had no outstanding borrowings under the Revolving Credit Facility, with $91.6 million of borrowing availability, outstanding letters of credit commitments of $8.1 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 the twenty-six weeks ended July 29, 2023.

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 consolidated balance sheet as of July 29, 2023, 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 pro forma compliance with the applicable conditions described in the Credit Facility.

(8) Income Taxes

The effective tax rates for the thirteen weeks ended July 29, 2023 and July 30, 2022 were 24.6% and 15.4%, respectively. The increase in the effective tax rates in the thirteen weeks ended July 29, 2023 was primarily due to a decrease in discrete tax benefits related to stock-based compensation and state tax rate changes. Discrete tax benefits totaled $0.5 million in the thirteen weeks ended July 29, 2023 compared to discrete tax benefits of $1.5 million in the thirteen weeks ended July 30, 2022.

The effective tax rates for the twenty-six weeks ended July 29, 2023 and July 30, 2022 were 24.7% and 21.0%, respectively. The increase in the effective tax rate in the twenty-six weeks ended July 29, 2023 was primarily due to a decrease in discrete tax benefits related to stock-based compensation and state tax rate changes. Discrete tax benefits totaled $0.7 million in the twenty-six weeks ended July 29, 2023 compared to discrete tax benefits of $1.3 million in the twenty-six weeks ended July 30, 2022.

The Company is subject to tax in the United States. The Company files a consolidated U.S. income tax return for federal income tax purposes. The Company is no longer subject to income tax examinations by U.S. federal, or state and local tax authorities for tax years 2017 and prior.

(9) Equity Incentive Plans

During fiscal 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 July 29, 2023, there were 1,922,966 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 July 29, 2023 follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
	(in thousands, except share and per share amounts)		
Outstanding at January 28, 2023	1,209,251	$ 53.92	
Granted	144,630	57.91	
Forfeited	(27,678)	56.60	
Exercised	(117,474)	35.22	
Outstanding at July 29, 2023	1,208,729	56.15	7.1
Exercisable at July 29, 2023	634,365	56.40	6.0

The weighted average grant date fair value per option for options granted during the twenty-six weeks ended July 29, 2023 and July 30, 2022 was $29.07 and $20.27, 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	
	July 29, 2023	July 30, 2022
Risk-free interest rate	3.36%	2.55%
Expected dividend yield	-	-
Expected life (years)	6.25 years	6.25 years
Expected volatility	47.16%	44.33%

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 expected volatility, the Company uses its historical information over the expected life of the option granted 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 the closing price of the Company's common stock on the date of grant. RSUs outstanding vest ratably over 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 July 29, 2023 is as follows:

	Number of shares	Weighted average grant date fair value
Non-vested balance at January 28, 2023	276,278	$ 50.32
Granted	201,332	57.93
Forfeited	(15,276)	52.95
Vested	(93,027)	51.98
Non-vested balance at July 29, 2023	369,307	53.94

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 $3.1 million and $2.3 million for the thirteen weeks ended July 29, 2023 and July 30, 2022, respectively, and $6.0 million and $4.7 million for the twenty-six weeks ended July 29, 2023 and July 30, 2022, respectively.

As of July 29, 2023, there was $28.9 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 3 years. Compensation costs related to awards are recognized using the straight-line method.

(10) Common Stock

Common Stock

The Company's capital structure consists of a single class of common stock with one vote per share. The Company has authorized 500,000,000 shares at $0.001 par value per share. Additionally, the Company has authorized 50,000,000 shares of preferred stock at $0.001 per value per share; to date, however, no preferred shares have been issued. Treasury stock, which consists of the Company's common stock, is accounted for using the cost method.

Share Repurchase Program

On December 15, 2020, the Board of Directors of the Company authorized the repurchase of up to $100.0 million of shares of the Company's common stock. On March 16, 2021, the Board of Directors of the Company authorized an increase of $100.0 million in the Company's share repurchase program. Both of these authorizations were authorized to be executed through January 2023. On November 30, 2021, the Board authorized an additional $200.0 million to repurchase stock pursuant to the Company's share repurchase program, expiring on December 15, 2023. Shares under both authorizations may be purchased from time to time in open market transactions (including blocks), privately negotiated transactions, accelerated share repurchase programs or other derivative transactions, issuer self-tender offers, or any combination of the foregoing. The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of the Company's shares, general market, economic and business conditions, and other corporate considerations. In addition, the authorizations are subject to extension or earlier termination by the Board of Directors at any time.

During the twenty-six weeks ended July 29, 2023, the Company repurchased 492,280 shares of its common stock for $29.0 million, inclusive of transaction costs, pursuant to its share repurchase program. These expenditures are funded by cash on hand. As of July 29, 2023, the Company had $109.2 million remaining under its share repurchase authorization. There can be no assurance that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be discontinued at any time.

(11) Transactions with Affiliated and Related Parties

During the twenty-six weeks ended July 29, 2023 and July 30, 2022, respectively, the Company purchased inventory of $0.5 million from a subsidiary of Hillman Solutions, Inc. where John Swygert, President and Chief Executive Officer of Ollie's, is a member of its Board of Directors.

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 24, 2023 ("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 31st of the following year. References to "2024" refer to the 52-week period of February 4, 2024 to February 1, 2025. References to "2023" refer to the 53-week period of January 29, 2023 to February 3, 2024. References to "2022" refer to the 52-week period of January 30, 2022 to January 28, 2023. References to the "second quarter of fiscal 2023" and the "second quarter of fiscal 2022" refer to the thirteen weeks of April 30, 2023 to July 29, 2023 and May 1, 2022 to July 30, 2022, respectively. Year-to-date periods ended July 29, 2023 and July 30, 2022 refer to the twenty-six weeks of January 29, 2023 to July 29, 2023 and January 30, 2022 to July 30, 2022, 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, capital market conditions, 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, supply chain challenges, legislation, national trade policy, and the following: our failure to adequately procure and manage our inventory, anticipate consumer demand, or achieve favorable product margins; changes in consumer confidence and spending; risks associated with our status as a "brick and mortar" only retailer; risks associated with intense competition; our failure to open new profitable stores, or successfully enter new markets, on a timely basis or at all; fluctuations in comparable store sales and results of operations, including on a quarterly basis; factors such as inflation, cost increases and energy prices; the risks associated with doing business with international manufacturers and suppliers including, but not limited to, potential increases in tariffs on imported goods; our inability to operate our stores due to civil unrest and related protests or disturbances; our failure to properly hire and to retain key personnel and other qualified personnel; changes in market levels of wages; risks associated with cybersecurity events, and the timely and effective deployment, protection, and defense of computer networks and other electronic systems, including e-mail; our inability to obtain favorable lease terms for our properties; the failure to timely acquire, develop, open and operate, or the loss of, disruption or interruption in the operations of, any of our centralized distribution centers; 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 natural disasters, whether or not caused by climate change; outbreak of viruses, global health epidemics, pandemics, or widespread illness, including the continued impact of COVID-19 and continuing or renewed regulatory responses thereto; 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, bed and bath, food, floor coverings, health and beauty aids,
books and stationery, toys, and electronics. 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.

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 482 stores located in 29 states as of July 29, 2023.

Our stores are supported by three distribution centers, one each in York, PA, Commerce, GA and Lancaster, TX. We recently completed the expansion of our York, PA distribution center, which provides an additional 201,000 square feet of distribution capacity. In the first quarter of fiscal 2023, the Company acquired land in Princeton, IL, for the construction of its fourth distribution center. The total cost of the land and building is expected to be in the range of approximately $85 million. The Company expects to occupy the distribution center in the first half of fiscal 2024. With the expansion of our York, PA distribution center and the addition of our fourth distribution center, we believe our distribution capabilities will support between 700 and 750 stores.

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 2.4 million square feet and constructing a fourth distribution center in Princeton, IL; 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.

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 $4.0 million in their first full year of operations.

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 strong expense control discipline.

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, rising interest rates, 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, rising interest rates, 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 that correspond with declines in general consumer spending habits. We believe we also 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 consist 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 expense, occupancy costs for stores and the store support center, insurance, corporate infrastructure, and other general expenses. 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 expenses 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 are 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 remodel and 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 remodel costs primarily consist of payroll expenses, travel expenses, and store setup costs expensed as they are incurred. 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 or benefit. 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 U.S. generally accepted accounting principles (“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 gains on insurance settlements. 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 net income, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA, 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.

Historical Results

Historical results are not necessarily indicative of the results to be expected for any future period.

Store Openings and Closings

We opened 6 new stores in the second quarter of fiscal 2023 and opened 11 new stores and closed one store in the second quarter of fiscal 2022. We opened 15 new stores and closed one store in the twenty-six weeks ended July 29, 2023 and opened 20 new stores and closed two stores, one in connection with a relocation, in the twenty-six weeks ended July 30, 2022.

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 July 29, 2023 and July 30, 2022 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	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	(dollars in thousands)			
Condensed consolidated statements of income data:				
Net sales	$ 514,509	$ 452,482	$ 973,663	$ 859,148
Cost of sales	317,825	308,872	598,408	574,213
Gross profit	196,684	143,610	375,255	284,935
Selling, general and administrative expenses	134,623	118,466	264,891	234,739
Depreciation and amortization expenses	6,655	5,579	13,138	10,826
Pre-opening expenses	2,869	3,020	6,150	5,680
Operating income	52,537	16,545	91,076	33,690
Interest income, net	(3,402)	(123)	(6,077)	(14)
Income before income taxes	55,939	16,668	97,153	33,704
Income tax expense	13,758	2,571	23,992	7,084
Net income	$ 42,181	$ 14,097	$ 73,161	$ 26,620
Percentage of net sales (1):				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	61.8	68.3	61.5	66.8
Gross profit	38.2	31.7	38.5	33.2
Selling, general and administrative expenses	26.2	26.2	27.2	27.3
Depreciation and amortization expenses	1.3	1.2	1.3	1.3
Pre-opening expenses	0.6	0.7	0.6	0.7
Operating income	10.2	3.7	9.4	3.9
Interest income, net	(0.7)	—	(0.6)	—
Income before income taxes	10.9	3.7	10.0	3.9
Income tax expense	2.7	0.6	2.5	0.8
Net income	8.2%	3.1%	7.5%	3.1%
Select operating data:				
New store openings	6	11	15	20
Number of closed stores	—	(1)	(1)	(2)
Number of stores open at end of period	482	449	482	449
Average net sales per store (2)	$ 1,074	$ 1,014	$ 2,044	$ 1,949
Comparable stores sales change	7.9%	1.2%	6.3%	(8.5)%

(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	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net income	$ 42,181	$ 14,097	$ 73,161	$ 26,620
Interest income, net	(3,402)	(123)	(6,077)	(14)
Depreciation and amortization expenses[(1)]	8,292	7,053	16,366	13,761
Income tax expense	13,758	2,571	23,992	7,084
EBITDA	60,829	23,598	107,442	47,451
Non-cash stock-based compensation expense	3,141	2,335	6,004	4,723
Adjusted EBITDA	$ 63,970	$ 25,933	$ 113,446	$ 52,174

(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 of Fiscal 2023 Compared to Second Quarter of Fiscal 2022

Net Sales

Net sales increased to $514.5 million in the second quarter of fiscal 2023 from $452.5 million in the second quarter of fiscal 2022, an increase of $62.0 million, or 13.7%. The increase was the result of a comparable store sales increase of $34.3 million and an increase in non-comparable store sales of $27.7 million. The increase in non-comparable store sales was driven by new store unit growth.

Comparable store sales increased 7.9% in the second quarter of fiscal 2023 compared with a 1.2% increase in the second quarter of fiscal 2022. The increase in comparable store sales consisted of an increase in the number of transactions.

Gross Profit and Gross Margin

Gross profit increased to $196.7 million in the second quarter of fiscal 2023 from $143.6 million in the second quarter of fiscal 2022, an increase of $53.1 million, or 37.0%. Gross margin increased 650 basis points to 38.2% in the second quarter of fiscal 2023 from 31.7% in the second quarter of fiscal 2022. The increase in gross margin in the second quarter of fiscal 2023 is primarily due to favorable supply chain costs as well as higher merchandise margins.

Selling, General, and Administrative Expenses

SG&A increased to $134.6 million in the second quarter of fiscal 2023 from $118.5 million in the second quarter of fiscal 2022, an increase of $16.2 million, or 13.6%, primarily driven by higher selling expenses related to new store openings and higher incentive compensation. As a percentage of net sales, SG&A remained flat at 26.2% in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022, primarily the result of higher incentive compensation, offset by the leverage of fixed expenses on the increase in comparable store sales.

Pre-Opening Expenses

Pre-opening expenses decreased to $2.9 million in the second quarter of fiscal 2023 from $3.0 million in the second quarter of fiscal 2022 due to timing of new stores, partially offset by the impact of incremental investments in our store remodel program. We opened 6 and 11 new stores in the second quarters of fiscal 2023 and fiscal 2022, respectively. As a percentage of net sales, pre-opening expenses decreased to 0.6% in the second quarter of fiscal 2023 from 0.7% in the second quarter of fiscal 2022.

Interest Income, Net

Net interest income was $3.4 million in the second quarter of fiscal 2023 compared with $0.1 million in the second quarter of fiscal 2022. The increase in interest income in the second quarter of fiscal 2023 is primarily due to favorable interest rates and higher average cash and cash equivalent and short-term investments balances compared to the second quarter of fiscal 2022.

Income Tax Expense

Income tax expense increased to $13.8 million in the second quarter of fiscal 2023 compared to $2.6 million in the second quarter of fiscal 2022. The effective tax rates for the second quarters of fiscal 2023 and fiscal 2022 were 24.6% and 15.4%, respectively. The increase in the effective tax rate in the second quarter of fiscal 2023 was primarily due to a decrease in discrete tax benefits related to stock-based compensation and state tax rate changes. Discrete tax benefits totaled $0.5 million in the second quarter of fiscal 2023 compared to discrete tax benefits of $1.5 million in the second quarter of fiscal 2022.

Net Income

As a result of the foregoing, net income increased to $42.2 million in the second quarter of fiscal 2023 from $14.1 million in the second quarter of fiscal 2022, an increase of $28.1 million or 199.2%.

Adjusted EBITDA

Adjusted EBITDA increased to $64.0 million in the second quarter of fiscal 2023 from $25.9 million in the second quarter of fiscal 2022, an increase of $38.1 million, or 146.7%.

Year-to-Date Fiscal 2023 Compared to Year-to-Date Fiscal 2022

Net Sales

Net sales increased to $973.7 million in the twenty-six weeks ended July 29, 2023 from $859.1 million in the twenty-six weeks ended July 30, 2022, an increase of $114.5 million, or 13.3%. The increase was the result of a comparable store sales increase of $52.3 million and an increase in non-comparable store sales of $62.2 million. The increase in non-comparable store sales was driven by new store unit growth.

Comparable store sales increased 6.3% in the twenty-six weeks ended July 29, 2023 compared with a 8.5% decrease in the twenty-six weeks ended July 30, 2022. The increase in comparable store sales consisted of an increase in the number of transactions.

Gross Profit and Gross Margin

Gross profit increased to $375.3 million in the twenty-six weeks ended July 29, 2023 from $284.9 million in the twenty-six weeks ended July 30, 2022. Gross margin increased 530 basis points to 38.5% in the twenty-six weeks ended July 29, 2023 from 33.2% in the twenty-six weeks ended July 30, 2022. The increase in gross margin in the twenty-six weeks ended July 29, 2023 is primarily due to favorable supply chain costs as well as higher merchandise margins, partially offset by the unfavorable impact of a higher mix of consumables in the quarter.

Selling, General, and Administrative Expenses

SG&A increased to $264.9 in the twenty-six weeks ended July 29, 2023 from $234.7 million in the twenty-six weeks ended July 30, 2022, an increase of $30.2 million, or 12.8%, primarily driven by higher selling expenses related to new store openings and higher incentive compensation. As a percentage of net sales, SG&A decreased 10 basis points to 27.2% in the twenty-six weeks ended July 29, 2023 from 27.3% in the twenty-six weeks ended July 30, 2022. The decrease was primarily due to leverage of fixed expenses on the increase in comparable store sales, partially offset by higher levels of incentive compensation.

Pre-Opening Expenses

Pre-opening expenses increased to $6.2 million in the twenty-six weeks ended July 29, 2023 from $5.7 million in the twenty-six weeks ended July 30, 2022 due to the timing of new stores and incremental investments in our store remodel program. During the twenty-six weeks ended July 29, 2023, we opened 15 new stores and closed one store. During the twenty-six weeks ended July 30, 2022, we opened 20 new stores and closed two stores, one in connection with a relocation. As a percentage of net sales, pre-opening expenses decreased 10 basis points to 0.6% in the twenty-six weeks ended July 29, 2023 from 0.7% in the twenty-six weeks ended July 30, 2022.

Interest Income, Net

Net interest income in the twenty-six weeks ended July 29, 2023 was $6.1 million compared with net interest income of $0.1 million in the twenty-six weeks ended July 30, 2022. The increase in interest income in the twenty-six weeks ended July 29, 2023 is primarily due to favorable interest rates and higher average cash and cash equivalent and short-term investments balances compared to the twenty-six weeks ended July 30, 2022.

Income Tax Expense

Income tax expense in the twenty-six weeks ended July 29, 2023 was $24.0 million compared to income tax expense of $7.1 million in the twenty-six weeks ended July 30, 2022. The effective tax rates for the twenty-six weeks ended July 29, 2023 and July 30, 2022 were 24.7% and 21.0%, respectively. The increase in the effective tax rate in the twenty-six weeks ended July 29, 2023 was primarily due to a decrease in discrete tax benefits related to stock-based compensation and state tax rate changes. Discrete tax benefits totaled $0.7 million in the twenty-six weeks ended July 29, 2023 compared to discrete tax benefits of $1.3 million in the twenty-six weeks ended July 30, 2022.

Net Income

As a result of the foregoing, net income increased to $73.2 million in the twenty-six weeks ended July 29, 2023 from $26.6 million in the twenty-six weeks ended July 30, 2022, an increase of $46.5 million or 174.8%.

Adjusted EBITDA

Adjusted EBITDA increased to $113.4 million in the twenty-six weeks ended July 29, 2023 from $52.2 million in the twenty-six weeks ended July 30, 2022, a increase of $61.3 million, or 117.4%.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash flows provided by operating activities and available borrowings under our $100.0 million Revolving Credit Facility. Our primary cash needs are for capital expenditures and working capital. As of July 29, 2023, we had $91.6 million available to borrow under our Revolving Credit Facility and $310.2 million of cash and cash equivalents and short-term investments on hand. For further information regarding our Revolving Credit Facility, see Note 7 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 $26.2 million and $14.0 million for capital expenditures during the second quarters of fiscal 2023 and fiscal 2022, respectively. For the twenty-six weeks ended July 29, 2023, we spent $45.2 million for capital expenditures compared to $23.7 million for the twenty-six weeks ended July 30, 2022. We expect to fund capital expenditures from cash on hand generated from operations. We opened 15 new stores and closed one store during the twenty-six weeks ended July 29, 2023, and we recently completed the expansion of our York, PA distribution center, which provides an additional 201,000 square feet of distribution capacity. We expect to open approximately 45 stores during fiscal 2023. Included in our plans is the construction of our fourth distribution center in Princeton, IL, as well as store-level initiatives at our existing stores, and general corporate capital expenditures, including information technology. We have experienced, and may continue to experience, delays in construction and permitting of new stores and other projects.

Our primary working capital requirements are for the purchase of merchandise inventories, payroll, store rent associated with our operating leases, 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.

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

A financial instrument which potentially subjects the Company to a concentration of credit risk is cash. Ollie's currently maintains its day-to-day operating cash balances with major financial institutions. The Company's operating cash balances are in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. From time to time, Ollie's invests temporary excess cash in overnight investments with expected minimal volatility, such as money market funds. Although the Company maintains balances which exceed the FDIC insured limit, it has not experienced any losses related to these balances.

Based on our new store growth plans, 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.

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. This initial tranche expired on March 26, 2021. The Board authorized the repurchase of another $100.0 million of our common stock on December 15, 2020 and a $100.0 million increase on March 16, 2021, resulting in $200.0 million approved for share repurchases through January 13, 2023. On November 30, 2021, the Board authorized an additional $200.0 million to repurchase stock pursuant to the Company's share repurchase program, expiring on December 15, 2023. 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 and is subject to suspension or termination by our Board of Directors at any time.

During the twenty-six weeks ended July 29, 2023, we repurchased 492,280 shares of our common stock for $29.0 million, inclusive of transaction costs, pursuant to our share repurchase program. During the twenty-six weeks ended July 30, 2022, we repurchased 238,485 shares of our common stock for $10.0 million inclusive of transaction costs, pursuant to our share repurchase program. These expenditures are funded by cash generated from operations. As of July 29, 2023, we had $109.2 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	
	July 29, 2023	July 30, 2022
	(in thousands)	
Net cash provided by operating activities	$ 109,765	$ 3,955
Net cash used in investing activities	(113,558)	(23,503)
Net cash used in financing activities	(25,387)	(9,386)
Net decrease in cash and cash equivalents	$ (29,180)	$ (28,934)

Cash Provided by Operating Activities

Net cash provided by operating activities was $109.5 million for the twenty-six weeks ended July 29, 2023 as compared to $4.0 million for the twenty-six weeks ended July 30, 2022. The increase in net cash provided by operating activities for the twenty-six weeks ended July 29, 2023 was primarily due to timing of inventory receipts and payments and higher net income year over year.

Cash Used in Investing Activities

Net cash used in investing activities was $113.6 million for the twenty-six weeks ended July 29, 2023 as compared to $23.5 million for the twenty-six weeks ended July 30, 2022. The increase in cash used in investing activities is primarily due to purchases of short-term investments of $160.7 million, in addition to an increase in capital expenditures in the current year, partially offset by maturities of short-term investments of $92.1 million.

Cash Used in Financing Activities

Net cash used in financing activities was $25.1 million for the twenty-six weeks ended July 29, 2023 as compared to $9.4 million for the twenty-six weeks ended July 30, 2022. The increase in cash used in financing activities is primarily due to shares repurchased in the twenty-six weeks ended July 29, 2023 of $26.1 million compared to shares repurchased of $10.0 million in the twenty-six weeks ended July 30, 2022.

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 the 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 July 29, 2023, we had no outstanding variable rate debt.

As of July 29, 2023, there were no material changes in the market risks described in the "Quantitative and Qualitative Disclosure of Market Risks" section of our Annual Report.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. We cannot be assured that our results of operations and financial condition will not be materially impacted by inflation in the future.

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 second quarter of fiscal 2023 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

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

See Item 1A in our Annual Report for a detailed description of risk factors affecting the Company. There have been no material changes from the risk factors previously disclosed in that filing.

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

Information on Share Repurchases

Information regarding shares of common stock the Company repurchased during twenty-six weeks ended July 29, 2023 is as follows:

Period	Total number of shares repurchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (3)	Approximate dollar value of shares that may yet be purchased under the plans or programs (3)
April 30, 2023 through May 27, 2023	51,606	$ 60.28	51,606	$ 122,672,326
May 28, 2023 through July 1, 2023	200,296	$ 59.31	200,296	$ 110,743,029
July 2, 2023 through July 29, 2023	24,856	$ 61.40	24,856	$ 109,202,661
Total	276,758		276,758	

(1) Consists of shares repurchased under the publicly announced share repurchase program.

(2) Includes commissions for the shares repurchased under the share repurchase program.

(3) On December 15, 2020, the Board of Directors authorized the repurchase of up to $100.00 million of shares of the Company’s common stock. On March 16, 2021, the Board of Directors of the Company authorized an increase of $100.0 million in the Company’s share repurchase program resulting in $200.0 million approved for share repurchases through January 13, 2023. On November 30, 2021, the Board authorized an additional $200.0 million to repurchase stock pursuant to the Company’s share repurchase program, expiring on December 15, 2023. Shares under both authorizations may be purchased from time to time in open market transactions (including blocks), privately negotiated transactions, accelerated share repurchase programs or other derivative transactions, issuer self-tender offers or any combination of the foregoing. The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of the Company’s shares, general market, economic and business conditions, and other corporate considerations. In addition, the authorizations are subject to extension or earlier termination by the Board of Directors at any time. As of July 29, 2023, the Company had $109.2 million remaining under its share repurchase program. For further discussion on the share repurchase program, see “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Share Repurchase Program.”

ITEM 5. OTHER INFORMATION

During the thirteen weeks ended July 29, 2023, our Chief Financial Officer entered into a written plan for the purchase or sale of our securities through a broker that is intended to satisfy the conditions specified in Rule 10b5-1(c) under the Exchange Act for an affirmative defense against liability for trading in securities on the basis of material nonpublic information.

The material terms of this trading plan are set forth in the table below.

Director/Officer	Action & Date of Action	Commencement of Trading Period	Scheduled Termination of Trading Period (1)	Security Covered	Maximum Number of Securities to be Purchased or Sold Pursuant to the Rule 10b5-1 Trading Plan (2)	Covers Purchase or Sale?
Robert Helm, Senior Vice President and Chief Financial Officer	Adoption June 20, 2023	October 17, 2023	March 31, 2025	Common Stock	8,358	Sale

(1) The plan is subject to earlier termination under certain circumstances specified in the plans, including upon the sale of all shares subject to the plan and upon either party to a plan giving notice of termination within the time prescribed under the plan.
(2) Subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock.

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	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
**101.SCH	Inline XBRL Taxonomy Extension Schema Document.
**101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
**101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
**101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
**101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
**104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* 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: August 31, 2023

/s/ Robert Helm

Robert Helm
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: August 31, 2023

/s/ John Swygert

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

Exhibit 31.2

CERTIFICATIONS

I, Robert Helm, 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: August 31, 2023

/s/ Robert Helm

Robert Helm
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 July 29, 2023, 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: August 31, 2023

/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 July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Helm, 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: August 31, 2023

/s/ Robert Helm
Robert Helm
Senior Vice President and Chief
Financial Officer