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 31, 2015

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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of December 8, 2015 was 58,512,940.

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PART 1 – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	October 31, 2015	November 1, 2014	January 31, 2015
Assets			
Current assets:			
Cash	$ 3,960	$ 3,341	$ 21,952
Inventories	212,581	185,843	169,872
Accounts receivable	418	343	318
Deferred income taxes	4,559	3,166	4,166
Prepaid expenses and other assets	6,771	6,198	1,969
Total current assets	228,289	198,891	198,277
Property and equipment, net of accumulated depreciation of $25,924, $17,331 and $19,403, respectively	38,726	34,379	33,926
Goodwill	444,850	444,850	444,850
Trade name and other intangible assets, net of accumulated amortization of $1,196, $969 and $1,060, respectively	233,291	233,742	233,625
Other assets	5,185	6,841	6,453
Total assets	$ 950,341	$ 918,703	$ 917,131
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$ 3,367	$ 3,350	$ 7,794
Accounts payable	50,995	44,600	50,498
Income taxes payable	—	—	4,702
Accrued expenses	31,321	28,895	27,640
Total current liabilities	85,683	76,845	90,634
Revolving credit facility	18,054	22,667	—
Long-term debt	209,080	318,619	313,493
Deferred income taxes	91,673	93,782	93,256
Other long-term liabilities	4,099	2,872	2,913
Total liabilities	408,589	514,785	500,296
Stockholders' equity:			
Preferred stock - 50,000,000, 0 and 0 shares authorized, respectively, at $0.001 par value; no shares issued	—	—	—
Common stock:			
Class A – 0, 85,000,000 and 85,000,000 shares authorized, respectively, at $0.001 par value; 0, 48,203,515 and 48,203,515 shares issued, respectively	—	48	48
Class B – 0, 8,750,000 and 8,750,000 shares authorized, respectively, at $0.001 par value; no shares issued	—	—	—
Common stock - 500,000,000, 0 and 0 shares authorized, respectively, at $0.001 par value; 58,521,565, 0 and 0 shares issued, respectively	59	—	—
Additional paid-in capital	532,182	392,169	393,078
Retained earnings	9,597	11,730	23,738
Treasury - common stock, at cost; 8,625, 2,875 and 2,875 shares, respectively	(86)	(29)	(29)
Total stockholders' equity	541,752	403,918	416,835
Total liabilities and stockholders' equity	$ 950,341	$ 918,703	$ 917,131

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

(In thousands, except share and per share amounts)

(Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Net sales	$ 174,565	$ 150,005	$ 518,968	$ 437,310
Cost of sales	104,641	90,410	314,943	263,108
Gross profit	69,924	59,595	204,025	174,202
Selling, general and administrative expenses	51,796	44,063	147,242	126,066
Depreciation and amortization expenses	1,810	1,773	5,265	5,291
Pre-opening expenses	2,380	1,132	5,252	4,186
Operating income	13,938	12,627	46,266	38,659
Interest expense, net	3,289	4,754	12,286	13,796
Loss on extinguishment of debt	—	—	2,351	671
Income before income taxes	10,649	7,873	31,629	24,192
Income tax expense	3,887	3,022	11,854	9,285
Net income	$ 6,762	$ 4,851	$ 19,775	$ 14,907
Earnings per common share:				
Basic	$ 0.12	$ 0.10	$ 0.38	$ 0.31
Diluted	$ 0.11	$ 0.10	$ 0.37	$ 0.31
Weighted-average common shares outstanding:				
Basic	58,478,249	48,202,093	52,258,973	48,203,041
Diluted	60,703,586	48,839,990	54,101,964	48,415,673

See accompanying notes to the condensed consolidated financial statements.

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OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

(In thousands, except share and per share amounts)

(Unaudited)

	Common stock – Class A		Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of February 1, 2014	48,203,515	$ 48	—	$ —	—	$ —	$423,668	$ 20,423	$ 444,139
Dividend paid ($1.20 per share)	—	—	—	—	—	—	(34,351)	(23,600)	(57,951)
Stock-based compensation expense	—	—	—	—	—	—	2,852	—	2,852
Purchase of treasury stock	—	—	—	—	(2,875)	(29)	—	—	(29)
Net income	—	—	—	—	—	—	—	14,907	14,907
Balance as of November 1, 2014	48,203,515	$ 48	—	$ —	(2,875)	$ (29)	$392,169	$ 11,730	$ 403,918
Balance as of January 31, 2015	48,203,515	$ 48	—	$ —	(2,875)	$ (29)	$393,078	$ 23,738	$ 416,835
Purchase of treasury stock	—	—	—	—	(5,750)	(57)	—	—	(57)
Proceeds from stock options exercised	4,600	—	49,700	1	—	—	356		357
Excess tax benefit related to exercises of stock options	—	—	—	—	—	—	217		217
Conversion of Class A and Class B common stock to a single class of common stock	(48,208,115)	(48)	48,208,115	48			—	—	—
Proceeds from issuance of common stock, net of expenses	—	—	10,263,750	10	—	—	149,796		149,806
Dividend paid ($1.01 per share)	—	—	—	—	—	—	(14,932)	(33,916)	(48,848)
Stock-based compensation expense	—	—	—	—	—	—	3,667	—	3,667
Net income	—	—	—	—	—	—	—	19,775	19,775
Balance as of October 31, 2015	—	$ —	58,521,565	$ 59	(8,625)	$ (86)	$532,182	$ 9,597	$ 541,752

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 31, 2015	November 1, 2014
Cash flows from operating activities:		
Net income	$ 19,775	$ 14,907
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of property and equipment	6,567	5,926
Amortization of debt issuance costs	1,041	1,093
Amortization of original issue discount	365	425
Loss on extinguishment of debt	2,351	671
Amortization of intangibles	334	617
Gain on disposal of assets	—	(28)
Deferred income tax benefit	(1,976)	(1,893)
Deferred rent expense	1,540	920
Stock-based compensation expense	3,667	2,852
Changes in operating assets and liabilities:		
Inventories	(42,709)	(39,625)
Accounts receivable	(100)	(4)
Prepaid expenses and other assets	(4,401)	(452)
Accounts payable	93	6,975
Income taxes payable	(5,257)	(7,599)
Accrued expenses and other liabilities	3,327	3,017
Net cash used in operating activities	(15,383)	(12,198)
Cash flows from investing activities:		
Purchases of property and equipment	(10,917)	(12,124)
Proceeds from sale of property and equipment	23	43
Net cash used in investing activities	(10,894)	(12,081)
Cash flows from financing activities:		
Borrowings on revolving credit facility	444,791	482,464
Repayments on revolving credit facility	(426,737)	(459,797)
Borrowings on term loan	—	59,592
Repayments on term loan	(110,092)	(6,776)
Proceeds from issuance of common stock, net of expenses	149,806	—
Proceeds from stock option exercise	357	—
Excess tax benefit related to exercises of stock options	217	—
Payment of debt issuance costs	(1,152)	(2,049)
Payment of dividend	(48,848)	(57,951)
Purchase of treasury stock	(57)	(29)
Net cash provided by financing activities	8,285	15,454
Net decrease in cash	(17,992)	(8,825)
Cash at the beginning of the period	21,952	12,166
Cash at the end of the period	$ 3,960	$ 3,341
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 10,800	$ 11,978
Income taxes	$ 18,882	$ 18,755

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and November 1, 2014

(Unaudited)

(1) Organization and Summary of Significant Accounting Policies

(a) Description of Business

Ollie's Bargain Outlet Holdings, Inc., operates through its sole operating subsidiary, Ollie's Bargain Outlet, Inc., a chain of retail stores which offer brand name products at deeply discounted and closeout prices across a broad selection of product categories. Ollie's Bargain Outlet Holdings, Inc. together with its subsidiaries will be referenced herein as the Company or Ollie's. Ollie's principally buys overproduced, overstocked, and closeout merchandise from manufacturers, wholesalers, and other retailers. In addition, the Company augments brand name closeout deals with directly sourced private label products featuring names exclusive to Ollie's in order to provide consistent assortment of value-priced goods in select key merchandise categories.

Since the first store opened in 1982, the Company has grown to 200 retail locations as of October 31, 2015 compared to 173 locations as of November 1, 2014. Ollie's Bargain Outlet retail locations are located in 17 states (Alabama, Connecticut, Delaware, Georgia, Indiana, Kentucky, Maryland, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia).

(b) Fiscal Year

Ollie's follows a 52/53-week fiscal year, which ends on the Saturday nearest to January 31st. References to the fiscal year ended January 31, 2015 refer to the period from February 2, 2014 to January 31, 2015. The fiscal quarters ended October 31, 2015 and November 1, 2014 refer to the thirteen weeks from August 2, 2015 to October 31, 2015 and from August 3, 2014 to November 1, 2014, respectively. The year-to-date periods ended October 31, 2015 and November 1, 2014 refer to the thirty-nine weeks from February 1, 2015 to October 31, 2015 and from February 2, 2014 to November 1, 2014, respectively.

(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 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 financial condition, results of operations, and cash flows for all periods presented. The condensed consolidated balance sheets as of October 31, 2015 and November 1, 2014, the condensed consolidated statements of income for the thirteen weeks and thirty-nine weeks ended October 31, 2015 and November 1, 2014, and the condensed consolidated statements of stockholders' equity and cash flows for the thirty-nine weeks ended October 31, 2015 and November 1, 2014 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 the year ending January 30, 2016 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and November 1, 2014

(Unaudited)

The Company's balance sheet as of January 31, 2015, presented herein, has been derived from the audited balance sheet included in the Company's prospectus, dated July 15, 2015 related to the Company's initial public offering ("IPO") and filed with the Securities and Exchange Commission ("SEC") pursuant to Rule 424(b) under the Securities Act of 1933, and referred to herein as the "Prospectus," but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for the fiscal year ended January 31, 2015 and footnotes thereto included in the Prospectus.

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

(d) Use of Estimates

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

(e) Fair Value Disclosures

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

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

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

(f) Supplemental Cash Flow Information

As of October 31, 2015 and November 1, 2014, capital expenditures of $0.8 million and $0.5 million, respectively, had been incurred but not yet paid in cash and, accordingly, were accrued in accounts payable and accrued expenses.

(g) Stock Split

On June 17, 2015, the Company effected a stock split of the Company's common stock at a ratio of 115 shares for every share previously held. All common stock share and common stock per share amounts for all periods presented in these financial statements have been adjusted retroactively to reflect the stock split.

(h) Initial Public Offering

On July 15, 2015, the Company priced its initial public offering of 8,925,000 shares of its common stock. In addition, on July 17, 2015, the underwriters of the IPO exercised their option to purchase an additional 1,338,750 shares of common stock from the Company. As a result, 10,263,750 shares of common stock were issued and sold by the Company at a price of $16.00 per share.

As a result of the IPO, the Company received net proceeds of $153.1 million, after deducting the underwriting fees of $11.1 million. The Company used the net proceeds from the IPO to pay off outstanding borrowings under the Revolving Credit Facility and a portion of the outstanding principal balance of the Term Loan. See Note 4, "Debt Obligations and Financing Arrangements."

Immediately prior to the IPO, the Company amended and restated its certificate of incorporation to reflect the conversion of all Class B common stock to Class A common stock. In addition, all shares of Class A common stock were recapitalized into a single class of common stock. As part of the IPO, the Company increased its authorized common stock shares to 500,000,000 at $0.001 par value per share and authorized 50,000,000 shares of preferred stock at $0.001 par value per share.

(i) Goodwill/intangible assets

The Company amortizes intangible assets over their useful lives unless it determines such lives to be indefinite. Goodwill and intangible assets having indefinite useful lives are not amortized to earnings, but instead are subject to annual impairment testing or more frequently if events or circumstances indicate that the value of goodwill or intangible assets having indefinite useful lives might be impaired.

Entities have an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative test. The goodwill quantitative impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. If an entity believes, as a result of its qualitative assessment, that it is more-likely than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The Company has selected the fiscal month ending date of October as the annual impairment testing date. As of October 31, 2015 and November 1, 2014, the Company completed a qualitative impairment test. Based upon the results of the qualitative tests, no impairment of goodwill existed.

The Company is also required to perform impairment tests annually or more frequently if events or circumstances indicate that the value of its non-amortizing intangible assets might be impaired. The Company's non-amortizing intangible assets as of October 31, 2015 and November 1, 2014 consisted of a tradename. Entities have an option to perform a qualitative assessment to determine whether further impairment testing of non-amortizing intangible assets is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative test. The Company performs the quantitative impairment test using the discounted cash flow method based on management's projections to determine the fair value of the asset. The carrying amount of the asset is then compared to the fair value. If the carrying amount is greater than fair value, an impairment loss is recorded for the amount that fair value is less than the carrying amount. If an entity believes, as a result of its qualitative assessment, that it is more-likely than-not that the fair value is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. As of October 31, 2015 and November 1, 2014, the Company completed a qualitative impairment test. Based upon the results of the qualitative tests, no impairment of the tradename existed.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and November 1, 2014

(Unaudited)

(j) Recently Issued Accounting Pronouncements

Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date which defers the effective date for ASU 2014-09 by one year to January 1, 2018; however, public business entities would be permitted to adopt the standard as of the original effective date. The Company has not selected a transition method and is currently evaluating the impact this guidance will have on the consolidated balance sheet, results of operations and cash flows.

Deferred Taxes

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. This update requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified balance sheet. ASU 2015-17 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early application is permitted as of the beginning of the interim or annual reporting period. The Company is currently reviewing the revised guidance and assessing the potential impact on its consolidated financial statements.

(2) 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.

OLLIE’S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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(Unaudited)

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Net income	$ 6,762	$ 4,851	$ 19,775	$ 14,907
Weighted average number of common shares outstanding – Basic	58,478,249	48,202,093	52,258,973	48,203,041
Incremental shares from the assumed exercise of outstanding stock options	2,225,337	637,897	1,842,991	212,632
Weighted average number of common shares outstanding - Diluted	60,703,586	48,839,990	54,101,964	48,415,673
Earnings per common share – Basic	$ 0.12	$ 0.10	$ 0.38	$ 0.31
Earnings per common share - Diluted	$ 0.11	$ 0.10	$ 0.37	$ 0.31

Weighted average stock option shares totaling 578,890 and 459,431 for the thirteen weeks ended October 31, 2015 and November 1, 2014, respectively, and 661,314 and 3,920,333 for the thirty-nine weeks ended October 31, 2015 and November 1, 2014, respectively were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

(3) Accrued Expenses

Accrued expenses consists of the following (in thousands):

	October 31, 2015	November 1, 2014	January 31, 2015
Accrued compensation and benefits	$ 9,350	$ 7,450	$ 8,307
Sales and use taxes	2,538	1,970	1,273
Accrued real estate related	2,271	1,495	1,631
Accrued insurance	3,091	2,156	2,134
Accrued advertising	2,811	2,289	3,421
Accrued interest	259	3,964	178
Accrued freight	3,428	3,551	2,766
Other	7,573	6,020	7,930
	$ 31,321	$ 28,895	$ 27,640

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and November 1, 2014

(Unaudited)

(4) Debt Obligations and Financing Arrangements

Long-term debt consists of the following (in thousands):

	October 31, 2015	November 1, 2014	January 31, 2015
Term loan	$ 212,377	$ 321,969	$ 321,287
Capital leases	70	—	—
Total debt	212,447	321,969	321,287
Less: current portion	(3,367)	(3,350)	(7,794)
Long-term debt	$ 209,080	$ 318,619	$ 313,493

The Company has two credit agreements in place including a Term Loan and a Revolving Credit Facility. As of October 31, 2015, November 1, 2014, and January 31, 2015 the amounts outstanding under the Term Loan, are net of unamortized original issue discount of $1.6 million, $2.9 million and $2.8 million, respectively.

The variable methods of determining interest rates for the Term Loan, calculated as the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, the Eurodollar Rate plus 1.00%, or 2.00%; plus the Applicable Margin. The Term Loan also allows for Eurodollar Loans with a floor of 1.00%, plus the Applicable Margin. The Applicable Margin is 2.75% for a Base Rate Loan and 3.75% for a Eurodollar Loan. As of October 31, 2015 and November 1, 2014, the interest rate on outstanding borrowings under the Term Loan was 4.75%.

On April 11, 2014, the Company entered into a Second Amendment to the Term Loan which allowed the Company to borrow an additional principal amount of $60.0 million. The primary purpose of the additional term loan borrowing was to distribute $58.0 million as a cash dividend to common shareholders as consented by the original Term Loan lenders. The total dividend amount was recorded as a reduction of retained earnings of $23.6 million to reduce the retained earnings balance as of the dividend date to zero and the additional $34.4 million was recorded as a reduction of additional paid-in capital. The proceeds received were net of $2.0 million, of which $1.3 million was recognized as deferred financing fees, $0.4 million was recorded as additional original issue discount, and $0.3 million was recognized as selling, general and administrative expenses. In connection with this amendment, $0.4 million of debt issuance cost and $0.2 million of original issue discount were accelerated on the date of the amendment and included within the loss on the extinguishment of debt.

On May 27, 2015, the Company amended the Term Loan and Revolving Credit Facility to, among other things, increase the size of the Revolving Credit Facility from $75.0 million to $125.0 million and to permit a dividend to holders of the Company's outstanding common stock. On May 27, 2015, the Company borrowed $50.0 million under the Revolving Credit Facility and the proceeds were used to pay an aggregate cash dividend of $48.8 million to holders of outstanding common stock. The total dividend amount was recorded as a reduction of retained earnings of $33.9 million to reduce the retained earnings balance as of the dividend date to zero and the additional $14.9 million was recorded as a reduction of additional paid-in capital.

In July 2015, the Company repaid $50.0 million on the Revolving Credit Facility and $103.1 million of principal on the Term Loan using proceeds from the IPO. In connection with this repayment, $1.5 million of debt issuance costs and $0.8 million of original issue discount were written off and included in the loss on extinguishment of debt.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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(Unaudited)

Under the terms of the Revolving Credit Facility, as of October 31, 2015 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 our eligible inventory, as defined, up to $125.0 million. The Revolving Credit Facility includes a $25.0 million sub-facility for letters of credit and a $20.0 million swingline loan facility. The Revolving Credit Facility includes variable methods of determining interest rates, calculated as the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, or the Eurodollar Rate plus 1.00%; plus Applicable Margin (which could range from 0.75% to 1.25%). Under the terms of the Revolving Credit Facility, the Applicable Margin may fluctuate subject to periodic measurements of average availability, as defined. The Revolving Credit Facility also allows for Eurodollar Loans comprised of the Eurodollar Base Rate plus Applicable Margin (which could range from 1.75% to 2.25%).

As of October 31, 2015, Ollie's had $18.1 million of outstanding borrowings under the Revolving Credit Facility, with $103.4 million of borrowing availability, letter of credit commitments of $3.3 million and $0.2 million of rent reserves. The interest rate applicable to the outstanding borrowings as of October 31, 2015 is 4.00%. The Revolving Credit Facility also contains a variable unused line fee ranging from 0.250% to 0.375% per annum.

The Revolving Credit Facility and Term Loan are collateralized by the Company's assets and equity and contain financial covenants, as well as certain business covenants, including restrictions on dividend payments, which the Company must comply with during the term of the agreements. The Company was in compliance with all terms of the agreements during and as of the thirty-nine weeks ended October 31, 2015 and November 1, 2014.

(5) 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 31, 2015 were 36.5% and 37.5%, respectively. The effective tax rates for the thirteen weeks and thirty-nine weeks ended November 1, 2014 was 38.4%. The effective tax rate for the thirteen weeks and thirty-nine weeks ended October 31, 2015 were lower than the prior year effective tax rates primarily as a result of a discrete tax benefit related to the impact from the finalization of employment-based tax credits associated with fiscal 2014 and the impact from a slight reduction in the projected state effective rate associated with the net deferred income tax liabilities.

(6) Commitments and Contingencies

During the thirty-nine weeks ended October 31, 2015, 27 new store leases commenced. The fully executed leases have initial terms typically between five to seven years with options to renew for two or three successive five-year periods. The initial terms of these new store leases have future minimum lease payments totaling approximately $30.6 million.

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 that we are party to. 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.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and November 1, 2014

(Unaudited)

(7) 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 IPO, no additional equity grants will be made under the 2012 Plan.

In connection with the IPO, 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. The exercise price for stock options is determined at the fair value on 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. The Company uses authorized and unissued shares to satisfy share award exercises. As of October 31, 2015, there were 4,681,800 shares available for grant under the 2015 Plan.

A summary of the Company's stock option activity and related information for the thirty-nine weeks ended October 31, 2015, is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at January 31, 2015	6,010,475	$ 6.66	
Granted	1,353,500	13.47	
Forfeited	(43,550)	6.81	
Exercised	(54,300)	6.57	
Outstanding at October 31, 2015	7,266,125	7.93	7.6
Exercisable at October 31, 2015	3,144,525	6.54	7.0

Pursuant to the anti-dilutive clause in the 2012 Plan, the option exercise price for all options issued prior to the May 27, 2015 dividend were reduced. The exercise prices in the above table have been adjusted retroactively to reflect the reductions.

The compensation cost which has been recorded within selling, general and administrative expenses for the Company's equity incentive plans was $1.4 million and $3.7 million for the thirteen and thirty-nine weeks ended October 31, 2015, respectively and $1.0 million and $2.9 million for the thirteen weeks and thirty-nine weeks ended November 1, 2014, respectively.

As of October 31, 2015, there was $14.9 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 3.1 years as of October 31, 2015. Awards with graded vesting are recognized using the straight-line method.

Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions, including the fair value of the Company's common stock and for stock options, the expected life of the option and expected stock price volatility. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," as the Company has no 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 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.

The weighted average grant date fair value per option for options granted during the thirty-nine weeks ended October 31, 2015 and November 1, 2014 was $5.03 and $3.52, 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 31, 2015	**November 1, 2014**
Risk-free interest rate	1.99%	2.08%
Expected dividend yield	—	—
Expected term (years)	6.4 years	6.5 years
Expected volatility	31.67%	32.50%

(8) Transactions with Related Parties

The Company has entered into five non-cancelable operating leases with related parties for office and store locations. Ollie's has made $0.9 million in rent payments to such related parties during the thirty-nine weeks ended October 31, 2015 and during the thirty-nine weeks ended November 1, 2014.

During the thirty-nine weeks ended October 31, 2015 and November 1, 2014, the Company paid $0.1 million for the use of an airplane owned by a related party.

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 final prospectus filed with the Securities and Exchange Commission, or SEC, on July 15, 2015. As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "Company", "Ollie's", "we", "our" and "us" refer to Ollie's Bargain Outlet Holdings, Inc.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2015" or "fiscal 2015" refer to the period from February 1, 2015 to January 30, 2016 and consists of a 52-week fiscal year. References to "fiscal year 2014" or "fiscal 2014" refer to the period from February 2, 2014 to January 31, 2015 and consists of a 52-week fiscal year. The fiscal quarters or "third quarter" ended October 31, 2015 and November 1, 2014 refer to the thirteen weeks from August 2, 2015 to October 31, 2015 and from August 3, 2014 to November 1, 2014, respectively. The year-to-date periods ended October 31, 2015 and November 1, 2014 refer to the thirty-nine weeks from February 1, 2015 to October 31, 2015 and February 2, 2014 to November 1, 2014, 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 Statement 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, or by the inclusion of forecasts or projections, the outlook for the Company's future business, prospects, financial performance, industry outlook, our 2015 business outlook and financial guidance. 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 and the following: our failure to adequately manage our inventory or anticipate consumer demand; changes in consumer confidence and spending; risks associated with intense competition; our failure to open new profitable stores, or successfully enter new markets, on a timely basis or at all; our ability to manage our inventory balances; our failure to hire and retain key personnel and other qualified personnel; our inability to obtain favorable lease terms for our properties; the loss of, or disruption 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; our inability to successfully implement our marketing, advertising and promotional efforts; the seasonal nature of our business; the risks associated with doing business with international manufacturers; changes in government regulations, procedures and requirements; and our ability to service our indebtedness and to comply with our financial covenants together with the other factors set forth under "Item 1A—Risk Factors" in our filings with the United States Securities and Exchange Commission ("SEC"), including our prospectus. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which it 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. Ollie's undertakes 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.

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 "Good Stuff Cheap®" we offer customers a broad selection of brand name products, including housewares, food, books and stationery, bed and bath, floor coverings, 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.

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. In 2003, Mark Butler, our co-founder, assumed his current role as President and Chief Executive Officer. Under Mr. Butler's leadership, we expanded from 28 stores located in three states at the end of fiscal year 2003 to 200 stores located in 17 states as of October 31, 2015.

Our stores are supported by two distribution centers, one in York, PA and one in Commerce, GA, which we believe can support between 375 to 400 stores. We have invested in our associates, infrastructure, distribution network and information systems to allow us to continue to rapidly grow our store footprint, including:

- growing our merchant buying team to increase our access to brand name/closeout merchandise;
- adding members to our senior management team;
- opening two new distribution centers since 2011 with a total capacity of approximately 1.6 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.

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 $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 stores sales of $3.7 million and an expected cash-on-cash return of approximately 55% in the first 12 months of operations and payback of approximately two years.

While we are focused on driving comparable store sales and managing our expenses, our revenue and profitability growth will primarily come from opening new stores. The core elements of our business model are procuring great deals, offering extreme values to our customers and creating consistent, predictable store growth and margins. In addition, our new stores generally open strong, immediately contributing to the growth in net sales and profitability of our business. We plan to achieve continued net sales growth, including comparable stores sales, by adding additional 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 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, 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, selling, general and administrative expenses, 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 make initial capital investments in fixtures, equipment and inventory, which we amortize over time, and we incur pre-opening expenses described below under "Pre-Opening Expenses."

We expect to open 28 new stores and close one store in fiscal year 2015, of which we opened 25 stores and closed one store in the thirty-nine weeks ended October 31, 2015. We expect new store growth to be the primary driver of our sales growth. Our initial lease terms are typically between five to seven years with options to renew for two or three 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

Net sales constitute gross sales net of returns and sales tax. Net sales consist of sales from comparable stores and non-comparable stores, described below under "Comparable Store Sales." Growth of our net sales is primarily driven by expansion of our store base in existing and new markets. As we continue to grow, we believe we will have greater access to brand name and closeout merchandise and an increased deal selection, resulting in more potential offerings for our customers. Net sales are impacted by product mix, merchandise mix and availability, as well as promotional activities and the spending habits of our customers. Our broad selection of offerings across diverse product categories supports growth in net sales by attracting new customers, which results in higher spending levels and frequency of shopping visits from our customers, including Ollie's Army members.

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

Comparable Store Sales

Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. Comparable store sales consists of net sales from our stores beginning on the first day of the sixteenth full fiscal month following the store's opening, which is when we believe comparability is achieved. Comparable store sales are impacted by the same factors that impact net sales. As of October 31, 2015 and November 1, 2014, there were 165 and 141 stores, respectively, in our comparable store base. For the thirteen weeks ended October 31, 2015 and November 1, 2014 our comparable stores generated average net sales per store of $ 0.9 million and Store Level Adjusted EBTIDA margin of 14.5% and 14.1%, respectively. For the thirty-nine weeks ended October 31, 2015 and November 1, 2014 our comparable stores generated average net sales per store of $2.8 million and $2.7 million, respectively, and Store Level Adjusted EBTIDA margin of 15.0% and 14.8%, respectively.

We define comparable stores to be stores:

- that have been remodeled while remaining open;
- that are closed for five or fewer days in any fiscal month;
- that are closed temporarily and relocated within their respective trade areas; and
- that 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, transportation costs, inventory markdowns, shrink, and certain distribution, warehousing and storage costs, including depreciation. Gross margin is gross profit as a percentage of our net sales. Gross margin is a measure used by management to indicate whether we are selling merchandise at an appropriate gross profit.

In addition, our gross profit margin are 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 profit as a percentage of sales. Specifically, our product margin and merchandise mix is reviewed by our merchant team and senior management, ensuring strict adherence to internal margin goals. Our disciplined buying approach has produced consistent gross margins and we believe helps to mitigate adverse impacts on gross profit and results of operation.

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses are comprised of payroll and benefits for store, field support and support center associates. Selling, general and administrative expenses also include marketing and advertising, occupancy, utilities, supplies, credit card processing fees, insurance and professional services. The components of our selling, general and administrative expense remain relatively consistent per store and for each new store opening. Consolidated selling, general and administrative expenses 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 selling, general and administrative expenses as a percentage of net sales.

The components of our selling, general and administrative expenses may not be comparable to the components of similar measures of other retailers. We expect that our selling, general and administrative expenses will increase in future periods with future growth and in part due to additional legal, accounting, insurance, and other expenses as a result of being a public company, including compliance with the Sarbanes-Oxley Act and related rules and regulations.

Pre-Opening Expenses

Pre-opening expenses consist of expenses of opening new stores and distribution centers. For 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 distribution centers, pre-opening expenses primarily include inventory transportation costs, employee travel expenses and occupancy costs.

Operating Income

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

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are key metrics used by management and our Board to assess our financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use Adjusted EBITDA to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to evaluate our performance in connection with compensation decisions and to compare our performance against that of other peer companies using similar measures.

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

Factors Affecting the Comparability of our Results of Operations

Our results over the past two years have been affected by the following events, 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.

Financing Transactions and Payments to Stockholders

On February 26, 2013, the credit agreements governing our Senior Secured Credit Facilities were amended to reduce the interest rate margin applicable to borrowings under the Term Loan Facility, to provide for additional loans under the Term Loan Facility in an aggregate principal amount of $50.0 million and to permit a share repurchase. We used the proceeds of the additional Term Loan Facility borrowings to repurchase shares of Class A Common Stock from affiliates of CCMP Capital Advisors, LLC ("CCMP"), our majority stockholder, for an aggregate purchase price of $46.2 million. We incurred various arrangement fees and legal fees totaling $1.6 million in connection with this amendment, of which $1.1 million was recorded as deferred financing fees and $0.5 million was recognized as selling, general and administrative expense on the date of the amendment. In connection with this amendment, $1.1 million of debt issuance cost and $0.4 million of original issue discount was accelerated on the date of the amendment and included within loss on extinguishment of debt.

On April 11, 2014, we entered into a Second Amendment to the Term Loan Facility, which allowed additional borrowings in an aggregate principal amount of $60.0 million. The primary purpose of the additional Term Loan Facility borrowing was to distribute $58.0 million as a special cash dividend to common stockholders as consented by the original Term Loan Facility lenders. The proceeds received were net of $2.0 million in fees, of which $1.3 million was recognized as deferred financing fees, $0.4 million was recorded as additional original issue discount, and $0.3 million was recognized as selling, general and administrative expenses. In connection with this amendment, $0.4 million of debt issuance cost and $0.2 million of original issue discount were accelerated on the date of the amendment and included within loss on extinguishment of debt.

On May 27, 2015 we amended the credit agreements governing our Senior Secured Credit Facilities to, among other things, increase the size of the Revolving Credit Facility from $75.0 million to $125.0 million and to permit a dividend to holders of our outstanding common stock. We also drew $50.0 million of borrowings on the Revolving Credit Facility, the proceeds of which were used to pay an aggregate cash dividend of $48.8 million to holders of our common stock.

On July 15, 2015, we priced our initial public offering (“IPO”) of 8,925,000 shares of our common stock. As a result of the IPO, we received net proceeds of $153.1 million, after deducting the underwriting fees of $11.1 million. We used the net proceeds from the IPO to pay off outstanding borrowings under the Revolving Credit Facility and a portion of the outstanding principal balance of the Term Loan Facility.

Store Openings

During the thirteen weeks ended October 31, 2015, we opened 13 new stores. During the thirteen weeks ended November 1, 2014 we opened six new stores. During the thirty-nine weeks ended October 31, 2015 and November 1, 2014, we opened 25 new stores and closed one store and opened 19 new stores, respectively. In connection with these store openings, we incurred pre-opening expenses of $2.4 million and $1.1 million for the thirteen weeks ended October 31, 2015 and November 1, 2014, respectively, and $5.3 million and $3.9 million for the thirty-nine weeks ended October 31, 2015 and November 1, 2014, respectively.

Distribution Center

In April 2014, we opened our second distribution center, located in Commerce, GA. We incurred certain start-up costs related to the opening of this distribution center, including costs associated with securing the 962,280 square foot site and entering into the lease arrangements. As of May 2, 2015, we were entitled to occupy 554,040 square feet of the facility and are under a lease obligation to incrementally add square footage up to 962,280 square feet through November 2017. For the thirty-nine weeks ended November 1, 2014, we also incurred additional costs of $0.3 million associated with the opening and start-up of the Commerce, GA distribution center. In addition, we incurred costs related to hiring and training new associates for this distribution center. We expect to make additional expenditures related to our utilization of this additional space in fiscal years 2015 through 2017.

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 consolidated statements of income for the thirteen weeks ended and thirty-nine weeks ended October 31, 2015 and November 1, 2014 from our unaudited condensed consolidated financial statements and related notes. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
	(dollars in thousands)			
Consolidated statement of income data:				
Net sales	$ 174,565	$ 150,005	$ 518,968	$ 437,310
Cost of sales	104,641	90,410	314,943	263,108
Gross profit	69,924	59,595	204,025	174,202
Selling, general and administrative expenses	51,796	44,063	147,242	126, 066
Depreciation and amortization expenses	1,810	1,773	5,265	5,291
Pre-opening expenses	2,380	1,132	5,252	4,186
Operating income	13,938	12,627	46,266	38,659
Interest expense, net	3,289	4,754	12,286	13,796
Loss on extinguishment of debt	—	—	2,351	671
Income before income taxes	10,649	7,873	31,629	24,192
Income tax expense	3,887	3,022	11,854	9,285
Net income	$ 6,762	$ 4,851	$ 19,775	$ 14,907
Percentage of net sales (1):				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.9	60.3	60.7	60.2
Gross profit	40.1	39.7	39.3	39.8
Selling, general and administrative expenses	29.7	29.4	28.4	28.8
Depreciation and amortization expenses	1.0	1.2	1.0	1.2
Pre-opening expenses	1.4	0.8	1.0	1.0
Operating income	8.0	8.4	8.9	8.8
Interest expense, net	1.9	3.2	2.4	3.2
Loss on extinguishment of debt	—	—	0.5	0.2
Income before income taxes	6.1	5.2	6.1	5.5
Income tax expense	2.2	2.0	2.3	2.1
Net income	3.9%	3.2%	3.8%	3.4%
Select Operating Data:				
Number of new stores	13	6	25	19
Number of store closings	—	—	(1)	—
Number of stores open at end of period	200	173	200	173
Average net sales per store (2)	$ 904	$ 882	$ 2,802	$ 2,659
Comparable stores sales change	3.2%	6.2%	6.5%	2.4%

(1) Components may not add to totals due to rounding.

(2) Average net sales per store represents the weighted average of total net sales divided by the number of stores open, in each case at the end of each week in each fiscal period.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
	(dollars in thousands)			
Net Income	$ 6,762	$ 4,851	$ 19,775	$ 14,907
Interest expense, net	3,289	4,754	12,286	13,796
Loss on extinguishment of debt	—	—	2,351	671
Depreciation and amortization expenses (1)	2,358	2,246	6,901	6,544
Income tax expense	3,887	3,022	11,854	9,285
EBITDA	16,296	14,873	53,167	45,203
Non-cash stock based compensation expense	1,372	990	3,667	2,852
Pre-opening expenses (2)	2,380	1,132	5,252	4,186
Non-cash purchase accounting items (3)	(65)	(95)	(232)	(293)
Transaction related expenses (4)	—	—	322	—
Debt financing expenses (5)	—	—	—	445
Adjusted EBITDA	$ 19,983	$ 16,900	$ 62,176	$ 52,393

(1) Includes depreciation and amortization relating to our distribution centers, which is included within cost of sales on our consolidated statements of income.
(2) Represents expenses of opening new stores and distribution centers. For new stores, pre-opening expenses includes grand opening, advertising costs, payroll expenses, travel expenses, employee training costs, rent expenses and store setup costs. For distribution centers, pre-opening expenses primarily includes inventory transportation costs, employee travel expenses and occupancy costs.
(3) In September 2012 we were acquired by affiliates of CCMP, along with certain members of management (the "CCMP Acquisition"). Includes purchase accounting impact from unfavorable lease liabilities related to the CCMP Acquisition.
(4) Represents professional services and one-time compensation expenses related to the IPO.
(5) Represents fees and expenses related to amendments to our Senior Secured Credit Facilities.

Third Quarter 2015 Compared to Third Quarter 2014

Net Sales

Net sales increased to $174.6 million in the thirteen weeks ended October 31, 2015 from $150.0 million in the thirteen weeks ended November 1, 2014, an increase of $24.6 million, or 16.4%. The increase was the result of a comparable store sales increase of $4.5 million, or 3.2% and a non-comparable store sales increase of $20.1 million. The increase in non-comparable store sales was primarily driven by the increase in the number of stores which opened in fiscal year 2014 and the 25 new stores which opened during the thirty-nine weeks ended October 31, 2015. We plan to open three additional stores during the remainder of the fiscal year.

Comparable store sales increased 3.2% for the thirteen weeks ended October 31, 2015 compared to a 6.2% increase for the thirteen weeks ended November 1, 2014. The increase in comparable store sales was driven by strong sales in our food, electronics, books and stationery, clothing, and pet departments. In addition, mild weather during the thirteen weeks ended October 31, 2015 negatively impacted the sales of heaters.

Cost of Sales

Cost of sales increased to $104.6 million in the thirteen weeks ended October 31, 2015 from $90.4 million in the thirteen weeks ended November 1, 2014, an increase of $14.2 million, or 15.7%. The increase in cost of sales was primarily the result of increases in net sales and, to a lesser extent, increases in distribution and transportation expenses.

Gross Profit and Gross Margin

Gross profit increased to $69.9 million in the thirteen weeks ended October 31, 2015 from $59.6 million in the thirteen weeks ended November 1, 2014, an increase of $10.3 million, or 17.3%. Gross margin increased to 40.1% in the thirteen weeks ended October 31, 2015 from 39.7% for the thirteen weeks ended November 31, 2014, an increase of 33 basis points. The increase in gross margin was primarily the result of favorable increases in our merchandise margin, partially offset by increases in distribution and transportation expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $51.8 million in the thirteen weeks ended October 31, 2015 from $44.1 million in the thirteen weeks ended November 1, 2014, an increase of $7.7 million, or 17.5%. As a percentage of net sales, selling, general and administrative expenses increased 30 basis points to 29.7% in the thirteen weeks ended October 31, 2015 compared to 29.4% in the thirteen weeks ended November 1, 2014. The increase in selling, general and administrative expenses was primarily the result of increases in selling expenses of $6.0 million related to new store growth. These increased expenses consisted primarily of store payroll and benefits, store occupancy costs, and other store related expenses, as well as, additional expenses related to general and administrative expenses and public company expenses.

Pre-Opening Expenses

Pre-opening expenses increased to $2.4 million in the thirteen weeks ended October 31, 2015 from $1.1 million in the thirteen weeks ended November 1, 2014, an increase of $1.2 million. The increase in pre-opening expenses during the thirteen weeks ended October 31, 2015 was due to 13 store openings during the period compared to six store openings during the thirteen weeks ended November 1, 2014, an increase of seven store openings.

Interest Expense, Net

Net interest expense decreased to $3.3 million in the thirteen weeks ended October 31, 2015 from $4.8 million in the thirteen weeks ended November 1, 2014, a decrease of $1.5 million, or 30.8%. The decrease in interest expense is primarily the result of the decrease in the term loan balance and Revolving Credit Facility as proceeds from the July 15, 2015 IPO were used to pay down the term loan balance.

Income Tax Expense

Income tax expense for the thirteen weeks ended October 31, 2015 was $3.9 million compared to $3.0 million for the thirteen weeks ended November 1, 2014, an increase of $0.9 million, or 28.6%. This increase in income tax expense was primarily the result of a $2.8 million increase in pre-tax income, or 35.3%, offset by a favorable tax rate. Our effective tax rate was 36.5% during the thirteen weeks ended October 31, 2015 compared to 38.4% during the thirteen weeks ended November 1, 2014. The effective tax rate for the thirteen weeks ended October 31, 2015 was lower than the prior year effective tax rates primarily as a result of a discrete tax benefit related to the impact from the finalization of employment-based tax credits associated with fiscal 2014.

Net Income

As a result of the foregoing, net income increased to $6.8 million in the thirteen weeks ended October 31, 2015 from $4.9 million in the thirteen weeks ended November 1, 2014, an increase of $1.9 million, or 39.4%.

Adjusted EBITDA

Adjusted EBITDA increased to $20.0 million for the thirteen weeks ended October 31, 2015 from $16.9 million for the thirteen weeks ended November 1, 2014, an increase of $3.1 million, or 18.2%. The increase in Adjusted EBITDA for the thirteen weeks ended October 31, 2015 is due to an increase in net sales which was driven by a 3.2% increase in comparable store sales and a 15.6% increase in store count over the thirteen weeks ended November 1, 2014. As a result of the sales increase, we were able to increase our gross margin by 33 basis points, offset by increase in our selling, general and administrative expenses as a percentage of net sales for the thirteen weeks ended October 31, 2015 to improve our Adjusted EBITDA performance compared to the same period last year.

Thirty-nine weeks 2015 Compared to Thirty-nine weeks 2014

Net Sales

Net sales increased to $519.0 million for the thirty-nine weeks ended October 31, 2015 from $437.3 million for the thirty-nine weeks ended November 1, 2014, an increase of $81.7 million, or 18.7%. The increase was the result of a comparable store sales increase of $27.0 million, or 6.5% and a non-comparable store sales increase of $54.7 million. Our increase in non-comparable store sales was primarily driven by the timing of new stores, which opened during the thirty-nine weeks ended November 1, 2014, but were not open for a full 15 months during the thirty-nine weeks ended October 31, 2015, as well as 25 new stores which opened during the thirty-nine weeks ended October 31, 2015.

Comparable store sales increased 6.5% for the thirty-nine weeks ended October 31, 2015 compared to a 2.4% increase for the thirty-nine weeks ended November 1, 2014. The increase in comparable store sales during the thirty-nine weeks ended October 31, 2015 was driven by increased sales volume and price of certain popular items in the food department, which represent a growing part of our business and a larger portion of our product mix. Comparable store sales volumes were also favorably impacted by opportunistic sourcing and sale of certain popular products in other departments, including electronics, books and stationery, bed and bath, and pets compared to the prior year period.

Cost of Sales

Cost of sales increased to $314.9 million for the thirty-nine weeks October 31, 2015 from $263.1 million for the thirty-nine weeks November 1, 2014, an increase of $51.8 million, or 19.7%. The increase in cost of sales was primarily a result of increased net sales and to a lesser extent increased transportation and distribution expenses.

Gross Profit and Gross Margin

Gross profit increased to $204.0 million for the thirty-nine weeks ended October 31, 2015 from $174.2 million for the thirty-nine weeks ended November 1, 2014, an increase of $29.8 million, or 17.1%. The increase in gross profit was primarily the result of new store growth and increases in comparable store sales. Our gross margin decreased to 39.3% for the thirty-nine weeks ended October 31, 2015 from 39.8% for the thirty-nine weeks ended November 1, 2014, a decrease of 52 basis points. The decrease in gross margin was primarily attributable to increased distribution center costs for the thirty-nine weeks ended October 31, 2015 and was partially offset by favorable increases in our merchandise margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $147.2 million for the thirty-nine weeks ended October 31, 2015 from $126.1 million for the thirty-nine weeks ended November 1, 2014, an increase of $21.2 million, or 16.8%. As a percentage of net sales, selling, general and administrative expenses decreased 46 basis points to 28.4% for the thirty-nine weeks ended October 31, 2015 compared to 28.8% for the thirty-nine weeks ended November 1, 2014. The increase in selling, general and administrative expenses was primarily the result of increases in store-related expenses of $17.7 million to support new store growth. These increased expenses consisted primarily of store payroll and benefits, store occupancy costs, and other store related expenses, as well as, additional expenses related to general and administrative expenses, public company expenses and costs related to our IPO.

Pre-Opening Expenses

Pre-opening expenses increased to $5.3 million for the thirty-nine weeks ended October 31, 2015 from $4.2 million for the thirty-nine weeks ended November 1, 2014, an increase of $1.1 million, or 25.5%. The increase primarily relates to the pre-opening expenses incurred to open 25 stores during the thirty-nine weeks ended October 31, 2015 compared to 19 store openings during the thirty-nine weeks ended November 1, 2014, an increase of six store openings. The increase in pre-opening expenses was partially offset by reductions in the expense from the Commerce, GA distribution center which opened in April 2014.

Interest Expense, Net

Net interest expense decreased to $12.3 million for the thirty-nine weeks ended October 31, 2015 from $13.8 million in the thirty-nine weeks ended November 1, 2014, a decrease of $1.5 million or 10.9%. The decrease in interest expense is primarily the result of the decrease in the term loan and Revolving Credit Facility balance as proceeds from the IPO were used to pay down the term loan balance.

Loss on extinguishment of debt

Loss on extinguishment of debt increased to $2.4 million for the thirty-nine weeks ended October 31, 2015 from $0.7 million for the thirty-nine weeks ended November 1, 2014, an increase of $1.7 million. The loss on extinguishment of debt for the thirty-nine weeks ended October 31, 2015 represents the write off of debt issuance costs and original issue discount due to the pay down of a portion of the Term Loan Facility using the proceeds from the IPO. The loss on extinguishment of debt for the thirty-nine weeks ended November 1, 2014 relates to the debt issuance cost and original issue discount which was written off as a result of the second amendment to the Term Loan Facility which occurred in April 2014.

Income Tax Expense

Income tax expense increased to $11.9 million for the thirty-nine weeks ended October 31, 2015 from $9.3 million for the thirty-nine weeks ended November 1, 2014, an increase of $2.6 million, or 27.7%. This increase in income tax expense was primarily the result of the $7.4 million increase in pre-tax net income, or 30.7%. Our effective tax rate decreased to 37.5% for the thirty-nine weeks ended October 31, 2015 from 38.4% for the thirty-nine weeks ended November 1, 2014. The effective tax rate for the thirty-nine weeks ended October 31, 2015 were lower than the prior year effective tax rates primarily as a result of a discrete tax benefit related to the impact from the finalization of employment-based tax credits associated with fiscal 2014 and the impact from a slight reduction in the projected state effective tax on the net deferred income tax liabilities.

Net Income

As a result of the foregoing, net income increased to $19.8 million for the thirty-nine weeks ended October 31, 2015 from $14.9 million for the thirty-nine weeks ended November 1, 2014, an increase of $4.9 million, or 32.7%.

Adjusted EBITDA

Adjusted EBITDA increased to $62.2 million for the thirty-nine weeks ended October 31, 2015 from $52.4 million for the thirty-nine weeks ended November 1, 2014, an increase of $9.8 million, or 18.7%. The increase in Adjusted EBITDA for the thirty-nine weeks ended October 31, 2015 is due to an increase in net sales which was driven by a 6.5% increase in comparable store sales and a 15.6% increase in store count over the thirty-nine weeks ended November 1, 2014. This increase was partially offset by a decrease in gross margin of 52 basis points primarily due to increased distribution and transportation costs. Also, as a result of the sales increase, we were able to leverage a 46 basis point decrease in our selling, general and administrative expenses as a percentage of net sales for the thirty-nine weeks ended October 31, 2015, all resulting to improve our Adjusted EBITDA performance compared to the same period last year.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash provided by operating activities and borrowings under our Revolving Credit Facility. Our primary cash needs are for capital expenditures and working capital. As of October 31, 2015, we had $103.4 million available to borrow under our $125.0 million Revolving Credit Facility and $4.0 million of cash on hand. We had $214.0 million outstanding under our Term Loan Facility. On May 27, 2015 we amended the credit agreements governing our Senior Secured Credit Facilities to, among other things, increase the size of the Revolving Credit Facility from $75.0 million to $125.0 million and to permit a dividend to holders of our outstanding common stock. We also drew $50.0 million of borrowings on the Revolving Credit Facility, the proceeds of which were used to pay an aggregate cash dividend of $48.8 million to holders of our common stock. We repaid borrowings under our Revolving Credit Facility and a portion of our Term Loan Facility with the proceeds of our IPO.

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 plan to spend approximately $14.0 million for capital expenditures in fiscal year 2015. For the thirty-nine weeks ended October 31, 2015 we have spent $10.9 million for capital expenditures compared to $12.1 million for the thirty-nine weeks ended November 1, 2014. We expect to fund capital expenditures from net cash provided by operating activities. We expect to spend approximately half of our budgeted capital expenditures in fiscal year 2015 to open 28 new stores. As of October 31, 2015, we opened 25 new stores during fiscal year 2015. We also expect to invest in our distribution centers, store resets and general corporate capital expenditures, including information technology in fiscal year 2015.

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash on hand and borrowings under our Revolving Credit Facility. When we have used our Revolving Credit Facility, the amount of indebtedness outstanding under it has tended to be the highest in the beginning of our fourth fiscal quarter. Over the past two fiscal years, to the extent we have drawn on the Revolving Credit Facility, we have paid down the borrowings before the end of December each fiscal year with cash generated during our peak selling season in our fourth fiscal quarter.

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 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 and debt service over the next 12 months and the foreseeable future thereafter. If cash provided by operating activities and borrowings under our Revolving Credit Facility are not sufficient or available to meet our capital requirements, then we will 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 we need it or, if available, the terms will be satisfactory to us and not dilutive to our then-current stockholders.

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 31, 2015	November 1, 2014
	(in thousands)	
Net cash used in operating activities	$ (15,383)	$ (12,198)
Net cash used in investing activities	(10,894)	(12,081)
Net cash provided by financing activities	8,285	15,454
Net decrease during period in cash	$ (17,992)	$ (8,825)

Cash Used In Operating Activities

Net cash used in operating activities for thirty-nine weeks ended October 31, 2015 was $15.4 million, an increase from $12.2 million for the thirty-nine weeks ended November 1, 2014. The increase in net cash used in operating activities for the thirty-nine weeks ended October 31, 2015 was primarily due to changes in certain working capital accounts including the impact from the new stores added to the store base which was partially offset by the increase in net income from store performance.

Cash Used in Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended October 31, 2015 was $10.9 million, a decrease of $1.2 million compared to the thirty-nine weeks ended November 1, 2014. The decrease in cash used in investing activities relates to capital expenditures in 2014 for the new distribution center in Commerce, GA and the timing of new store openings.

Cash Provided By Financing Activities

Net cash provided by financing activities for the thirty-nine weeks ended October 31, 2015 and November 1, 2014 was $8.3 million and $15.5 million, respectively. The decrease for the thirty-nine weeks ended October 31, 2015 net cash flows provided by financing activities was primarily related to borrowings on the Revolving Credit Facility for our working capital needs during the thirty-nine weeks ended November 1, 2014.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily operating leases. Except as set forth below, there have been no material changes to our contractual obligations as disclosed in our final prospectus filed with the SEC on July 15, 2015, other than those which occur in the ordinary course of business.

During the thirty-nine weeks ended October 31, 2015, 27 new store leases commenced. The fully executed leases have initial terms typically between five to seven years with options to renew for two or three successive five-year periods which have future minimum lease payments which total approximately $30.6 million. We have also amended the credit agreements governing our Senior Secured Credit Facilities and our borrowings thereunder as set forth above under “Factors Affecting the Comparability of our Results of Operations – Financing Transactions and Payments to Stockholders.”

Off-Balance Sheet Arrangements

Except for operating leases entered into in the normal course of business, 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.

Seasonality

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts and disclosure of contingent assets and liabilities. There have been no significant changes in the critical accounting policies and estimates described in our final prospectus dated July 15, 2015.

Jumpstart Our Business Act of 2012

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act. We will remain an emerging growth company until the earlier of (1) the last day of our fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies.

Recently Issued Accounting Pronouncements

Recently issued accounting standards are discussed in Note 1(j) to the condensed consolidated financial statements.

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 credit facilities, which bear interest at variable rates. As of October 31, 2015, we had $18.1 million in outstanding borrowings under our revolving credit facility and $214.0 million under our term loan facility. The impact of a 1.0% rate change on the outstanding balance of the term loan facility as of October 31, 2015 would be approximately $2.1 million.

As of October 31, 2015, there were no other material changes in the market risks described in the "Quantitative and Qualitative Disclosure of Market Risks" section of our Prospectus filed with the SEC on July 15, 2015.

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 (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. We have not engaged an independent registered accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. Presently, we are not an accelerated filer, as such term is defined by Rule 12b-2 of the Exchange Act and therefore, our management is not presently required to perform an annual assessment of the effectiveness of our internal control over financial reporting. This requirement could apply as early as our Annual Report on Form 10-K for the year ending January 30, 2016 if certain triggers requiring accelerated filing deadlines are met prior to that. Our independent public registered accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for the first year we are no longer an "emerging growth company". 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 31, 2015 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 that we are a party to. However, we do not believe that an unfavorable decision of any of the current claims or legal actions against us, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

ITEM 1A. RISK FACTORS

See Item 1A in our Quarterly Report on Form 10-Q for the quarter ended August 1, 2015 for a detailed description of risk factors affecting the Company. There have been no significant changes from the risk factors previously disclosed in that filing.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
*10.1	Employment Agreement by and between Ollie’s Bargain Outlet, Inc. and Jay Stasz.
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101.INS	XBRL Instance Document.
**101.SCH	XBRL Taxonomy Extension Schema Document.
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Submitted electronically with this Report

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SIGNATURES

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

OLLIE'S BARGAIN OUTLET HOLDINGS, INC.

Date: December 10, 2015

/s/ John Swygert

John Swygert
Executive Vice President and
Chief Financial Officer

Exhibit 10.1

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

November 18, 2015

Jay Stasz
2083 Montane Drive East
Golden, CO 80401

Dear Jay:

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 November 18, 2015 (the "Effective Date") and continue until terminated in accordance with Section 7 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 of Finance and Chief Accounting Officer. In this capacity, you will perform the duties typically assigned to such a position, and shall report to the Executive Vice President and Chief Financial Officer. You will be accountable to, and will also have such powers, duties and

responsibilities as may from time to time be prescribed by, the Executive Vice President and Chief Executive Officer of the Company; provided, that such duties and responsibilities are consistent with the position of Senior Vice President of Finance and Chief Accounting 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 6); 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 $250,000 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 $250,000. Your Base Salary for 2015 will be pro-rated for the actual number of days you are employed in the calendar year 2015.

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 80% 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	80% 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, (f) management fees, if any, paid by the Company Group to the CCMP Stockholders (as defined in the Stockholders' Agreement) and their affiliates and (g) 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 (in each case, with the CCMP Consent); 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 (in each case, with the CCMP Consent) 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 be granted stock options to purchase 50,000 shares of common stock of OBO Holdings, Inc. (the "Option"). The Option 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 substantially in the form 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 your 6th calendar year of employment with the Company, you will be eligible to receive twenty (20) days of PTO per year. You will not be entitled to any cash, severance payment or other compensation for PTO 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 2015. 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. Ollie's will provide you with a $75,000 lump sum relocation check, less applicable withholding, on the first regularly scheduled pay period following the Effective Date ("Relocation Allowance"). In addition, the Company will reimburse you up to $10,000 in travel expenses for travel to and from Colorado before your relocation to Harrisburg, Pennsylvania ("Travel Reimbursement"). You will be reimbursed up to $1,600 per month for temporary housing ("Temporary Housing Benefit"), provided that such Temporary Housing Benefit shall continue for a period of a maximum of 6 months from the date you first incur expenses for which you seek reimbursement. Any of the foregoing reimbursable expenses shall be accounted for by you and be subject to the reasonable review and approval of the Company prior to payment. The Relocation Allowance, Travel Reimbursement, and Temporary Housing Benefit shall be referred to collectively herein as the "Relocation Expenses." If your employment ends for any reason,

the Relocation Expenses shall be repaid to the Company according to the following schedule: (a) 100% if employment is ended at or within 12 months, and (b) 50% is employment is ended between 12 and 24 months. For the avoidance of doubt, in the event of a termination that triggers the repayment obligations of this paragraph, the Relocation Allowance shall be repaid to the Company in cash, and not by transfer of title or lien on any property.

7. 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 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 life 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 to comply with applicable law to 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, and is further conditioned upon your continuing compliance with the provisions of Sections 8 and 9. 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 effective date of the Release (i.e., once it becomes irrevocable), 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 becomes irrevocable on the twenty-eighth (28th) day following the Termination Date, 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 8 or Section 9, 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 7, 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 8 and 9 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.

“Stockholders’ Agreement” shall mean that certain Stockholders’ Agreement of OBO Holdings, Inc., entered into as of July 15, 2015, by and among OBO Holdings and the stockholders listed on the signature pages thereto, as such agreement may be amended from time to time.

“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, 11, 13, 14, and 17 hereof).

8. 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).

9. 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 discounted or 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 8(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 8 and this Section 9. 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 8 or this Section 9, 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 8 or this Section 9 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 9.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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: Chief Financial Officer

With a copy to:

CCMP Capital Advisors, LLC
245 Park Avenue, 16th Floor
New York, NY 10167
Attention: Richard Zannino, Joe Scharfenberger and Official Notice Clerk
Facsimile: (917) 464-7576

and

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

15. 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.

16. 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.

17. 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/ Robert Bertram
Name: Robert Bertram
Title: General Counsel

Accepted and Agreed To

/s/ Jay Stasz
Name: Jay Stasz

[Signature Page to Stasz Employment Letter Agreement, dated November 18, 2015]

Exhibit A

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

Exhibit B

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 November 18, 2015 ("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); provided that nothing herein shall be a release of my rights to enforce any provision of the Letter Agreement, or the Stockholders' Agreement (as defined in the Letter Agreement).

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 13 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: ______________________________

Exhibit 31.1

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

In connection with the quarterly report of Ollie's Bargain Outlet Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended October 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Butler, 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 10, 2015

/s/ Mark Butler
Mark Butler
Chief Executive Officer

Exhibit 31.2

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

In connection with the quarterly report of Ollie’s Bargain Outlet Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended October 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Swygert, 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 10, 2015

/s/ John Swygert
John Swygert
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS

I, Mark Butler, 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) Intentionally omitted;

   (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 10, 2015	/s/ Mark Butler
	Mark Butler President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)

Exhibit 32.2

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) Intentionally omitted;

   (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 10, 2015

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