

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 October 30, 2021

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 December 2, 2021 was 63,125,090.

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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		Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Net sales	\$ 383,487	\$ 414,382	\$ 1,251,860	\$ 1,293,058
Cost of sales	230,927	242,881	753,655	774,349
Gross profit	152,560	171,501	498,205	518,709
Selling, general and administrative expenses	114,048	105,830	328,537	304,699
Depreciation and amortization expenses	4,956	4,230	14,109	12,296
Pre-opening expenses	3,343	3,656	8,419	8,923
Operating income	30,213	57,785	147,140	192,791
Interest expense (income), net	70	(93)	111	(202)
Income before income taxes	30,143	57,878	147,029	192,993
Income tax expense	6,958	12,681	34,301	14,957
Net income	\$ 23,185	\$ 45,197	\$ 112,728	\$ 178,036
Earnings per common share:				
Basic	\$ 0.36	\$ 0.69	\$ 1.74	\$ 2.76
Diluted	\$ 0.36	\$ 0.68	\$ 1.72	\$ 2.71
Weighted average common shares outstanding:				
Basic	63,915	65,388	64,909	64,524
Diluted	64,298	66,121	65,414	65,799

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)

	October 30, 2021	October 31, 2020	January 30, 2021
Assets			
Current assets:			
Cash and cash equivalents	\$ 229,726	\$ 325,525	\$ 447,126
Inventories	471,800	394,896	353,704
Accounts receivable	603	203	621
Prepaid expenses and other assets	10,386	11,878	7,316
Total current assets	712,515	732,502	808,767
Property and equipment, net of accumulated depreciation of \$116,088, \$93,361 and \$98,627, respectively	146,675	138,691	138,712
Operating lease right-of-use assets	409,665	382,787	380,546
Goodwill	444,850	444,850	444,850
Trade name	230,559	230,559	230,559
Other assets	2,299	2,472	2,421
Total assets	\$ 1,946,563	\$ 1,931,861	\$ 2,005,855
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	\$ 353	\$ 361	\$ 328
Accounts payable	121,893	124,823	117,217
Income taxes payable	-	-	10,960
Current portion of operating lease liabilities	73,837	65,162	64,732
Accrued expenses and other	78,513	85,814	90,559
Total current liabilities	274,596	276,160	283,796
Revolving credit facility	-	-	-
Long-term debt	724	649	656
Deferred income taxes	66,416	64,622	65,064
Long-term operating lease liabilities	344,344	322,950	321,454
Other long-term liabilities	3	5	4
Total liabilities	686,083	664,386	670,974
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; 66,454, 66,117 and 66,165 shares issued, respectively	66	66	66
Additional paid-in capital	661,787	645,902	648,949
Retained earnings	838,995	661,607	726,267
Treasury - common stock, at cost; 3,382, 698 and 702 shares, respectively	(240,368)	(40,100)	(40,401)
Total stockholders' equity	1,260,480	1,267,475	1,334,881
Total liabilities and stockholders' equity	\$ 1,946,563	\$ 1,931,861	\$ 2,005,855

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 October 30, 2021 and October 31, 2020

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of July 31, 2021	66,388	\$ 66	(1,132)	\$ (75,661)	\$ 658,899	\$ 815,810	\$ 1,399,114
Stock-based compensation expense	-	-	-	-	1,627	-	1,627
Proceeds from stock options exercised	65	-	-	-	1,304	-	1,304
Vesting of restricted stock	2	-	-	-	-	-	-
Common shares withheld for taxes	(1)	-	-	-	(43)	-	(43)
Shares repurchased	-	-	(2,250)	(164,707)	-	-	(164,707)
Net income	-	-	-	-	-	23,185	23,185
Balance as of October 30, 2021	<u>66,454</u>	<u>\$ 66</u>	<u>(3,382)</u>	<u>\$ (240,368)</u>	<u>\$ 661,787</u>	<u>\$ 838,995</u>	<u>\$ 1,260,480</u>
Balance as of August 1, 2020	66,005	\$ 66	(698)	\$ (40,100)	\$ 641,677	\$ 616,410	\$ 1,218,053
Stock-based compensation expense	-	-	-	-	1,709	-	1,709
Proceeds from stock options exercised	112	-	-	-	2,528	-	2,528
Common shares withheld for taxes	-	-	-	-	(12)	-	(12)
Net income	-	-	-	-	-	45,197	45,197
Balance as of October 31, 2020	<u>66,117</u>	<u>\$ 66</u>	<u>(698)</u>	<u>\$ (40,100)</u>	<u>\$ 645,902</u>	<u>\$ 661,607</u>	<u>\$ 1,267,475</u>

Thirty-nine weeks ended October 30, 2021 and October 31, 2020

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of January 30, 2021	66,165	\$ 66	(702)	\$ (40,401)	\$ 648,949	\$ 726,267	\$ 1,334,881
Stock-based compensation expense	-	-	-	-	5,959	-	5,959
Proceeds from stock options exercised	246	-	-	-	8,103	-	8,103
Vesting of restricted stock	57	-	-	-	-	-	-
Common shares withheld for taxes	(14)	-	-	-	(1,224)	-	(1,224)
Shares repurchased	-	-	(2,680)	(199,967)	-	-	(199,967)
Net income	-	-	-	-	-	112,728	112,728
Balance as of October 30, 2021	<u>66,454</u>	<u>\$ 66</u>	<u>(3,382)</u>	<u>\$ (240,368)</u>	<u>\$ 661,787</u>	<u>\$ 838,995</u>	<u>\$ 1,260,480</u>
Balance as of February 1, 2020	63,712	\$ 64	(698)	\$ (40,100)	\$ 615,350	\$ 483,571	\$ 1,058,885
Stock-based compensation expense	-	-	-	-	4,755	-	4,755
Proceeds from stock options exercised	2,358	2	-	-	26,611	-	26,613
Vesting of restricted stock	64	-	-	-	-	-	-
Common shares withheld for taxes	(17)	-	-	-	(814)	-	(814)
Net income	-	-	-	-	-	178,036	178,036
Balance as of October 31, 2020	<u>66,117</u>	<u>\$ 66</u>	<u>(698)</u>	<u>\$ (40,100)</u>	<u>\$ 645,902</u>	<u>\$ 661,607</u>	<u>\$ 1,267,475</u>

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)

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
Cash flows from operating activities:		
Net income	\$ 112,728	\$ 178,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	18,232	16,634
Amortization of debt issuance costs	192	192
(Gain) loss on sale of assets	(158)	1
Deferred income tax provision	1,352	5,221
Stock-based compensation expense	5,959	4,755
Changes in operating assets and liabilities:		
Inventories	(118,096)	(59,715)
Accounts receivable	18	2,637
Prepaid expenses and other assets	(3,140)	(6,443)
Accounts payable	4,543	62,904
Income taxes payable	(10,960)	(3,906)
Accrued expenses and other liabilities	(7,979)	35,598
Net cash provided by operating activities	<u>2,691</u>	<u>235,914</u>
Cash flows from investing activities:		
Purchases of property and equipment	(29,618)	(25,908)
Proceeds from sale of property and equipment	3,105	77
Net cash used in investing activities	<u>(26,513)</u>	<u>(25,831)</u>
Cash flows from financing activities:		
Repayments on finance leases	(490)	(307)
Proceeds from stock option exercises	8,103	26,613
Common shares withheld for taxes	(1,224)	(814)
Payment for shares repurchased	(199,967)	-
Net cash (used in) provided by financing activities	<u>(193,578)</u>	<u>25,492</u>
Net (decrease) increase in cash and cash equivalents	(217,400)	235,575
Cash and cash equivalents at the beginning of the period	447,126	89,950
Cash and cash equivalents at the end of the period	<u>\$ 229,726</u>	<u>\$ 325,525</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 288	\$ 245
Income taxes	\$ 50,160	\$ 20,725
Non-cash investing activities:		
Accrued purchases of property and equipment	\$ 1,577	\$ 1,455

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

(1) Organization and Summary of Significant Accounting Policies**(a) Description of Business**

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

Since its first store opened in 1982, the Company has grown to 426 retail locations in 29 states as of October 30, 2021. 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 31 of the following calendar year. References to the thirteen weeks ended October 30, 2021 and October 31, 2020 refer to the thirteen weeks from August 1, 2021 to October 30, 2021 and from August 2, 2020 to October 31, 2020, respectively. References to year-to-date periods ended October 30, 2021 and October 31, 2020 refer to the thirty-nine weeks from January 31, 2021 to October 30, 2021 and from February 2, 2020 to October 31, 2020, respectively. References to "2020" refer to the fiscal year ended January 30, 2021 and references to "2021" refer to the fiscal year ending January 29, 2022. Both periods consist of 52 weeks.

(c) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated financial statements reflect all normal recurring adjustments which management believes are necessary to present fairly the Company's results of operations, financial condition, and cash flows for all periods presented. The condensed consolidated balance sheets as of October 30, 2021 and October 31, 2020, and the condensed consolidated statements of income and stockholders' equity for the thirteen and thirty-nine weeks ended October 30, 2021 and October 31, 2020, and the condensed consolidated statements of cash flows for the thirty-nine weeks ended October 30, 2021 and October 31, 2020 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 2021 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The Company's balance sheet as of January 30, 2021, 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, 2021 ("Annual Report"), but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for 2020 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.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

(d) Use of Estimates

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

(e) Fair Value Disclosures

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

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

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

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

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

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

(2) Net Sales

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

Revenue Recognition

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

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
Beginning balance	\$ 8,113	\$ 8,254
Revenue deferred	11,577	13,516
Revenue recognized	(11,589)	(11,862)
Ending balance	<u>\$ 8,101</u>	<u>\$ 9,908</u>

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

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
Beginning balance	\$ 1,902	\$ 1,679
Gift card issuances	3,499	2,951
Gift card redemption and breakage	(3,488)	(2,969)
Ending balance	<u>\$ 1,913</u>	<u>\$ 1,661</u>

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(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 (in thousands, except per share amounts):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Net income	\$ 23,185	\$ 45,197	\$ 112,728	\$ 178,036
Weighted average number of common shares outstanding - Basic	63,915	65,388	64,909	64,524
Incremental shares from the assumed exercise of outstanding stock options and vesting of restricted stock units	383	733	505	1,275
Weighted average number of common shares outstanding - Diluted	64,298	66,121	65,414	65,799
Earnings per common share - Basic	\$ 0.36	\$ 0.69	\$ 1.74	\$ 2.76
Earnings per common share - Diluted	\$ 0.36	\$ 0.68	\$ 1.72	\$ 2.71

The effect of the weighted average assumed exercise of stock options outstanding totaling 408,514 and 186,270 for the thirteen weeks ended October 30, 2021 and October 31, 2020, respectively, and 379,657 and 368,237 for the thirty-nine weeks ended October 30, 2021 and October 31, 2020, 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 43,159 and 394 for the thirteen weeks ended October 30, 2021 and October 31, 2020, respectively and 14,386 and 16,062 for the thirty-nine weeks ended October 30, 2021 and October 31, 2020, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

(4) Commitments and Contingencies**Commitments**

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

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

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

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

The following table summarizes the maturity of the Company's operating lease liabilities by fiscal year as of October 30, 2021 (in thousands):

2021	\$ 12,494
2022	89,195
2023	88,868
2024	70,731
2025	55,051
Thereafter	152,763
Total undiscounted lease payments ⁽¹⁾	469,102
Less: Imputed interest	(50,921)
Total lease obligations	418,181
Less: Current obligations under leases	(73,837)
Long-term lease obligations	<u>\$ 344,344</u>

(1) Lease obligations exclude \$36.0 million of minimum lease payments for leases signed, but not commenced.

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

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
Cash paid for operating leases	\$ 63,532	\$ 50,640
Operating lease cost	64,177	57,535
Variable lease cost	5,532	3,879
Non-cash right-of-use assets obtained in exchange for lease obligations	50,780	52,966
Weighted-average remaining lease term	6.7 years	6.8 years
Weighted-average discount rate	3.6%	4.1%

Marketing Commitment

The Company has entered into an agreement with Valassis Communications, Inc. for marketing services. This agreement has a guaranteed spend commitment of \$23.0 million over a two-year period ending May 28, 2022.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

Related Party Leases

The Company has entered into five non-cancelable operating leases with related parties for office and store locations that expire at various dates through 2033. Ollie's made \$1.2 million in rent payments to such related parties during each of the thirty-nine weeks ended October 30, 2021 and October 31, 2020. The lease payments are included in the operating lease disclosures stated above.

Contingencies

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

(5) Accrued Expenses and Other

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

	October 30, 2021	October 31, 2020	January 30, 2021
Compensation and benefits	\$ 23,475	\$ 25,378	\$ 32,943
Deferred revenue	10,014	11,569	10,015
Sales and use taxes	7,700	7,670	6,487
Real estate related	7,102	5,496	5,753
Insurance	6,778	6,614	6,318
Advertising	5,715	4,536	4,325
Freight	1,468	8,705	7,180
Other	16,261	15,846	17,538
	<u>\$ 78,513</u>	<u>\$ 85,814</u>	<u>\$ 90,559</u>

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

(6) Debt Obligations and Financing Arrangements

Long-term debt consists of finance leases as of October 30, 2021, October 31, 2020 and January 30, 2021.

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.

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

Under the terms of the Revolving Credit Facility, as of October 30, 2021, 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 October 30, 2021, the Company had no outstanding borrowings under the Revolving Credit Facility, with \$86.4 million of borrowing availability, outstanding letters of credit commitments of \$13.4 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 thirty-nine weeks ended October 30, 2021.

The provisions of the Credit Facility restrict all of the net assets of the Company's consolidated subsidiaries, which constitutes all of the net assets on the Company's condensed consolidated balance sheet as of October 30, 2021, from being used to pay any dividends or make other restricted payments to the Company without prior written consent from the financial institutions that are a party to the Credit Facility, subject to material exceptions including proforma compliance with the applicable conditions described in the Credit Facility.

(7) Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective tax rates for the thirteen weeks and thirty-nine weeks ended October 30, 2021 were 23.1% and 23.3%, respectively. The effective tax rates during the thirteen and thirty-nine weeks ended October 31, 2020 were 21.9% and 7.8%, respectively. The effective tax rates during the thirteen and thirty-nine weeks ended October 30, 2021 were affected by excess tax benefits related to stock-based compensation of \$1.0 million and \$3.4 million, respectively. The thirteen and thirty-nine weeks ended October 31, 2020 included a similar discrete tax benefit of \$2.0 million and \$33.8 million, respectively. The tax benefit during the thirty-nine weeks ended October 31, 2020 is primarily due to the exercise of stock options by the estate of a former executive of the Company.

(8) Equity Incentive Plans

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

In connection with its initial public offering, the Company adopted the 2015 equity incentive plan (the "2015 Plan") pursuant to which the Company's Board of Directors may grant stock options, restricted shares or other awards to employees, directors and consultants. The 2015 Plan allows for the issuance of up to 5,250,000 shares. Awards will be made pursuant to agreements and may be subject to vesting and other restrictions as determined by the Board of Directors or the Compensation Committee of the Board. The Company uses authorized and unissued shares to satisfy share award exercises. As of October 30, 2021, there were 2,636,926 shares available for grant under the 2015 Plan.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

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 thirty-nine weeks ended October 30, 2021 follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at January 30, 2021	1,244,235	\$ 42.39	
Granted	288,612	85.57	
Forfeited	(107,462)	61.91	
Exercised	(246,016)	32.94	
Outstanding at October 30, 2021	<u>1,179,369</u>	53.15	<u>7.2</u>
Exercisable at October 30, 2021	<u>450,530</u>	35.60	<u>5.1</u>

The weighted average grant date fair value per option for options granted during the thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$33.80 and \$13.13, 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:

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
Risk-free interest rate	1.33%	0.77%
Expected dividend yield	-	-
Expected life (years)	6.25 years	6.25 years
Expected volatility	38.38%	30.49%

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

Restricted Stock Units

Restricted stock units ("RSUs") are issued at a value not less than the fair value of the common stock on the date of the 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 thirty-nine weeks ended October 30, 2021 is as follows:

	Number of shares	Weighted average grant date fair value
Non-vested balance at January 30, 2021	148,838	\$ 52.28
Granted	55,790	85.18
Forfeited	(19,887)	62.27
Vested	(57,373)	42.99
Non-vested balance at October 30, 2021	<u>127,368</u>	69.31

Stock-Based Compensation Expense

The compensation cost for stock options and RSUs which have been recorded within selling, general and administrative expenses related to the Company's equity incentive plans was \$1.6 million and \$1.7 million for the thirteen weeks ended October 30, 2021 and October 31, 2020, respectively, and \$6.0 million and \$4.8 million for the thirty-nine weeks ended October 30, 2021 and October 31, 2020, respectively.

As of October 30, 2021, there was \$18.9 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 2.8 years. Compensation costs related to awards are recognized using the straight-line method.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 30, 2021 and October 31, 2020

(Unaudited)

(9) Common StockCommon 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 par 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 are authorized to be executed through January 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 thirty-nine weeks ended October 30, 2021, the Company repurchased 2,679,507 shares of its common stock for \$200.0 million, inclusive of transaction costs, pursuant to its share repurchase program. These expenditures were funded by cash generated from operations. As of October 30, 2021, the Company had \$33,000 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. See Note 10 for additional information.

(10) Subsequent Event

On November 30, 2021, the Board of Directors of the Company authorized an additional \$200.0 million to repurchase stock pursuant to the Company's share repurchase program, expiring on December 15, 2023, subject to extension or earlier termination by the Board of Directors at any time. See Note 9 for additional information.

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, 2021 ("Annual Report"). As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "Ollie's," the "Company," "we," "our" and "us" refer to Ollie's Bargain Outlet Holdings, Inc. and subsidiaries.

We operate on a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday nearer to January 31 of the following year. References to "2021" refer to the 52-week period of January 31, 2021 to January 29, 2022. References to "2020" refer to the 52-week period of February 2, 2020 to January 30, 2021. References to the "third quarter of fiscal 2021" and the "third quarter of fiscal 2020" refer to the thirteen weeks of August 1, 2021 to October 30, 2021 and August 2, 2020 to October 31, 2020, respectively. Year-to-date periods ended October 30, 2021 and October 31, 2020 refer to the thirty-nine weeks of January 31, 2021 to October 30, 2021 and February 2, 2020 to October 31, 2020, respectively. Historical results are not necessarily indicative of the results to be expected for any future period and results for any interim period may not necessarily be indicative of the results that may be expected for a full year.

Cautionary Note Regarding Forward-Looking Statements

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

Overview

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

COVID-19 Update

The COVID-19 pandemic has significantly impacted the U.S. and global economies, resulting in business slowdowns or shutdowns, reduced economic activity, changes in consumer behavior, and changes in the mindset and availability of the labor force. We continue to monitor the impact of the pandemic on our business, including on our associates, customers, business partners and supply chain.

We continue to take measures to protect the health and safety of our associates and customers, a primary concern of our management team. We have also taken measures to support the communities that we serve to address the challenges posed by the pandemic.

Following the onset of the pandemic, our net sales initially benefited from increased consumer spending associated with federal stimulus funds for said pandemic. At this time, there is uncertainty with regard to the continuation of these stimulus measures and, as a result, there may be potential changes in consumer spending behavior or demand. In addition, we are experiencing labor pressures at both our stores and distribution centers, higher import and trucking costs, and supply chain disruptions due to the impacts of COVID-19 and related measures. We are increasing our hiring efforts in certain impacted markets and working closely with our suppliers and transportation partners to mitigate the impact of the supply chain challenges. The significance and duration of these and other potential elevated costs is uncertain, and we will continue to assess and respond to current and evolving conditions.

As we continue to monitor the COVID-19 pandemic and potentially take actions based on the requirements and recommendations of federal, state and local authorities, we intend to focus on managing the business for future, long-term growth. In certain circumstances, there may be developments outside our control, including resurgences of COVID-19 and, in particular, new and more contagious or vaccine resistant variants, requiring us to refine our operations. As such, given the evolving nature of the pandemic, we cannot reasonably estimate its impact on our financial condition, results of operations or cash flows in the future. Refer to Part II, Item 1A. Risk Factors of this Form 10-Q and Part I, Item 1A. Risk Factors of our 2020 Form 10-K for a full discussion of the risks associated with the COVID-19 pandemic.

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 426 stores located in 29 states as of October 30, 2021.

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

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

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

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

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

We have a proven portable, flexible and highly profitable store model that has produced consistent financial results and returns. Our new store model targets a store size between 25,000 to 35,000 square feet and an average initial cash investment of approximately \$1.0 million, which includes store fixtures and equipment, store-level and distribution center inventory (net of payables) and pre-opening expenses. We target new store sales of approximately \$4 million 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, contributing to the growth in net sales and profitability of our business. We plan to achieve continued net sales growth, including comparable stores sales, by adding stores to our store base and by continuing to provide quality merchandise at a value for our customers as we scale and gain more access to purchase directly from major manufacturers. We also plan to leverage and expand our Ollie’s Army database marketing strategies. In addition, we plan to continue to manage our selling, general and administrative expenses (“SG&A”) by continuing to make process improvements and by maintaining our standard policy of reviewing our operating costs.

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

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

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

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

Number of New Stores

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

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

Net Sales

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

The spending habits of our customers are subject to macroeconomic conditions and changes in discretionary income. Our customers' discretionary income is primarily impacted by gas prices, wages, and consumer trends and preferences, which fluctuate depending on the environment. However, because we offer a broad selection of merchandise at extreme values, we believe we are generally 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 and amortization. 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 operations.

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 and amortization as it relates to our distribution centers is included within cost of sales on the condensed consolidated statements of income.

Pre-Opening Expenses

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

Operating Income

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

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are key metrics used by management and our Board to assess our financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use Adjusted EBITDA to supplement 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 the gain from an insurance settlement. EBITDA and Adjusted EBITDA are non-GAAP measures and may not be comparable to similar measures reported by other companies. EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In the future we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items. For further discussion of EBITDA and Adjusted EBITDA and for reconciliations of 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 18 new stores and temporarily closed one store due to weather-related events in the third quarter of fiscal 2021. We opened 19 new stores, including one relocated store, and re-opened a temporarily closed store in the third quarter of fiscal 2020. In connection with these store openings, relocations and closings, we incurred expenses of \$3.3 million and \$3.7 million for the third quarters of fiscal 2021 and fiscal 2020, respectively. We opened 41 new stores, including two relocated stores, and temporarily closed one additional store due to weather-related events in the thirty-nine weeks ended October 30, 2021. We opened 42 new stores, including one relocated store, and closed two additional stores in the thirty-nine weeks ended October 31, 2020. In connection with these store openings, relocations and closings, we incurred expenses of \$8.4 million and \$8.9 million for the thirty-nine weeks ended October 30, 2021 and October 31, 2020, respectively.

Seasonality

Our business is seasonal in nature and demand is generally the highest in our fourth fiscal quarter due to the holiday sales season. To prepare for the holiday sales season, we must order and keep in stock more merchandise than we carry during other times of the year and generally engage in additional marketing efforts. We expect inventory levels, along with accounts payable and accrued expenses, to reach their highest levels in our third and fourth fiscal quarters in anticipation of increased net sales during the holiday sales season. As a result of this seasonality, and generally because of variation in consumer spending habits, we experience fluctuations in net sales and working capital requirements during the year. Because we offer a broad selection of merchandise at extreme values, we believe we are generally 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 thirty-nine weeks ended October 30, 2021 and October 31, 2020 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.

	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>October 30, 2021</u>	<u>October 31, 2020</u>	<u>October 30, 2021</u>	<u>October 31, 2020</u>
(dollars in thousands)				
Condensed consolidated statements of income data:				
Net sales	\$ 383,487	\$ 414,382	\$ 1,251,860	\$ 1,293,058
Cost of sales	230,927	242,881	753,655	774,349
Gross profit	152,560	171,501	498,205	518,709
Selling, general and administrative expenses	114,048	105,830	328,537	304,699
Depreciation and amortization expenses	4,956	4,230	14,109	12,296
Pre-opening expenses	3,343	3,656	8,419	8,923
Operating income	30,213	57,785	147,140	192,791
Interest expense (income), net	70	(93)	111	(202)
Income before income taxes	30,143	57,878	147,029	192,993
Income tax expense	6,958	12,681	34,301	14,957
Net income	<u>\$ 23,185</u>	<u>\$ 45,197</u>	<u>\$ 112,728</u>	<u>\$ 178,036</u>
Percentage of net sales (1):				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.2	58.6	60.2	59.9
Gross profit	39.8	41.4	39.8	40.1
Selling, general and administrative expenses	29.7	25.5	26.2	23.6
Depreciation and amortization expenses	1.3	1.0	1.1	1.0
Pre-opening expenses	0.9	0.9	0.7	0.7
Operating income	7.9	13.9	11.8	14.9
Interest expense (income), net	—	—	—	—
Income before income taxes	7.9	14.0	11.7	14.9
Income tax expense	1.8	3.1	2.7	1.2
Net income	<u>6.0%</u>	<u>10.9%</u>	<u>9.0%</u>	<u>13.8%</u>
Select operating data:				
New store openings	18	19	41	42
Number of closed stores	(1)	(1)	(3)	(3)
Number of stores re-opened	—	1	—	1
Number of stores open at end of period	426	385	426	385
Average net sales per store (2)	<u>\$ 916</u>	<u>\$ 1,104</u>	<u>\$ 3,089</u>	<u>\$ 3,545</u>
Comparable stores sales change	<u>(15.5)%</u>	<u>15.3%</u>	<u>(11.3)%</u>	<u>18.6%</u>

(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:

	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>October 30, 2021</u>	<u>October 31, 2020</u>	<u>October 30, 2021</u>	<u>October 31, 2020</u>
	(dollars in thousands)			
Net income	\$ 23,185	\$ 45,197	\$ 112,728	\$ 178,036
Interest expense (income), net	70	(93)	111	(202)
Depreciation and amortization expenses ⁽¹⁾	6,398	5,784	18,410	16,847
Income tax expense	6,958	12,681	34,301	14,957
EBITDA	36,611	63,569	165,550	209,638
Non-cash stock-based compensation expense	1,627	1,709	5,959	4,755
Gain from insurance settlement	(312)	-	(312)	-
Adjusted EBITDA	<u>\$ 37,926</u>	<u>\$ 65,278</u>	<u>\$ 171,197</u>	<u>\$ 214,393</u>

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

Third Quarter of Fiscal 2021 Compared to Third Quarter of Fiscal 2020

Net Sales

Net sales decreased to \$383.5 million in the third quarter of fiscal 2021 from \$414.4 million in the third quarter of fiscal 2020, a decrease of \$30.9 million, or 7.5%. The decrease was the result of a comparable store sales decrease of \$61.2 million offset by an increase in non-comparable store sales of \$30.3 million. The increase in non-comparable store sales was driven by new store unit growth.

Comparable store sales decreased 15.5% in the third quarter of fiscal 2021 compared with a 15.3% increase in the third quarter of fiscal 2020. The decrease in comparable store sales was due to a decrease in the number of transactions, partially offset by an increase in average transaction size. Sales in our housewares, bed and bath and health and beauty aids departments significantly decreased during the quarter due to a prior-year surge of COVID-related personal protective equipment, home-related and cleaning supplies sales.

In the third quarter of fiscal 2020, we benefited from increased consumer spending in our stores driven by a shift in spend from COVID-impacted categories, such as travel, dining and experiences, to retail as well as impacts from stimulus related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the early part of the quarter.

Gross Profit and Gross Margin

Gross profit decreased to \$152.6 million in the third quarter of fiscal 2021 from \$171.5 million in the third quarter of fiscal 2020, a decrease of \$18.9 million, or 11.0%. Gross margin decreased 160 basis points to 39.8% in the third quarter of fiscal 2021 from 41.4% in the third quarter of fiscal 2020. The decrease in gross margin in the third quarter of fiscal 2021 is due to increased supply chain costs, primarily the result of higher import and trucking costs and, to a lesser extent, higher wage rates in the distribution centers, partially offset by an increased merchandise margin.

Selling, General and Administrative Expenses

SG&A increased to \$114.0 million in the third quarter of fiscal 2021 from \$105.8 million in the third quarter of fiscal 2020, an increase of \$8.2 million, or 7.8%, primarily driven by an increased number of stores and higher wage rates in select markets. As a percentage of net sales, SG&A increased 420 basis points to 29.7% in the third quarter of fiscal 2021 from 25.5% in the third quarter of fiscal 2020. The increase was primarily due to deleveraging as a result of the decrease in sales.

Included in SG&A in the third quarter of fiscal 2021 is \$0.3 million of income related to a gain from an insurance settlement. Excluding this gain, SG&A expenses increased 8.1% over third quarter of fiscal 2020 and as a percentage of net sales increased 430 basis points.

Pre-Opening Expenses

Pre-opening expenses for new stores decreased to \$3.3 million in the third quarter of fiscal 2021 from \$3.7 million in the third quarter of fiscal 2020 due to the comparative number and timing of new stores. We opened 18 new stores and temporarily closed one store in the third quarter of fiscal 2021. We opened 19 new stores, including one relocation, and re-opened one temporarily closed store in the third quarter of fiscal 2020. As a percentage of net sales, pre-opening expenses were 0.9% in both the third quarters of fiscal 2021 and fiscal 2020.

Income Tax Expense

Income tax expense totaled \$7.0 million and \$12.7 million in the third quarter of fiscal 2021 and the third quarter of fiscal 2020, respectively. The effective tax rates for the third quarters of fiscal 2021 and fiscal 2020 were 23.1% and 21.9%, respectively. The increased effective tax rate in the quarter was primarily due to a decrease in excess tax benefits related to stock-based compensation. Discrete tax benefits totaled \$1.0 million and \$2.0 million in the third quarter of fiscal 2021 and the third quarter of fiscal 2020, respectively.

Net Income

As a result of the foregoing, net income decreased to \$23.2 million in the third quarter of fiscal 2021 from \$45.2 million in the third quarter of fiscal 2020, a decrease of \$22.0 million or 48.7%.

Adjusted EBITDA

Adjusted EBITDA decreased to \$37.9 million in the third quarter of fiscal 2021 from \$65.3 million in the third quarter of fiscal 2020, a decrease of \$27.4 million, or 41.9%.

Thirty-nine Weeks 2021 Compared to Thirty-nine Weeks 2020

Net Sales

Net sales decreased to \$1.252 billion in the thirty-nine weeks ended October 30, 2021 from \$1.293 billion in the thirty-nine weeks ended October 31, 2020, a decrease of \$41.2 million, or 3.2%. The decrease was the result of a comparable store sales decrease of \$138.2 million and a non-comparable store sales increase of \$97.0 million. The increase in non-comparable store sales was driven by new store unit growth and strong new store performance.

Comparable store sales decreased 11.3% in the thirty-nine weeks ended October 30, 2021 compared with an 18.6% increase in the thirty-nine weeks ended October 31, 2020. The decrease in comparable store sales primarily consisted of a decrease in the number of transactions and, to a lesser extent, average transaction size. Sales in our health and beauty aids, housewares and bed and bath departments significantly decreased in the thirty-nine weeks ended October 30, 2021 due to a prior-year surge of COVID-related personal protective equipment, cleaning supplies and home-related sales.

In fiscal 2020, we benefited from increased consumer spending associated with federal economic stimulus funds for the COVID-19 pandemic and having our stores open while other competitors were closed for a portion of the period.

Gross Profit and Gross Margin

Gross profit decreased to \$498.2 million in the thirty-nine weeks ended October 30, 2021 from \$518.7 million in the thirty-nine weeks ended October 31, 2020, a decrease of \$20.5 million, or 4.0%. Gross margin decreased 30 basis points to 39.8% in the thirty-nine weeks ended October 30, 2021 from 40.1% in the thirty-nine weeks ended October 31, 2020. The decrease in gross margin in the thirty-nine weeks ended October 30, 2021 is due to increased supply chain costs, primarily the result of higher import and trucking costs, partially offset by improvement in the merchandise margin.

Selling, General and Administrative Expenses

SG&A increased to \$328.5 million in the thirty-nine weeks ended October 30, 2021 from \$304.7 million in the thirty-nine weeks ended October 31, 2020, an increase of \$23.8 million, or 7.8%, primarily driven by an increased number of stores and partially offset by tight expense controls throughout the organization. As a percentage of net sales, SG&A increased 260 basis points to 26.2% in the thirty-nine weeks ended October 30, 2021 from 23.6% in the thirty-nine weeks ended October 31, 2020. The increase was primarily due to a significant deleveraging as a result of the decrease in sales.

Included in SG&A in the thirty-nine weeks ended October 30, 2021 is \$0.3 million of income related to a gain from an insurance settlement. Excluding this gain, SG&A expenses increased 7.9% over the thirty-nine weeks ended October 31, 2020 and as a percentage of net sales increased 270 basis points.

Pre-Opening Expenses

Pre-opening expenses for new stores decreased to \$8.4 million in the thirty-nine weeks ended October 30, 2021 from \$8.9 million in the thirty-nine weeks ended October 31, 2020 due to the comparative number and timing of new stores. During the thirty-nine weeks ended October 30, 2021, we opened 41 stores, including two relocated stores, and temporarily closed one additional store. During the thirty-nine weeks ended October 31, 2020, we opened 42 stores, including one relocated store, and closed two additional stores. As a percentage of net sales, pre-opening expenses were 0.7% in both the thirty-nine weeks ended October 30, 2021 and October 31, 2020.

Income Tax Expense

Income tax expense in the thirty-nine weeks ended October 30, 2021 was \$34.3 million compared to income tax expense of \$15.0 million in the thirty-nine weeks ended October 31, 2020. The effective tax rates for the thirty-nine weeks ended October 30, 2021 and October 31, 2020 were 23.3% and 7.8%, respectively. The variance in the effective tax rates in the thirty-nine week periods was primarily due to a significant decrease in excess tax benefits related to stock-based compensation. The prior year effective tax rate was impacted by tax benefits due to the exercise of stock options by the estate of the Company's former chief executive officer. Discrete tax benefits totaled \$3.4 million and \$33.8 million in the thirty-nine weeks ended October 30, 2021 and the thirty-nine weeks ended October 31, 2020, respectively.

Net Income

As a result of the foregoing, net income decreased to \$112.7 million in the thirty-nine weeks ended October 30, 2021 from \$178.0 million in the thirty-nine weeks ended October 31, 2020, a decrease of \$65.3 million or 36.7%.

Adjusted EBITDA

Adjusted EBITDA decreased to \$171.2 million in the thirty-nine weeks ended October 30, 2021 from \$214.4 million in the thirty-nine weeks ended October 31, 2020, a decrease of \$43.2 million, or 20.1%.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash flows provided by operating activities and available borrowings under our revolving credit facility ("Revolving Credit Facility"). Our primary cash needs are for capital expenditures and working capital. As of October 30, 2021, we had \$86.4 million available to borrow under our Revolving Credit Facility and \$229.7 million of cash and cash equivalents on hand. For further information regarding our Revolving Credit Facility, see Note 6 under "Notes to Unaudited Condensed Consolidated Financial Statements."

Our capital expenditures are primarily related to new store openings, store resets, which consist of improvements to stores as they are needed, expenditures related to our distribution centers, and infrastructure-related investments, including investments related to upgrading and maintaining our information technology systems. We spent \$11.9 million and \$7.8 million for capital expenditures during the third quarters of fiscal 2021 and fiscal 2020, respectively. For the thirty-nine weeks ended October 30, 2021, we spent \$29.6 million for capital expenditures compared to \$25.9 million for the thirty-nine weeks ended October 31, 2020. We expect to fund capital expenditures from net cash provided by operating activities. We opened 41 new stores including two relocated stores, and temporarily closed one additional store due to weather-related events during the thirty-nine weeks ended October 30, 2021 and expect to open 46 stores during fiscal 2021. In fiscal 2022, we intend to expand our York, PA distribution center by 200,000 square feet. We have experienced, and may continue to experience, delays in construction and permitting of new stores and other projects due to COVID-19.

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

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

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.

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

Share Repurchase Program

On March 26, 2019, the Board of Directors of the Company authorized the repurchase of up to \$100.0 million of shares of our common stock. 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. The shares to be repurchased may be purchased from time to time in open market conditions (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 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 thirty-nine weeks ended October 30, 2021, we repurchased 2,679,507 shares of our common stock for \$200.0 million, inclusive of transaction costs, pursuant to our share repurchase program. We made no share repurchases during the thirty-nine weeks ended October 31, 2020. These expenditures were funded by cash generated from operations. As of October 30, 2021, we had \$33,000 remaining under our share repurchase authorization.

On November 30, 2021, the Board of Directors of the Company authorized an additional \$200.0 million to repurchase stock pursuant to the Company's share repurchase program, expiring on December 15, 2023, subject to extension or earlier termination by the Board of Directors at any time. 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:

	Thirty-nine weeks ended	
	October 30, 2021	October 31, 2020
	(in thousands)	
Net cash provided by operating activities	\$ 2,691	\$ 235,914
Net cash used in investing activities	(26,513)	(25,831)
Net cash (used in) provided by financing activities	(193,578)	25,492
Net (decrease) increase in cash and cash equivalents	<u>\$ (217,400)</u>	<u>\$ 235,575</u>

Cash Provided by Operating Activities

Net cash provided by operating activities was \$2.7 million for the thirty-nine weeks ended October 30, 2021 compared to \$235.9 million for the thirty-nine weeks ended October 31, 2020. The decrease in net cash provided by operating activities for the thirty-nine weeks ended October 30, 2021 was primarily due to increased working capital needs and a decrease in net sales.

Cash Used in Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended October 30, 2021 was \$26.5 million compared to net cash used in investing activities of \$25.8 million for the thirty-nine weeks ended October 31, 2020. The comparative increase in cash used in investing activities is primarily from an increase in cash used for capital expenditures, partially offset by the proceeds from sale of property and equipment in the current year.

Cash (Used in) Provided by Financing Activities

Net cash used in financing activities was \$193.6 million in the thirty-nine weeks ended October 30, 2021 as compared with net cash provided by financing activities of \$25.5 million in the thirty-nine weeks ended October 31, 2020. The net cash outflow in the thirty-nine weeks ended October 30, 2021 is due to payment for shares repurchased, partially offset by proceeds from stock option exercises.

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 October 30, 2021, we had no outstanding variable rate debt.

As of October 30, 2021, 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 thirteen weeks ended October 30, 2021 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

Risk factors that affect our business and financial results are discussed within Part 1, Item 1A of our 2020 Form 10-K. Except as set forth below, there have been no material changes to our risk factors as disclosed in the 2020 Form 10-K and in our subsequent filings with the SEC.

Vaccine mandates and other governmental regulations relating to the ongoing COVID-19 pandemic could have a material adverse impact on our business, financial conditions, results of operations, and prospects.

On November 4, 2021, the U.S. Department of Labor’s Occupational Safety and Health Administration issued an emergency temporary standard (“ETS”) regulation requiring all employers with at least 100 employees have their employees be vaccinated or tested weekly. At this time, it remains unclear whether the ETS will go into effect, and if it does, whether it will apply to all employees or only to employees who work in the office, as well as how compliance will be documented.

As a company with over 10,000 employees, it is anticipated that, should the ETS or similar regulations go into effect, we could be subject to COVID-19 vaccination and/or testing mandates. Should the mandates apply to us, we may be required to implement a requirement that all of our employees get vaccinated or be frequently tested, subject to limited exceptions. At this time, it is not possible to predict the impact that a vaccine and testing mandate, or a vaccine requirement should we adopt one, will have on us or on our workforce. Any vaccine requirement or vaccine mandate, if implemented, may result in disruptions to our retail store operations, distribution operations, employee attrition and increased labor costs, which could materially and adversely affect our business and results of operations.

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 the thirteen weeks ended October 30, 2021 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⁾
August 1, 2021 through August 28, 2021	311,078	\$ 79.53	311,078	\$ 140,001,083
August 29, 2021 through October 2, 2021	1,938,251	\$ 72.21	1,938,251	\$ 32,562
October 3, 2021 through October 30, 2021	—	—	—	\$ 32,562
Total	<u>2,249,329</u>		<u>2,249,329</u>	

(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. 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 October 30, 2021, the Company had \$33,000 remaining under its share repurchase program. On November 30, 2021, the Board of Directors authorized an additional \$200.0 million in the Company's share repurchase program; see further discussion in Note 10 "Subsequent Event" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. 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 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
*10.1	Employment Agreement, dated October 1, 2021, by and between Ollie's Bargain Outlet, Inc. and James Comitale.
*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.

† Previously filed.

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: December 7, 2021

/s/ Jay Stasz

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

**OLLIE’S BARGAIN OUTLET, INC.
6295 Allentown Boulevard — Suite A
Harrisburg, Pennsylvania 17112**

October 1, 2021

James Comitale
[REDACTED]

Dear Jim:

This letter (the “Agreement”) will set forth the terms of your employment with Ollie’s Bargain Outlet, Inc. (the “Company”), an indirect, wholly owned subsidiary of Ollie’s Bargain Outlet Holdings, Inc. (“OBO Holdings”).

WHEREAS the Company desires to employ you and you desire to be employed by the Company on the terms and conditions set forth in the Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the parties hereto agree as follows:

1. Effective Date; Term. Your employment hereunder shall commence effective upon October 18, 2021 (the “Effective Date”) and continue until terminated in accordance with Section 6 hereof. The period of your employment with the Company as set forth in this Section 1 is referred to herein as the “Term of Employment.”

2. Duties, etc. During the Term of Employment, you will be the Senior Vice President, General Counsel. In this capacity, you will perform the duties typically assigned to such a position, and shall report to the Senior Vice President, Chief Financial Officer. You will perform and discharge your duties and responsibilities faithfully, diligently and to the best of your ability. You will devote substantially all of your working time and efforts to the business and affairs of the Company Group (as defined in Section 6b, below); provided, however, that the foregoing shall not restrict your engaging in civic, charitable and personal investment activities which do not materially affect your availability to any member of the Company Group during working time.

3. Base Salary. As compensation for all services provided by you during the Term of Employment, and subject to your performance in accordance with the terms of this Agreement, the Company shall pay you a base salary at a rate of \$300,000 per annum (the per annum amount in effect from time to time being referred to herein as the "Base Salary"). All payments under this Section 3 will be made in accordance with the regular payroll practices of the Company. The amount of Base Salary shall be reevaluated annually by the Compensation Committee of the Board of Directors of OBO Holdings, or, if no such committee exists, the Board of Directors of OBO Holdings (the "Board"), with the input of the Chief Executive Officer of the Company; provided, that the Base Salary may not be reduced to an amount below \$300,000. Your Base Salary for 2021 will be pro-rated for the actual number of days you are employed in the calendar year 2021.

4. Performance Bonus. In addition to your Base Salary, you will be eligible for an annual bonus (the "Bonus") for each fiscal year during the Term of Employment. As indicated in the following table, with respect to each fiscal year during the Term of Employment, if Company EBITDA for such fiscal year: (a) equals the Target EBITDA for such fiscal year, your Bonus for such fiscal year shall be equal to 50% of your Base Salary, (b) is equal to or less than the Minimum EBITDA Threshold for such fiscal year, your Bonus for such fiscal year shall be \$0, (c) is equal to or greater than the Maximum EBITDA Threshold for such fiscal year, your Bonus for such fiscal year shall be 100% of your Base Salary, or (d) is greater than Target EBITDA but less than the Maximum EBITDA Threshold for such fiscal year, or is less than Target EBITDA but greater than the Minimum EBITDA Threshold for such fiscal year, your Bonus for such fiscal year shall be determined by interpolating on a straight line basis between the Bonus amounts set forth in the following table and the corresponding level of Company EBITDA.

Company EBITDA for fiscal year:	Bonus Amount
Equal to or greater than Maximum EBITDA Threshold	100% of Base Salary
Equal to Target EBITDA	50% of Base Salary
Equal to or less than Minimum EBITDA Threshold	\$0

You must be employed on the last day of any fiscal year and the day payments are made in order to be eligible for a Bonus for that fiscal year. The Bonus for each fiscal year shall be paid to you at the same time that other senior executives of the Company receive bonus payments, but in no event later than April 15 of the fiscal year following the fiscal year to which the Bonus relates.

For purposes of this Agreement:

“Company EBITDA” shall mean, with respect to a fiscal year of OBO Holdings, the sum of (without duplication): (a) Consolidated Net Income for such fiscal year and (b) to the extent Consolidated Net Income has been reduced thereby, (i) all income taxes of the Company Group recorded as a tax provision in accordance with GAAP for such period (other than income taxes attributable to items (a), (b), and (f) included in the definition of Consolidated Net Income), (ii) Consolidated Interest Expense, and (iii) Consolidated Non-Cash Charges, all as determined on a consolidated basis for the Company Group in accordance with GAAP, and (iv) any non-cash equity compensation expense and store closing costs. The components of Company EBITDA will be determined by the independent auditor of the Company Group in accordance with GAAP.

“Consolidated Interest Expense” shall mean, with respect to a fiscal year of OBO Holdings, the sum of (without duplication): (a) the aggregate of the interest expense of the Company Group for such fiscal year determined on a consolidated basis in accordance with GAAP and (b) the interest component of capitalized lease obligations accrued by the Company Group during such period as determined on a consolidated basis in accordance with GAAP, less (c) the amount of any interest income received by the Company Group during such fiscal period and (d) deferred financing costs and bank administration fees.

“Consolidated Net Income” shall mean, with respect to a fiscal year of OBO Holdings, the aggregate net income (or loss) of the Company Group for such fiscal year on a consolidated basis, determined in accordance with GAAP, which shall reflect the full charge resulting from the payment by the Company Group of any base salary, bonus compensation (including without limitation the Bonus) or other payment to any person pursuant to any employment agreement with any member of the Company Group; provided, that there shall be excluded from the calculation thereof: (a) after-tax gains and losses from asset sales or abandonments or reserves relating thereto, (b) after-tax items classified as extraordinary gains or losses, (c) the net income (or loss) of any subsidiary of OBO Holdings to the extent that the declaration of dividends or similar distributions by that subsidiary is restricted by a contract, operation of law or otherwise, (d) the net income (or loss) of any other person or entity, other than a subsidiary of OBO Holdings, except to the extent of cash dividends or distributions paid to the Company Group by such other person or entity, (e) in the case of a successor to any member of the Company Group by consolidation or merger or as a transferee of the assets of such member of the Company Group, any net income (or loss) of the successor corporation prior to such consolidation, merger or consolidation of assets, and (f) the after-tax impact of nonrecurring items of income and expense that are included in the determination of net income related to: (i) executive officer severance payments, (ii) discontinued operations, (iii) insurance losses and recoveries, (iv) write-up/write-down of assets related to acquisitions, (v) cumulative effects of accounting changes and (vi) securities registration expenses.

“Consolidated Non-Cash Charges” shall mean, with respect to a fiscal year of OBO Holdings, the aggregate depreciation and amortization of the Company Group reducing Consolidated Net Income of the Company for such fiscal year.

“GAAP” shall mean generally accepted accounting principles in the United States as in effect from time to time.

“Maximum EBITDA Threshold”, “Minimum EBITDA Threshold” and “Target EBITDA” shall mean, for any fiscal year of OBO Holdings, such amounts as shall be determined by the Compensation Committee of the Board, or, if no such committee exists, the Board; provided, that the Maximum EBITDA Threshold shall in no event be more than 15% higher than the Target EBITDA and the Minimum EBITDA Threshold shall in no event be more than 15% lower than the Target EBITDA; provided, further, that after setting the Maximum EBITDA Threshold, Minimum EBITDA Threshold and Target EBITDA for any fiscal year, the Compensation Committee of the Board, or, if no such committee exists, the Board may subsequently adjust such amounts in the event of any acquisition, disposition or other material transaction or event with respect to the Company Group with a view to maintaining the incentive nature of the Bonus.

5. Stock Options; Benefits.

(a) On or promptly following the Effective Date, you shall receive a Long-Term Incentive Grant with a value of \$375,000 which will be comprised of Restricted Stock Units (“RSUs”) and Non-Qualified Stock Options (“Options”). The RSUs and Options shall be issued pursuant to and shall be subject to the terms and conditions of, the OBO Holdings, Inc. 2015 Equity Incentive Plan and OBO Holdings, Inc. 2015 Equity Incentive Plan Nonqualified Stock Option Award Agreement. The Option Award Agreement includes a separate Restrictive Covenant Agreement that is attached to and made a part of the Agreement. Forms of both the Option Award Agreement and the Restricted Stock Unit Award Agreement are attached hereto as Exhibit A.

(b) You will be eligible to receive three weeks, or fifteen (15) days, of Paid Time Off (“PTO”) per year, pro-rated for partial years. Beginning with the first day following your 5th annual anniversary of employment with the Company, you will be eligible to receive twenty (20) days of PTO per year. In addition to any PTO to which you are entitled, you will, after six (6) months of continuous full-time employment, receive two (2) personal days to use as you see fit. You will be eligible to receive two (2) personal days in each succeeding year where you are employed by the Company. You will not be entitled to any cash, severance payment or other compensation for PTO of personal days not taken, and unused PTO may be carried over up to a maximum of five (5) days to succeeding years. You will be eligible to participate in, all benefit and welfare plans made generally available to senior management executives of the Company (including health, dental, vision, short and long term disability, life and AD&D, and business travel accident insurance plans), as in effect from time to time, all subject to plan terms and generally applicable Company policies. From the Effective Date through your Termination Date (as defined in Section 6), you will also be entitled to an annual automobile allowance in the amount of \$12,000 (the “Auto Allowance”). The Auto Allowance shall be pro-rated for the actual number of days you are employed in the calendar year 2021. You will be entitled to receive prompt reimbursement for all reasonable expenses incurred by you in performing services hereunder, including all expenses of travel while on business or at the request of and in the service of the Company; provided, that such expenses are incurred and accounted for in accordance with the policies and procedures reasonably established by the Company.

6. Termination of Employment; Severance Payments. You or the Company may terminate your employment at any time and for any reason by giving written notice to the other in accordance with the terms of this Agreement; provided, that (i) the Company shall provide you with at least thirty (30) days' prior written notice in the case of termination of your employment without Cause (as defined below), excluding a termination due to death or Disability (as defined below) and (ii) you shall provide the Company with at least thirty (30) days' prior written notice in the case of your termination of employment without Good Reason (as defined below). During the period following any notice of termination of employment through the Termination Date, the Company reserves the right to require you to not be in the Company's offices and/or not to undertake all or any of your duties or responsibilities, in each case, without such action constituting Good Reason. During any such period, you remain a service provider to the Company Group with all duties of fidelity and confidentiality to such persons and subject to all terms and conditions of your employment and should not be employed or engaged in any other business. The parties' rights and duties in the event of a termination of employment are as set forth below.

(a) If (x) the Company terminates your employment without Cause (but excluding any termination due to your death or Disability), or (y) you terminate your employment for Good Reason, the Company will, in lieu of any other payments or benefits hereunder or otherwise, (i) continue to pay your Base Salary for a period of twelve (12) months after the Termination Date (the "Severance Period"), and (ii) continue to provide life insurance benefits to the extent permitted under such plans until the earlier of (x) the end of the Severance Period and (y) the date you have commenced new employment; provided, that you make such affirmative and timely COBRA or other elections as are required for such benefits to continue; provided, further, that any such insurance continuation shall be treated as taxable compensation to you to the extent necessary to avoid adverse tax consequences on the Company or you resulting from the provision of tax free benefits to you. Any obligation of the Company to you under this paragraph is conditioned, however, upon your signing a release of claims in the form attached hereto as Exhibit B (as may be updated and revised by the Company from time to time to comply with applicable law or to otherwise achieve its intent, the "Release") within twenty-one (21) days following the Termination Date and upon you not revoking the Release within seven (7) days thereafter (such 28-day period, the "Release Effective Date"), and is further conditioned upon your continuing compliance with the provisions of Sections 7 and 8. The cash severance set forth in Section 6(a)(i) will be made in the form of salary continuation, and will begin at the Company's next regular payroll period following the Release Effective Date, but shall be retroactive to the Termination Date; provided, that if the date on which such salary continuation may commence can occur in your immediately subsequent taxable year assuming the Release Effective Date occurs, then payment shall commence in the immediately subsequent taxable year and otherwise in accordance with the terms of this Section 6(a). Notwithstanding anything to the contrary herein, in the event of a breach of Section 7 or Section 8, you shall have no right to receive (or continue to receive) any amounts under this paragraph, and the Company shall retain any and all rights to pursue other available remedies (whether at law or equity) for any such breach.

(b) If (x) the Company terminates your employment for Cause, (y) you terminate your employment without Good Reason, or (z) your employment terminates by reason of your death or Disability, the Company will, in lieu of any other payments or benefits hereunder or otherwise (including without limitation any severance payments), pay you any Base Salary earned but not paid through the Termination Date.

You hereby acknowledge and agree that, other than the payments described in this Section 6, upon the Termination Date you shall not be entitled to any other severance payments or benefits of any kind under any Company benefit plan or severance policy generally available to the Company's employees or otherwise. For purposes of this Agreement:

“Cause” shall mean (i) a material breach by you of any agreement between you on the one hand and any one or more members of the Company Group on the other hand (including, without limitation, agreements which may have other parties) or any written lawful policy of any member of the Company Group, including, without limitation, any breach by you of any restrictive covenants by which you are bound (including, without limitation, Sections 7 and 8 hereof), or the failure or refusal by you to substantially perform the duties required of you as an employee of the Company, (ii) misappropriation or theft of the funds or property of any member of the Company Group, (iii) your conviction of, or plea of guilty or nolo contendere to, any fraud, misappropriation, embezzlement or similar act, felony or crime involving dishonesty or moral turpitude, (iv) your commission of any act involving willful misconduct or gross negligence or your failure to act involving material nonfeasance, (v) your engaging in any act of dishonesty, violence or threat of violence (including any violation of federal securities laws) which is or could reasonably be expected to be injurious to the financial condition or business reputation of any member of the Company Group, (vi) a finding by the Board that you breached any of your fiduciary duties to any member of the Company group or any of their respective stockholders, or (vii) your habitual drunkenness or substance abuse which materially interferes with your ability to discharge your duties, responsibilities and obligations to any member of the Company Group.

“Company Group” shall mean OBO Holdings and its direct and indirect subsidiaries.

“Disability” shall mean any illness, injury, accident or condition of either a physical or psychological nature which, despite reasonable accommodations, results in your being unable to perform substantially all of the duties of your employment with the Company Group for a period of ninety (90) consecutive days or one hundred eighty (180) total days during any period of three hundred sixty-five (365) consecutive days.

“Good Reason” shall mean, without your consent, (i) the Company’s material violation of its obligations under this Agreement, (ii) a material reduction in your authority, compensation, perquisites, position, or responsibilities, other than any reduction in compensation or perquisites which affects all of the Company’s senior executives on a substantially equal or proportionate basis, or (iii) a relocation of the Company’s primary business location by more than 25 miles. In order to invoke a termination for “Good Reason,” you shall provide written notice to the Board of the existence of one or more of the conditions constituting “Good Reason” within thirty (30) days following the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting “Good Reason,” and the Company shall have thirty (30) days following receipt of such written notice (the “Cure Period”) during which it may cure the condition if such condition is subject to cure. In the event that the Company fails to remedy the condition constituting “Good Reason” during the applicable Cure Period, your resignation for Good Reason must occur, if at all, within thirty (30) days following the expiration of the Cure Period.

“Termination Date” shall mean the date your employment with the Company terminates, regardless of the reason. Upon termination of your employment by either you or the Company as provided herein, all rights, duties and obligations of you and the Company to each other pursuant to this Agreement shall cease, except as otherwise expressly provided in this Agreement (including, without limitation, Sections 4, 6, 7, 8, 9, 10, 12, 13, and 16 hereof).

7. Confidentiality; Proprietary Rights. Without the written consent of the Board, you will not during or after the Term of Employment: (a) disclose to any person or entity (other than any disclosure during the Term of Employment to a person or entity to which such disclosure is in your reasonable judgment necessary or appropriate in connection with the performance of your duties as an executive officer of any member of the Company Group), any confidential, proprietary or trade secret information obtained by you while in the employ of any member of the Company Group, or (b) use any such information to the detriment of any member of the Company Group; provided, however, that the restrictions in clause (a) of this sentence shall not apply to information that is generally known to the public other than as a result of unauthorized disclosure by you.

All inventions, developments, methods, processes and ideas conceived, developed or reduced to practice by you during your employment, and for six (6) months thereafter, which are directly or indirectly useful in, or relate to, the business of or products or services provided by or sold by any member of the Company Group shall be promptly and fully disclosed by you to an appropriate executive officer of the Company (accompanied by all papers, drawings, data and other materials relating thereto) and shall be the exclusive property of the Company (or another member of the Company Group specified by the Company). You will, upon the Company's request and at its expense (but without any additional compensation to you), execute all documents reasonably necessary to assign your right, title and interest in any such invention, development, method or idea (and to direct issuance to the Company (or another member of the Company Group specified by the Company) of all patents or copyrights with respect thereto).

8. Restricted Activities. You acknowledge that in your employment with the Company you will have access to confidential, proprietary and trade secret information which, if disclosed, would assist in competition against the Company Group and that you will also generate goodwill for the Company Group in the course of your employment. Therefore, you agree that the following restrictions on your activities during and after your employment are necessary to protect the goodwill, confidential information and other legitimate interests of the Company Group:

(a) During the Non-Competition Period (as defined below), neither you nor any of your affiliates will compete, or undertake any planning to compete, in any way (whether directly or indirectly as an officer, director, employee, owner, investor, joint venturer, independent contractor or otherwise) with the Company Group. Specifically, but without limiting the foregoing, you will not work or provide services, in any capacity, whether as an employee, independent contractor or otherwise, whether with or without compensation, to any person or entity who is engaged in any business that is competitive with the business of the Company Group, as conducted or in planning (i.e., the Company Group has taken material steps in implementing such plan) during your employment with the Company. A competitive business shall, without express or implied limitation, include any person or entity in the business of the retail sale, direct marketing or wholesale of off-price and closeout merchandise in any state where the Company Group does business or in any state contiguous to a state in which the Company Group does business. You understand and agree that ownership of less than 5% of the outstanding stock of any publicly traded corporation will not in and of itself be deemed to result in any competition with the Company Group. For purposes of this Agreement, "Non-Competition Period" shall mean the period during the Term of Employment and for one (1) year thereafter.

(b) During the Non-Competition Period, neither you nor any of your affiliates will recruit, offer employment to, employ, engage as a consultant or independent contractor, lure or entice away any person or entity who (i) is on or at any time after the date hereof, an employee of any member of the Company Group or providing services to any member of the Company Group as a consultant or independent contractor, or otherwise persuade any such person or entity to reduce or otherwise change the extent of such person's or entity's relationship with any member of the Company Group or (ii) was an employee of any member of the Company Group or providing services to any member of the Company Group as a consultant or independent contractor, in each case, at any time within twelve (12) months following the date of cessation of employment or services of such person or entity with the Company Group, or otherwise persuade any such person or entity during such twelve (12) month period to reduce or otherwise change the extent of such person's or entity's relationship with any member of the Company Group.

(c) During the Non-Competition Period, you shall not make any negative, disparaging, detrimental or derogatory remarks or statements (written, oral, telephonic, electronic, or by any other method) about the Company Group or any of its affiliates, owners, partners, managers, directors, officers, employees or agents, including, without limitation, any remarks or statements that would adversely affect in any manner (i) the conduct of the Company Group's business taken as a whole or (ii) the business reputation or relationships of the Company Group and/or any of its past or present officers, directors, agents, employees, attorneys, successors and assigns. Notwithstanding the foregoing, nothing in this Section 7(c) shall prevent you from making any truthful statement to the extent, but only to the extent required by law, legal process or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction over you.

In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under Section 7 and this Section 8. You agree that these restraints are necessary for the reasonable and proper protection of the Company Group and its affiliates, and are reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in Section 7 or this Section 8, the damage to the Company Group and its affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it (including without limitation the remedies as provided in Section 6), shall be entitled without posting bond to preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants. You further agree that, in the event that any provision of Section 7 or this Section 8 is determined to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's affiliates shall have the right to enforce all of your obligations under this Agreement, including without limitation pursuant to this Section 8.

9. 409A Compliance.

(a) The parties agree that this Agreement shall be interpreted to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations and guidance promulgated thereunder to the extent applicable (collectively “Code Section 409A”), and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. In no event whatsoever will any member of the Company Group, or any of their respective affiliates or any directors, officers, agents, attorneys, employees, executives, shareholders, members, managers, trustees, fiduciaries, representatives, principals, accountants, insurers, successors or assigns of such member of the Company Group or such affiliate be liable for any additional tax, interest or penalties that may be imposed on you under Code Section 409A or any damages for failing to comply with Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits considered “nonqualified deferred compensation” under Code Section 409A upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service.” If you are deemed on the Termination Date to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of your “separation from service” and (ii) the date of your death (the “Delay Period”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 9(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed on the first business day following the expiration of the Delay Period to you in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits, to be provided in any other taxable year; provided, that this clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect and (iii) such payments shall be made on or before the last day of your taxable year following the taxable year in which the expense occurred.

(d) For purposes of Code Section 409A, your right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within thirty (30) days following the Termination Date”), the actual date of payment within the specified period shall be within the sole discretion of the Company.

10. Miscellaneous. The headings in this Agreement are for convenience only and shall not affect the meaning hereof. This Agreement constitutes the entire agreement between the Company and you, and supersedes any prior communications, agreements, term sheets and understandings, written or oral, with respect to your employment and compensation and all matters pertaining thereto. If any provision in this Agreement should, for any reason, be held invalid or unenforceable in any respect, it shall be construed by limiting it so as to be enforceable to the maximum extent compatible with applicable law. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the Commonwealth of Pennsylvania without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

11. Acceptance. In accepting this offer, you represent that you have not relied on any agreement or representation, oral or written, express or implied, that is not set forth expressly in this Agreement.

12. Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state, and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. Notices. Any, demand, consent or approval permitted or required to be given under this Agreement shall be deemed duly made or given if it is in written form and delivered personally, by facsimile (with receipt confirmed), by prepaid, commercially recognized overnight carrier (with receipt confirmed), or by certified or registered mail, return receipt requested. Any party may change the address to which any notice, demand, consent or approval shall be sent by a notice in writing to the other party in accordance with the provisions hereof. All notices shall be addressed as follow:

If to you, to your last address on file in the records of the Company.

If to the Company:

Ollie's Bargain Outlet, Inc.
6295 Allentown Boulevard, Suite A
Harrisburg, PA 17112
Attention: General Counsel

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10163
Facsimile: (212) 310-8007
Attention: Faiza Rahman

14. Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original and such counterparts will, when executed by the parties hereto, together constitute but one agreement. Facsimile and electronic signatures shall be deemed to be the equivalent of manually signed originals.

15. Successors and Assigns. The provisions of this Agreement shall be binding on and shall inure to the benefit of the Company and its assigns, including any successor in interest to the Company who acquires all or substantially all of the Company's stock or assets. Neither this Agreement nor any of your rights, duties or obligations shall be assignable by you. All your rights under this Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, estates, executors, administrators, heirs and beneficiaries.

16. **No Waiver; Amendment.** No change or modification of this Agreement shall be valid unless the same shall be in writing and signed by all of the parties hereto. No waiver of any provisions of this Agreement shall be valid unless in writing and signed by the party charged with waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver, unless so provided in the waiver.

[Signature Page to Follow]

Very truly yours,

OLLIE'S BARGAIN OUTLET, INC.

By: /s/ Jay Stasz

Name: Jay Stasz

Title: SVP - CFO

Accepted and Agreed To:

/s/ James Comitale

Name: James Comitale

Form of OBO Holdings, Inc. 2015 Equity Incentive Plan and OBO Holdings Nonqualified Stock Option Award Agreement

Form of

Release of Claims

FOR AND IN CONSIDERATION OF the amounts to be provided to me in connection with the termination of my employment, as set forth in the agreement between me and Ollie's Bargain Outlet, Inc. (the "Company") dated as of May 3, 2021 ("Letter Agreement"), which are conditioned upon my signing this Release of Claims and to which I am not otherwise entitled, and for other good and valuable consideration, I, on my own behalf and on behalf of my heirs, executors, beneficiaries and personal representatives, and all others connected with me, hereby release and forever discharge the Company, its parents, subsidiaries and other affiliates and all of their respective past and present officers, directors, shareholders, employees, agents, general and limited partners, members, managers, joint venturers, representatives, successors and assigns, and all others connected with any of them, both individually and in their official capacities, from any and all causes of action, rights and claims, of any nature or type, known or unknown, which I have had in the past, now have, or might now have, through the date of my signing of this Release of Claims, including, but not limited to, any such causes of action, rights or claims in any way resulting from, arising out of or connected with my employment by, investment in, or other relationship with the Company or any of its affiliates or the termination of that employment, investment and/or relationship or pursuant to any federal, state or local law, regulation or other requirement (including without limitation Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the fair employment practices laws of the state or states in which I have provided services to the Company or its affiliates, each as amended from time to time).

In signing this Release of Claims, I acknowledge that I have had a reasonable amount of time to consider the terms of this Release of Claims and that I am signing this Release of Claims voluntarily and with a full understanding of its terms.

In signing this Release of Claims, I acknowledge my understanding that I may not sign it prior to the termination of my employment, but that I may consider the terms of this Release of Claims for up to twenty-one (21) days following the Termination Date (as defined in the Agreement). I also acknowledge that I am advised by the Company and its subsidiaries and other affiliates to seek the advice of an attorney prior to signing this Release of Claims; that I have had sufficient time to consider this Release of Claims and to consult with an attorney, if I wished to do so, or to consult with any other person of my choosing before signing; and that I am signing this Release of Claims voluntarily and with a full understanding of its terms.

I further acknowledge that, in signing this Release of Claims, I have not relied on any promises or representations, express or implied, that are not set forth expressly in the Letter Agreement. I understand that I may revoke this Release of Claims at any time within seven (7) days of the date of my signing by written notice to the Company in accordance with Section 12 of the Letter Agreement and that this Release of Claims will take effect only upon the expiration of such seven-day revocation period and only if I have not timely revoked it.

Intending to be legally bound, I have signed this Release of Claims under seal as of the date written below.

Signature: _____

Name (please
print): _____

Date
Signed: _____

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: December 7, 2021

/s/ John Swygert

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

CERTIFICATIONS

I, Jay Stasz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ollie's Bargain Outlet Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2021

/s/ Jay Stasz

Jay Stasz

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

**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 October 30, 2021, 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: December 7, 2021

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

**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 October 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay Stasz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2021

/s/ Jay Stasz

Jay Stasz

Chief Financial Officer
